

### This Issue: Succession Planning – your personalized action plan.

#### Practice for Retirement!

It can be surprising to hear someone lament about being retired: *It's not what I imagined; I feel that I'm infringing on my spouse's routine; and, the costs are different than I expected*. It's understandable that retirement can be stressful for folks (some even worry if they've hired the right financial planner – but I trust that isn't your case). I believe that with a little practice (and planning) retirement will be more enjoyable. Allow me to explain.

Practicing for retirement is something we stress as part of a client's **Succession Plan**. This strategy will not only position your investments to support your retirement income (our **exit strategy**), but also help position you for the emotional changes that come with leaving the work force. Our process begins 5 to 10 years prior to retirement and builds as we go deeper into a conversation about retirement. As we continue to manage portfolio adjustments and ensure short-term income needs are linked to fixed income assets, we also spend time coaching clients through the process of practicing for retirement. Here are a few of the benefits of this practice:

1) Test the plan. If you plan to volunteer, start before you retire and learn what you like doing and what you don't. Your charity of choice may be too large/small to feel you're able to make a difference. Your current hobbies may be great, but can you scale them up to fill more time in retirement? Try taking a week off work and playing golf every day – you may find your enjoyment (or your budget) for the game is best suited for one round a week. Thinking of cruising into retirement? Then set sail and test your inner ear. Some find that as they age, they are not as accepting of being tossed by the sea.

If your plan doesn't stand up to this practice, you still have time to make adjustments BEFORE you retire.

2) Prepare your mind. Too often retirees find the sudden stop of retirement is an emotional challenge. Mornings drag on, healthy habits fade, and depression like symptoms surface. A healthy routine takes time to form, and new habits take time to entrench.

I suggest taking long weekends leading up to retirement. Allow your mind to adjust to a less demanding routine/timetable and practice setting a new schedule. This practice will provide an added boost of positive energy to propel you into retirement.

3) Prepare your family. If your spouse has retired before you, you may find when you retire that you inadvertently mess with his/her routine. If you're going to spend more time at home and more time with your spouse, then you should talk about this before it happens. I'm not a marriage counselor, but clients who practice retirement have good family conversations about these routines. Your

**A plan for each stage of life**  
**Retiring on YOUR terms**  
**The punctuation on your epitaph**

**Succession Plan**

relationships will benefit from this practice as improved communication can smooth the transition into retirement.

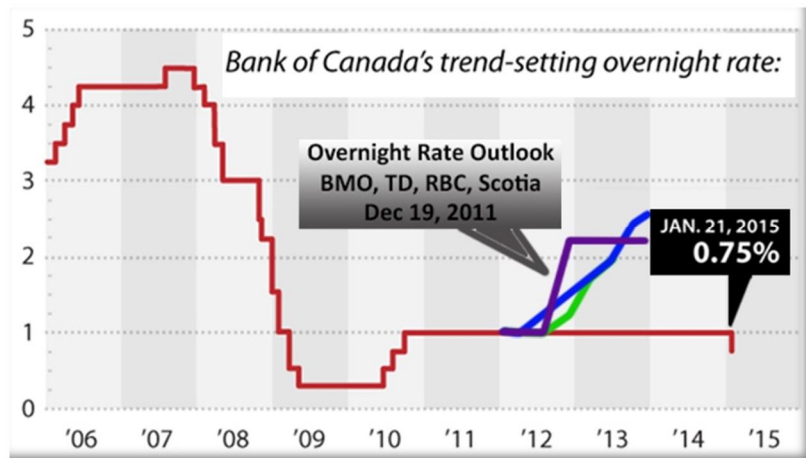
At Legacy Partners, we practice what we preach, and over the last 10 years we've assisted two advisors through a 5 year retirement process. Our primary goal was to allow clients time to get to know their new advisor. But as the new advisor got up to speed and took on more work, this process allowed the outgoing advisor to take long weekends so they could practice retirement!

To make a successful transition into retirement, I believe everyone should have a **Succession Plan** and practice their transition into retirement. Through practice, you'll test your plan, be able to make adjustments prior to retirement and even get greater enjoyment from your final

years of work. If you're thinking about retirement, give me a call. Together we can help you prepare for the greatest vacation of your life.

## How Low Can They Go?

In 2011, most everyone was predicting Canadian lending rates would soon begin to go up. Nobody was predicting they could go lower – but last month they did! If we overlay those predictions with the recent Bank of Canada (BOC) chart, it's clear that predicting interest rates is no easy feat.



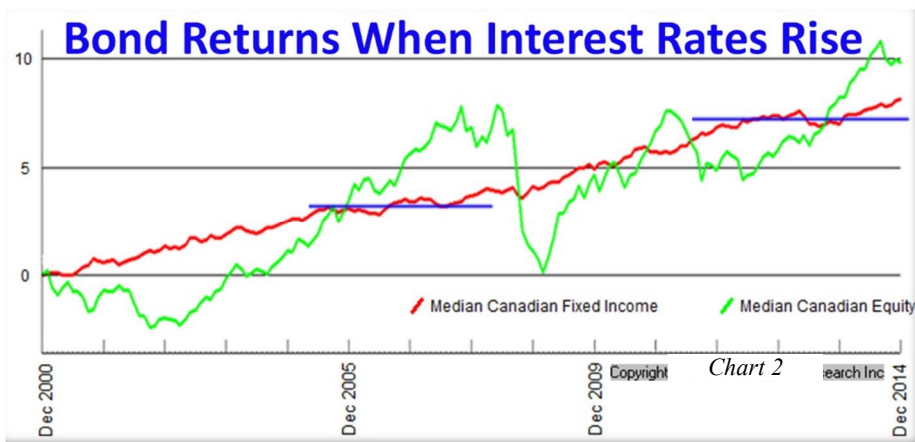
Source, chart 1: [www.ratehub.ca](http://www.ratehub.ca) & The Bank of Canada

At that time, in 2011, pundits recommended investors leave the bond market as rate hikes would have a significantly negative impact on bond returns. While there can be an inverse relationship to bond returns and the BOC rates, our team at Legacy Partners stuck to our financial planning methodology and continued to utilize bonds as a key piece of our exit strategy and a fundamental component of diversification. We pointed to 2004 when the BOC rate went from 2% to 4.5% over 4 years, and said: a) when rates eventually go up, we don't foresee them rising quickly (due to ample global economic headwinds) so the impact on bonds will again be muted, and b) your fund managers are shortening the duration on bond purchases and are well equipped to manage rising interest rates. As shown in chart 2, a slow steady rise resulted in flat returns for

bond funds (see blue lines) leading up to 2008. In 2011, this pattern of relatively flat returns materialized again, on just the *anticipation* of rate increases.

It is the low volatility of bond funds (red line) compared to the large swings in the equity funds (green line) that necessitate our use of bonds in a well-planned exit strategy. Careful consideration is given to your retirement cash flow as we segment your investments to match both long-term AND short-term needs. At regular intervals, your account is rebalanced to replenish the low-volatile assets and ensure a steady cash flow to meet your retirement income goals.

Predictions and prognostications make for good headlines, but rarely do they capture the whole story. Unfortunately, these headlines can sometimes cause a herding effect when investors react irrationally for fear of being left behind, and inadvertently move farther away from their intended destination. One of our key accountabilities is to help our clients see past the media blitz of one-size-fits-all recommendations. We take pride in working with our clients to **stay focused on their personalized financial plan** that meets their unique retirement needs. If you have questions about what you're reading in the media, or would like to review the personalized aspects of your exit strategy, please give us a call. We're here to help and always welcome your questions and feedback!



The information in this letter is general in nature. You should consult your Financial Advisor before making changes to your investment plan.

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**Financial Planning for People with a Purpose!**

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## Our Passion...

We believe there is no greater purpose in life than to leave things better than you found them. If everyone did this, day in and day out, what a wonderful Legacy that would be. A person's Legacy can take many different forms – spending quality time with your family; building a business you can be proud of; or helping a neighbour in need. At Legacy Partners of London, we believe everyone has the potential to achieve their greater purpose and we work closely with our clients to help them Create and Conserve their Legacy.