Majority of Canadians Expect to Work Past 65

Recent industry research shows the number of Canadians who expect to be working full time past 65 has now surpassed those who believe that they will be fully retired.

This number has grown over the past seven years as three out of five Canadian workers now expect to work either full time or part time when they retire, compared with fewer than three out of ten current workers who expect to be fully retired. The research also found that more than a third of working Canadians believe there is a serious risk they will outlive their savings compared with one in seven retirees.

Why There is No Retirement Crisis

Many fund companies, banks and advisors will tell you that you need 60% to 80% of your pre-retirement income to maintain the same standard of living in retirement. But, a recent study by Human Resource consultants Morneau Shepell found that a typical Canadian couple actually needs a lot less.

How much less might you need? Morneau Shepell found that a working couple, who earned $100,000, owned their own home and raised two children, only needs to replace about 43% of their pre-retirement income. If the same couple is childless, they need to replace slightly more, say about 55% because they are accustomed to spending more money on themselves.

The study found that you need so much less to live on in retirement because many midlife costs no longer exist.

Gone is the cost of raising kids and mortgage costs are eliminated when the home is paid off. Employment related costs taper off and of course there is no need to save for retirement. Retirees also pay less income tax. Retirees are okay because they generally find, to their pleasant surprise, that they don't need as much as they thought.

That begs the question "Why do a majority of Canadians expect to work past 65?"

Long Term Care

Did you know that 72% of Canadians with Alzheimer's are women? Females are more likely to need long- term care in their future. You should make sure that you and your loved ones are financially ready for this cost. In 2011, caregivers in Canada spent 444 million unpaid hours caring for family members with health needs, according to the Alzheimer's Society of Canada.

Long- term care costs can quickly add up. The Canadian Life and Health Insurance Association suggests that long- term care can cost up to $35,000 per year. Females aged 65 can expect to live another 22 years. Long- term care insurance gives clients choices about the care they receive. It's easy to underestimate health care needs, which can eat up savings unexpectedly.

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Economic Outlook

Will there be a stock market crash? Will it happen in 2015? No one knows.
We're not hoping for a massive crash like in 2008-09, but a market correction would be great. Sometimes investors forget that when they buy a stock, they are not buying the "market", they are buying a share in a real corporation. The price you pay should reflect that company's long term prospects, not the greed or fear in the market. Sometimes prices become untethered from the companies themselves and climb too high. A market correction fixes that by eliminating phantom value that was never there to begin with.

Economic Outlook - continued

Whenever a correction or crash happens, you'll see big scary headlines in the news. But corrections happen like clockwork, whenever the market gets overvalued. Since 1928 the stock market has seen at least a 20% decline once every four or five years, on average. History indicates that the amount of the correction cannot be guaranteed, historical data indicates that there will be corrections.

The key to investing success is to buy low and sell high. Never forget that. You need the high and the low for it to work. So the next time the market crashes, see it for what it is, a wonderful opportunity to load up on stocks when they are on sale.

If you have any money invested in the stock market that you'll need this year or the following few years, take it out of the market now. Money that you need in the short term shouldn't be invested in the market.

RRSP'S and Personal Bankruptcy

All provinces protect pensions well. For example, the Insurance Act of Ontario states that if the RRSP has a life insurance component, it is exempt from seizure if the beneficiary is your grandparent, parent, spouse, child or grandchild. This includes plans made up of segregated funds.

Prior to 2009, if the beneficiary was the debtor's estate, these funds would have been at risk. But that year, the federal government changed insolvency laws to provide further protection for RRSP's. Funds that have been on deposit for longer then 12 months are now protected. However, funds that aren't otherwise protected by the insurance act can be seized if they are deposited in the 12 months immediately before declaring bankruptcy.

Unlike RRSPs, other registered accounts such as RDSPs, RESPs and TFSAs are not protected from seizure under Canada's Bankruptcy and Insolvency Act. Any protection that they may be entitled to is set out in each of the province's Execution Acts. In most cases, a trustee is able to claim these assets for creditors.

Mortgage Life Insurance Labeled "Junk Product"

One of Canada's leading financial journalists is saying what many advisors have long believed about bank mortgage life insurance.

Rob Carrick, of the Globe and Mail has labeled bank mortgage life insurance "a junk product".

Mortgage life insurance was in the news this past summer after Stoney Creek resident Christopher Massa's death. His mortgage and mortgage life insurance was with a bank when he was diagnosed with lung cancer.

After his death, the bank denied the claim on his $289,000 mortgage "because he was not eligible for insurance coverage based on his health condition." "Banks are hyper aggressive in selling this junk product and some mortgage brokers are getting into the act." Carrick writes.

Carrick thinks the situation the Massa family faced can be avoided. "Buying insurance to pay off your mortgage if you die is a great thing to do for your family, just buy it from an insurance company with competitive rates on term life policies. The coverage will most likely be cheaper than a bank sold policy and you pick your beneficiary."

"Know what you own, and know why you own it"
- Peter Lynch

"An investment in knowledge pays the best interest."
- Benjamin Franklin

"Investing in what is comfortable is rarely profitable"
- Robert Arnott