# Aging couple plans for financial future

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## Maude and Bernard's biggest monetary concern is their health

Maude and Bernard, both 85, live independently in their own home in a small town in northern Ontario. Maude is in good health and manages the couple's day-to-day finances and long-term investments. Bernard's eyesight is failing and he was recently diagnosed with prostate cancer. Maude believes it's time for them to transition into a nursing home or assisted living facility. The problem Money is not an issue for this couple. They have an abundance of financial resources to draw on. But they aren't sure how best to manage their savings through their final chapter of life.

They wish to carry on with safe investments, minimize probating fees in their eventual estate and be generous to their two adult children now while having enough to carry on with their life and tend to their personal health needs. The particulars Assets House: $300,000 Combined RRSPs: $271,000 Combined TFSA: $90,000 Combined non-registered assets: $1 million Combined savings accounts: $190,000 Liabilities None The plan Maude and Bernard's biggest financial variable is their health, says Tom Feigs, a certified financial planner at Money Coaches Canada in Calgary.

Maude has researched assisted living residences in her area and discovered the best ones are in the $4,000 a month range for double occupancy.

If they were to sell their home and transition to assisted living, it would bump their $39,000 a year lifestyle to $69,000 a year, Feigs notes. While the couple can afford this, Feigs wonders if private home care might be a flexible intermediate solution to extend their stay at home.

"Bernard's failing eyesight also makes him much more dependent on the familiarity of his home and the companionship of community and friends," Feigs says. "Home care can be secured for a few hours a week to 24 hours a day."

It can be a challenge to navigate through Ontario's home care system but Feigs recommends that Maude investigate further. "It's hard to predict health outcomes but Bernard's health could fail more suddenly than expected," he says. "Maude could find herself in good health, capable and independent. Assisted living would no longer be suitable."

Feigs has come up with three possible options for Maude and Bernard.

Option A is to sell the home and move into assisted living at $4,000 a month. Feigs calculates that would be sustainable for 15 years and they would have $800,000 to set aside for their adult children in 2019 or later. The principal residence is exempt from probate fees.

Option B is to keep living at home supplemented by private home care and avoid assisted living, Feigs says. Maude should budget $25,000 to $35,000 a year for home care. This would be sustainable for15 years, and the couple would have $600,000 of surplus that could be gifted to family members.

Option C is really a combination of Option A and B.

Any money they wish to give to their kids now should only come from their banking or non-registered accounts, Feigs notes.

Feigs took a look at the couple's overall finance management. He found they have as many as eight bank accounts. Most of their investments are laddered Guaranteed Investment Certificates (GICs), which are spread among several financial institutions to be fully insured by Canada Deposit Insurance Corporation. He recommends they take steps to simplify their banking. They only really need two bank accounts.

One account can be for their normal lifestyle expenses that are covered by Canada Pension Plan, Old Age Security and annual Registered Retirement Income Fund (RRIF) withdrawals.

"They should direct all of this income to this account and pay all personal bills and credit card purchases from it," Feigs says. "It will be more than enough to pay their annual expenses and income tax."

He suggests allocating the second bank account for home care or assisted living. In this account, they would spend this money on the caregivers and attention they need, aside from their usual spending. He recommends they deposit $30,000 into this account as a starting point. Each year, they can transfer more funds from non-registered accounts according to their revised needs.

Feigs says the couple needs to ensure their non-registered investments are maturing in roughly equal amounts every year going forward so that the taxable income is spread out over the years evenly. They can expect a rate of return of 1 per cent to 1.5 per cent in the current low interest environment, he says.

He notes $400,000 is needed to supplement the highest potential caregiving cost range over the next 15 years. He recommends they set up a new GIC ladder such that $87,500 matures (one year, two years, three years, four years) starting when the current GICs are maturing throughout 2019.

"That way they are invested consistently and there is a maturing GIC every year going forward," Feigs says. "As each GIC matures, they can move sufficient cash to the caregiving account and reinvest the balance into another four-year GIC. If the house is sold and the amounts of non-registered go up, they could increase the holdings and match this ladder strategy."

Both of their TFSAs should be topped up every year. Feigs recommends transferring money to the TFSAs from their non-registered accounts. Solid estate planning means ensuring updated beneficiary designations are named on all accounts to avoid probate and for ease of transferring inheritances. For instance, Maude and Bernard should name each other as the beneficiary of their TFSA accounts. When a spouse passes away, the TFSA amount will be merged with the surviving spouse and does not affect the TFSA beneficiary's contribution limit.

The couple should also name each other as the beneficiary of their respective RRIF accounts. Besides avoiding probate, the assets in the account would automatically flow to the surviving spouse without triggering a deemed disposition. When one spouse has passed, the surviving spouse needs to remember to name their two adult children as equal beneficiaries of the RRIF accounts, Feigs says. This helps to equalize the tax on the remaining RRIF accounts.

The couple are in the process of updating their wills and powers of attorney. Maude and Bernard need to ensure there isn't an inadvertent conflict between the beneficiaries listed at the financial institutions and their wishes stated in their wills.

"Their lawyer needs to know about the distribution plans that are in place," Feigs says. He also recommends that they talk to their chosen executor about their wishes. "Make sure the executor knows where to locate your will, banking statements and investment statements."