Mapping out a clear path for your investments at retirement

Robert is 60 and has a low risk tolerance. So how should he invest his money to suit his wants and needs?

BY JANET GRAY ON MAY 11, 2020

Q. I retired last year at age 60 and am fortunate to have defined benefit pension, which I can live off comfortably.

I have accumulated some savings, which I am now looking to invest more productively. My risk tolerance is on the low end—a 2 out of 5 based on an online survey I completed. My goal is to grow my assets "safely" and occasionally use some of the money to travel, purchase a new car and to maintain a good emergency fund.

My current asset mix includes:

RRSP – $115,000

Stocks – $15,000

GIC – $105,000

TFSA – $60,000

Cash – $362,000

I have been reading a lot of material to better understand investment options available to me but, honestly, I feel overwhelmed. I am working with a financial advisor at my local bank, but he deals mainly with mutual funds, which I understand are expensive and have not performed well versus other options. I met with a private consulting firm but didn't feel comfortable when the manger could not explain clearly what his fees were and how he would be paid.

Any suggestions to point me on a clear path would be appreciated.
–Robert

A. Hi Robert, and thank you for your question. A good financial roadmap for the future is important for keeping you on track to grow your finances and live a comfortable lifestyle in retirement.

A good way to start is to define what your goals are for retirement and to prioritize them. What are some of the things you need or want to purchase or experience? Being clear about this will help you to determine where your money needs to be and how it needs to be invested—that is, for the short term (under one year), medium term (three years or so) or long term (five years or more.) Basically, this "gives your money a job," as I like to call it.

For instance, define what type of travel you'd like to do, how much it will it cost and when you will you need the money for it. If you want to take an annual trip for the next 3 years at a cost of $5,000 each, plan to put $15,000 into a shorter term investment such as a non-registered account or TFSA. This might be in a high interest savings account or in a combination of cash, a 2-year term GIC, and a 3-year term GIC (depending on interest rates).

I suggest you carve out a portion of your cash and isolate it for each financial goal you set. You may have several goals and so would have a place for each amount needed. Once you know what the savings will be used for, it's easier to choose the financial product for that timeline. Matching the money/investment to the job (financial goal) gives you peace of mind knowing that when the money is needed, it will be ready to be put to work. It also makes the investment choices more evident.

On a different note, it looks like you might still have TFSA room, and if this is the case, I suggest you top up your TFSA. Did you know that you can hold several TFSAs as long as their combined total is not over your allowed contribution room? So, you could have a TFSA with medium-term investments *and* one with longer-term investments.

Finally, you have quite a few financial assets—especially in cash—some of which likely needs to be invested for the medium and long term. To get you on the road to isolating your financial goals, creating a financial plan, and coming up with an investment plan for the long term, consult with a fee-for-service financial planner who does not sell any financial products. They charge by the hour, at a cost of roughly $200 per hour. Five or six hours of their time—and their unbiased opinion on which investments may suit your risk tolerance going forward—is time (and money) well-spent.

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