

# Retirement Income Planning Doesn't End When Retirement Starts



**In your working years, the idea of retirement might seem idyllic, as the stress of saving for retirement is over and done. However, in reality, the retirement phase of life can be filled with many decisions that require careful attention.**

For example, decisions about when and how to downsize from a principal residence can weigh heavily on a retiree with a fixed income stream. This was what Audrey James, age 85, faced when she went to her long-time **IPC Advisor, Midori Hillis**, in Victoria, B.C. with the decision to change her living arrangements.

**Audrey's Question:** Can she increase her living expenses and still leave a financial legacy? With Midori's on-going advice and planning strategies, Audrey was able to confidently navigate this major life transition, secure her own future and her wealth transfer plans.

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Using the right mix of strategies, Audrey was able to ensure short-term market fluctuations would not erode her investments.

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## The Goal: Downsize, but Meet Increased Living Costs

Widowed early, Audrey lived in a condo she'd bought many years ago. Now managing a household on her own was starting to take its toll.

Since Audrey and Midori first started working together some 20 years ago, the plan had always included the option for Audrey to sell her primary home and downsize when she was ready. Now that the time had come for a move, it opened the door to a whole new series of decisions Audrey had to make.

- Where would she move?
- What could she afford on a new living arrangement?
- How would she make sure she wouldn't run out of money?
- Could she still leave a financial legacy for her estate?

## The Plan: Unlock equity, Protect from Inflation, Use a Cash Wedge

With news that Audrey was ready to find a new living arrangement, Midori knew it was time for the plan they'd worked on through the years to kick into action.

Audrey's income is modest, mostly made up of Canada Pension Plan, Old Age Security, and a small private pension.

With the switch to assisted living, her spending needs would go up significantly. Luckily, her condo had risen in value over the past 40 years, becoming her most significant asset, apart from the savings in her Registered Retirement Income Fund (RRIF).



Once Audrey settled on an assisted living facility, Midori helped her find a local realtor who could properly estimate what Audrey would get from the sale of her condo.

Based on Audrey's estimated expenses, current income streams, and the proceeds from her condo sale, Midori ran projections and put together a detailed plan to provide the income that Audrey will need every year for the next 15 years. The plan also includes an option for Audrey to further downsize along the way should her expenses increase by moving into a smaller studio space from her current one bedroom apartment.

With Midori's guidance, the plan ensures Audrey's intended financial legacy will be met by securing guarantees on part of her portfolio. It also protects her from the impact of inflation by including a conservative strategy to invest in assets that are expected to grow at or above the inflation rate.

These two goals are met by using segregated funds, which ensure that 100% of Audrey's deposits go into her estate (with a 100% death benefit guarantee) regardless of stock market fluctuations. At her death, her estate will receive the current market value of her investments or her total contributions less redemptions, whichever value is higher.

This strategy provides Audrey peace of mind that short-term stock market volatility will not erode the value of her investments for her estate.

Audrey's near-term income requirements are secured by a strategy known as a cash wedge, which sets aside the next 18-24 months of her income needs in a high-interest savings account. By securing up to two years of Audrey's income needs, Midori and Audrey can choose the best time to take more funds from the portfolio as needed.

## Next Steps: Continuous Review and Dialogue

With Midori's planning and advice, Audrey felt sure about her next step. Though these are significant changes, the plan allows Audrey to see her cash flow expectations and the value of her potential estate each year. Should Audrey need to increase her level of care or decrease the monthly cost of her living arrangements, she and Midori can make the necessary adjustments.

Audrey and Midori will continue to meet twice a year to review and update her plan, as they've done for two decades now.



**Midori Hillis, BA, CFP®**  
Senior Financial Advisor

### Midori's Perspective

"It is a balancing act to develop a plan when investors face significant changes in a short time. Retirement income planning should start early. Regular dialogue with your advisor will allow you to adapt your plan to meet life's transitions, so you confidently live life on your terms. That's what I aim to provide for my clients: confidence and choice."

### Audrey's Insight

"I couldn't have made this significant change without Midori. I am all settled into my new apartment, and I have peace of mind that I can afford the additional costs that come along with being in a place like this – which means I can enjoy my time here."

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