

7 WAYS

to Give
Your Retirement
a Raise



NorthfrontFinancial

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1 Don't Be Too Conservative in Your Investing

Not taking enough risk is a risk itself. Investment assets that are often considered to be conservative carries a different, but hidden, risk – the risk of running out of money. Inflation is also a factor that retirees must consider as part of their long-term investment strategy.

Understanding what is meant by “risk” is a vital starting point when you’re planning how to invest for your retirement.

Most people consider bonds to be a conservative investment and traditionally a conservative investment portfolio would comprise a large percentage of fixed interest securities such as bonds. But ask yourself whether you believe that interest rates will go up or down over the next few years.

If you believe they will go up, then by investing a large part of your portfolio in bonds you would be likely to lose money. This is because, as interest rates go up, bonds become less attractive, and their price goes down. Cash and Guaranteed Investment Certificates are also considered to be conservative investments. But the yield they typically produce may be insufficient to be appropriate for your long-term goals.

Ask yourself another question – Do you believe inflation will increase from the historically low level it has been over recent years? If you believe that inflation will increase, then holding too much of your retirement portfolio in bonds and cash may not be prudent, as the income produced may be less than inflation resulting in your retirement being insufficiently funded.

2 Diversify using Alternatives

Most investors only own stocks and bonds, and they believe they are diversified. But, in reality, they are not, as stock and bond prices can move in the same direction – they zig and zag together. And the main purpose of diversification is to have some investments that zig while others zag. That way you reduce volatility in your overall portfolio.

To gain true diversification it is important to hold “Alternative Assets”. These are investments that behave differently to stocks and bonds and have the potential to keep providing steady levels of return when stocks and bonds are fluctuate.

Alternative assets include investments in infrastructure, real estate, private equity, venture capital, private debt, timber, and farmland, amongst ot

Think about what happens to commercial rents when inflation rises – they tend to increase. And infrastructure spending by governments globally is not directly affected by stock market values, interest rates or inflation.

Alternative investments can be used to provide stability along with higher yields than traditional “conservative” assets.

Investing in alternative assets can be a bit daunting if you are only familiar with more traditional investment classes. You also have to be aware of differences in liquidity or how fast you can turn alternative investments into cash. At Northfront, we specialize in alternative investments and can guide and advise you on their suitability to your long-term goals.

3 Manage Withdrawals Properly

Accumulating a portfolio is very different to drawing down from it. Whilst accumulating, the aim is straightforward – to achieve the best overall return possible.

However, when it's time to switch from saving to spending, our experience is that a lot of investors have trouble coming to terms with the transition. After working with hundreds of investors who are close to retirement or retired, we've found that the decisions about how to generate retirement income and how much to draw can be quite stressful.

Even if you've accumulated a substantial nest egg, drawing the wrong amount can put your retirement at risk by running down your funds too quickly.

And planning how much to drawdown each year involves you making decisions based on several factors that are simply outside your control, such as investment returns, stock-market volatility, inflation, interest rates and your and your spouse's life expectancy.

Draw too much in the early years and you might run out of money to fund your later years. But drawing too little might deprive you of the retirement experiences you've been looking forward to through your working life

You must balance how much risk to take in your investments with the level of return needed to provide your retirement income. Too conservative an approach will lead to low returns and a shortfall, too aggressive and you might fall short.

Many people assume, given the stock market's long-term returns of about 8% a year, they can take 8% out a year for the rest of their lives. But that is a recipe for disaster because the market doesn't move in a straight line. For example, if the market turns bearish and

drops 20% and you still take 10% out, you will need a 39% gain just to get back to the initial value. A couple of years of that kind of bear market withdrawal and you could be in a world of financial hurt when you are running out of time to recover.

Other people take a different approach and draw too little because they're frightened of reducing their principal. But reducing your principal is not necessarily the wrong thing to do, particularly if your accumulated wealth is enough to provide for your retirement needs for the rest of your life, and you don't have any desire to leave any capital legacies to individuals or organisations.

For most people the proposition is daunting as they're having to make decisions now that will affect their financial security for the remainder of their and their spouse's lives. It can involve a melting pot of emotions, which can lead to poor decisions being made.

It's also important to consider any government benefits and how the drawing of income might affect them.

Taxation is another issue that can make a big difference to the net amount available to spend from the withdrawal. Drawing capital, rather than natural income such as interest or dividends, can be very tax efficient.

Making the correct decisions means taking stock of your own situation and goals and setting up your retirement portfolio to give you the right balance between income now and preserving capital for the longer term.

Whilst there are not any hard and fast rules about the correct amount to withdraw due to varying individual circumstances, most people should plan to withdraw no more than 4% to 5% per year of their overall portfolio assets.

Strategically planning withdrawals can be complicated. That's why we offer our clients advice and tactics to manage withdrawals that are prudent, tax-savvy and can help lead to peace of mind.

4 Consolidate Assets

You may have accumulated investments in several different accounts, with various brokerages or funds. Retirement is a good time to consider simplifying your portfolio, for several reasons:

- **Ease of management** – Having less complexity means it is easier to understand what is in your portfolio and to re-align the asset allocation when necessary.
- **Reduced fees** - Holding a larger amount with one investment manager will generally lead to lower fees as fee structures tend to be tiered. There is also less time and work involved in monitoring and reporting on the portfolio.
- **A change in priorities** – As you approach or reach retirement it's inevitable that your investment goals will change as well as your personal goals. The investments that were appropriate when you were accumulating are not necessarily suited to your new situation. And you may not want to spend as much time dealing with your investments as you enjoy your retirement years.
- **Avoiding duplication** – People often wrongly believe that holding investments with different advisors reduces risk and provides diversification. The truth is that the separate portfolios will often hold assets that are very similar and reduce diversification. It's better to have a comprehensive approach so that you and your adviser can easily see what exactly is in the portfolio and ensure it meets your goals. Aim to have all your assets working together in a coordinated fashion.

5 Review Real Estate

We often see people who have reached retirement are asset rich but cash poor because they have invested so much into their home. Retirement is a good time to be open-minded about downsizing to release funds for investment. We see too many retired people “asset rich, but cash flow poor”.

Average house prices in Canada have been rising steadily for more than a decade but there may be massive differences in home prices between different provinces and territories. So, if your work or business has tied you to one of the areas where prices have risen the most, you could be sitting on substantial capital that could be released to fund a more comfortable retirement. Moving from one area to another might allow you to buy a comparable property and release a significant amount of cash.

If you own rental property, take a long hard look at the long-term return you achieve after maintenance, management costs and periods when you don't have tenants. You might be surprised, after deducting the cost and time how little return you are getting. Consider whether you might achieve a better return, with less work, by investing in other assets such as publicly listed real estate investment trusts (REITs) or other a diversified portfolio of alternative investments.

6 Review Expenses

This is a great time to review your living costs and possibly reduce expenses without having a negative effect on your lifestyle.

Small savings add up, so it's a good idea to review all your regular payments such as:

- **Cell phone contracts** – Do you still need the same amount of data each month? By reducing your monthly data allowance from 10Gb to 5Gb you could reduce your bill by half. And that's for each phone.
- **Cable costs** – Most Canadian households pay over \$50 per month and up to \$100 for their cable service. But streaming from some main channels is free and there are streaming services that offer a full package of channels for under \$20 a month.
- **Utility bills** – With energy prices rising rapidly now is a good time to [carry out a review](#).
- Have a full review of your insurance policies, including life insurance to see whether costs can be saved there. We can help with this through our partnership with Raymond James Financial Planning.
- If you are no longer commuting to work, do you still need the same car(s) or could this be an area to save?

Whilst all these savings might seem small on their own, you could save hundreds of dollars a month when they're combined. And that saving could make your retirement goals a lot more attainable.

7 Work Part time / Start a Home-Based Business

Retirement doesn't have to be a sudden change from 100% working to none. It can be a great time to use your experience and skills to earn you a side-income. Maybe you could work on a consultancy basis or as a board member.

And the scope for starting a home-based business, maybe online, has never been better. A significant number of people find they can turn a hobby or interest into a welcome side-income or even a lucrative business.

Examples of online businesses are:

- **Blogging** – Writing website articles on a subject you enjoy and recommending products or services in return for a commission.
- **Copy/content writing** – If you have knowledge in a certain field and can write in plain yet engaging language, there is a growing market for work-from-home copy or content writers to work on a free-lance basis. There are several online agencies, such as Upwork who, for a fee, put clients in contact with writers.
- **Tutorials/courses** - Another way to turn your knowledge and skills into a part-time business. It's easy to create either written tutorials or videos and turn them into income.

A part-time retirement job or business can have the dual effect of keeping you mentally and socially stimulated whilst providing some useful income.



Whether you are approaching retirement or already retired, Northfront Financial is dedicated to helping you achieve your long-term financial goals and to ensure you can live comfortably in retirement. Northfront Financial is proud to be registered as a fiduciary which means that, from the moment you become a client, we are obliged to put you first. That is our culture.

But our values, structure and motivation go even further than simply meeting our obligations

A Tailored Approach

We know, from decades of experience, that no two clients are the same.

We create a personalised portfolio tailored to your unique situation: your financial goals, wants, needs, health, family, and lifestyle. And on an ongoing basis, we work with you to understand changes in your life or financial situation that may impact your investment plan.

Unparalleled Service

As a client of Northfront Financial you have a dedicated Portfolio Manager who is there to serve you, not to sell to you.

They will get to know your current situation, aims and goals in great depth before making any recommendations. And they will call you regularly to keep up to date with your changing circumstances and keep you appraised of what they are doing in your portfolio and why. Their role is to ensure your plans stay on-track.

In addition, our financial planning, education resources and live client events provide valuable insight into what is behind the advice we give you. We believe that being well-informed helps clients to be

reassured about what is going on in the often-unpredictable financial markets.

Investment Experience

Our registered portfolio managers have a wealth of experience and credentials, and working with both retired clients and those nearing retirement, we always strive to ensure that investing is a happy and safe experience.

Our experience has confirmed that the best way to serve clients is to take a holistic approach, which means we look at their entire situation, including financial, family, health, and aspirations before putting forward a recommendation.

Fees Aligned with Your Interests

Our fee structure is transparent and helps tie our incentives directly to your success. We charge a simple fee based on the assets we manage for you. We do not make money on trading commissions or by selling investment products for a commission—common conflicts of interest in the rest of the financial services industry.

Put simply, we do better when you do better!

If you are preparing for retirement or are already retired, Northfront Wealth Management can help you build a secure financial future. Give us a call today at 403-571-8960 and we would be happy to arrange for one of our investment professionals to discuss your situation with you—completely complimentary.*

We look forward to hearing from you.

**For qualified investors with \$500,000 or more in investable assets.*

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