Briefings

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COUPLE SEEKS SAFETY FOR NEST EGG

We've been asking readers for financial questions. Here's one we received recently:

We retired in 2007, assured by our financial adviser we'd never live long enough to spend our savings. We weren't big wage earners but, having parents who struggled through the Depression years, we knew how important it was to live carefully and to put a little away for our golden years. The 2008 recession was the first time our investments suffered major losses, and they are not recovering, with a .03-per-cent loss since we purchased them in 2006. We're doubting our financial adviser. Given that inflation is nearly three per cent each year, things are no longer rosy.

Our pension plans include fully funded medical, dental, and extended health, but we're paying the premiums.

The provincial assessments on each of our two properties has fallen. We're no longer comfort-able, especially as each is difficult to sell for different reasons. Neither brings in income. How can we give the cabin to our daughter without the heavy load of capital gains?

Some prized possessions have lost their value: antique furniture, dishes, vintage dolls, cars.

In three years, the RRSPs must be moved into RRIFs. How can we successfully do that? How can we eke out our nest egg to pro-vide a comfortable living for 30 years?

Personal finance reporter Tracy Sherlock posed this question to certified financial planner Kevin Gebert. Here's what he said:

I would discuss with a tax professional topics such as beneficial owner-ship of the properties and whether you could use one property as your primary residence, so that potential "double taxation" does not occur and so all tax considerations are defined.

You should lower investment risk as you age. At the same time you should properly allocate between equities, fixed income and cash and staying in line with inflation is important. Unless you have an investment that is guaranteed, there is always the risk of loss.

Since your income from CPP, OAS and pensions will last your lifetime (depending on survivor benefits), you need to make sure your RRSP-RRIF income assists in meeting your 30-year time frame. Your prized possessions will most likely vary in value and should be viewed as extra money if sold, rather than something to rely on.

Although you may desire more income in the early retirement years, you need to make sure there is enough money for emergencies and for care if your health becomes an issue.

By the end of the year you turn 71, moving your RRSP plan to an RRIF is more of an administrative issue that can be taken care of by your financial planner. There are withdrawal rules that must be followed.

The more proactive you are in planning, the more ready you will be if you need to react to something beyond your control.

We'd love to hear from you, and seek out advice for your personal finance questions. Send your question, along with contact information, to Tracy Sherlock at tsherlock@ vancouversun.com.