How to Retire Guide

Vancouver
Division of Family Practice
A GPSC initiative

This guide has been developed with a focus on retirement planning for clinic-based family practice physicians.

This guide is to be used as a starting point and is not an exhaustive resource for all retirement planning. Please consult the proper professionals for advice on further considerations. Information in this guide is up to date as of the date of publication.

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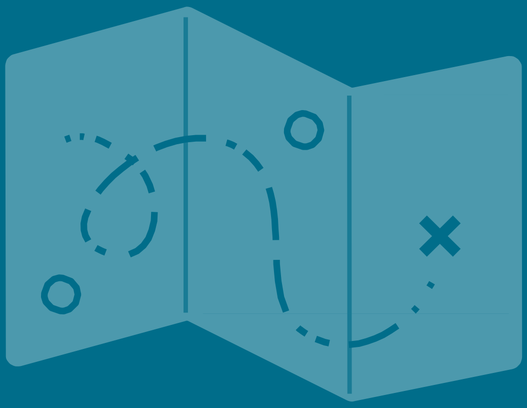
1 Personal Retirement Planning



Whether your goal is to retire in 2, 5, or 10 years, being proactive is the best prescription. When it comes to considering retirement, planning ahead and making sure you have an integrated team of trusted advisors to guide you – a financial planner, accountant, and lawyer – will result in the best possible retirement readiness outcomes.

Physicians can enjoy unique opportunities on the road to retirement readiness. These opportunities can maximize the spending available for physicians during their retirement years. While physicians can enjoy these opportunities, they can also face unique challenges on the road to retirement readiness.

In following pages, we have outlined worksheets and questions that focus on an integrated financial, tax and estate plan to help you become retirement ready.

This chapter was created in collaboration with the Financial Literacy Counsel Inc.

The Five-Step Retirement Readiness Roadmap

Step 1: Envision your "on-ramp" to retirement

As a family physician mapping out your road to retirement, it is important to begin with identifying the vision you have for your life in retirement. Take the time to plan what is important to you in retirement, so you can take full advantage of opportunities that align with your priorities.

Step 2: Determine your retirement spending plan

The best starting point for determining your retirement budget, is to know where your money is going today. It is challenging to come up with a spending plan for retirement if you are not sure how much you are spending today.

Step 3: Inspect what you expect from your income sources

Once you've determined your vision for retirement and established a baseline for how much you will need to spend in retirement, it is time to review all the sources of income you've built up over the course of your medical career.

Step 4: Update your estate and legacy plan

As family physicians go through the process of becoming retirement ready, it is an ideal time to review and update your estate and legacy plan. All plans and/or documents should be aligned and updated to reflect your vision and priorities.

Step 5: Continually monitor your plan with a team of experts

As a family physician, integrated and holistic financial, tax, and estate planning becomes more and more important as you approach retirement. Your financial planner should be acting as a quarterback with banking, accounting, and estate planning professionals, in order to integrate the solutions that are being developed for you and your family.

Step 1: Envision your “on-ramp” to retirement

Determine the financial vision for your retirement and legacy

Your journey is unique and it’s important to remember that, as you transition out of medical practice, there is no prescriptive formula or a one size fits all “on-ramp” to retirement.

Whether you are doing a gradual retirement or a full stop by a specific date, you will need to custom design your own unique strategy based on your circumstances, needs, priorities, and vision for retirement. You will also need to grapple with the financial and non-financial considerations of retirement, such as how retirement will impact your family, as well as your emotional and mental health.

According to the experts, there are three phases of retirement:

Early Retirement Phase	• Retirees enjoy active lifestyles and have more time to do things, like travel and hobbies. • May include part-time or contract work.
Mid Retirement Phase	• Comfort and security become more desirable.
Late Retirement Phase	• Factors such as health and resources may decline and may lead to the need to reach out for help and support.

Please see Appendix A for some key questions to get you started in envisioning your retirement “on-ramp” in light of the three phases of retirement.

Step 2: Determine your retirement spending plan

What will retirement cost?

This is a common question that physicians ask as they prepare for retirement. In Appendix A you will find a worksheet to help you determine your anticipated costs and expenses.

Establishing a baseline for what your retirement will cost, begins with reviewing what life looks like for you today and comparing it to what it will look like in the three phases of retirement.

$ Health Spending Account & Stop Loss Provisions

Did you know you can manage the risk of health-care expenses spiraling out of control in retirement?

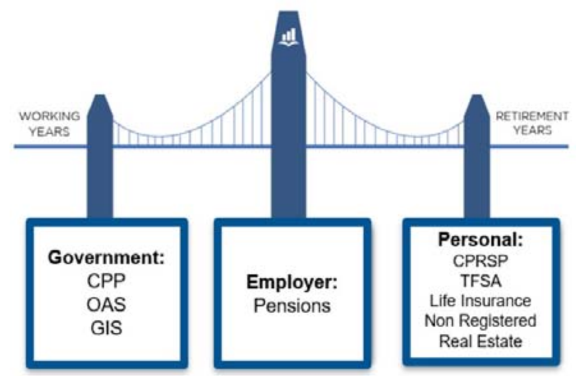
If you’ve set up a health spending account in practice, make sure your plan has stop loss provisions. This will eliminate the financial risk of unforeseen accidents or illnesses whether you are in BC or anywhere around the world.

Step 3: Inspect what you expect from your retirement income sources

When you're a young physician, retirement may seem distant. But the years go by – and before you know it, retirement is just around the corner. Thanks to modern medicine, Canadians are living longer and that means retirement could easily be an additional 15 to 30 years of a person's life.

On the road to retirement readiness, you will need to confirm your expected retirement income sources by using the three pillars of income to determine the various types of passive income streams you have in place to fund the expenses in each of the three phases of retirement.

3 Pillars of Income



The First Pillar: The Government Programs (aka "The Safety Net")	The Second Pillar: Employer-Sponsored Programs	The Third Pillar: Personal Savings Programs
The Government of Canada has certain programs in place to help Canadians meet their retirement expenses in the event that they have non-existent employer pensions (which is the case for the majority of physicians) or inadequate personal savings. Inspect what you expect to receive from: • The Canadian Pension Plan (CPP) – You can begin receiving CPP between the ages of 60 to 70 – Maximum payout in 2018 @ age 65: $1,134.17/ month – Average received by retirees in 2017: $640/ month *If you are incorporated and you continue to work part-time between ages 60-65, you may be required to pay into CPP depending on how you draw income.* • Old Age Security (OAS) – Maximum payout in 2018 @ age 65: $585.49/ month • Guaranteed Income Supplement (GIS) – For lower income seniors – Max payout in 2018 for a single adult over age 65: $856.39/ month If you meet the eligibility requirements, these government-assisted programs will be there to help provide a base level of income, as well as a safety net, during all 3 phases of retirement. Speak to your financial or accounting professional if you require help determining what you can expect because payouts are based on your career path. Do not forgot to talk about at what age you should apply to receive these government benefits.	Unfortunately, a majority of practicing physicians in BC do not have an employer-sponsored pension. However, if you had a career prior to practicing medicine or held jobs that provided a pension (in Canada or abroad) please make sure to review those programs as there may be some income to be claimed.	The personal pillar requires careful inspection because it is the most important pillar for physicians and it will create the bulk of their retirement income. When was the last time you had a comprehensive review, which not only included the investments in your portfolio, but also the tax impact of withdrawing income from those investment holdings? Physicians often focus on the accumulation and growth of their investments, and often are not up to date on the tax impact of withdrawing money from those investments. **Whether you manage your own portfolio or work with professionals, inspect what you expect to receive from:** A. Contributory Professional Retirement Savings Plan (CPRSP) B. Spousal RRSP's that are in your name C. Registered Retirement Income Fund (RRIF) D. Tax Free Savings Accounts (TFSA) E. Life insurance cash values F. Disability insurance G. Non-Registered Investments H. Real Estate I. Business related income Being aware of all your potential income sources and anticipated expenses in retirement, will put you in a stronger position to determine your retirement readiness. Once you're confident in your numbers, make sure to add your spouse or partner's numbers in order to have a more accurate financial picture in retirement.

Step 4: Update your estate and legacy plan

As you work towards being retirement ready, it is also a good time to make sure you have a comprehensive estate plan which includes a Will, an Enduring Power of Attorney, and a Healthcare Representation Agreement. You may also need to consider more advanced strategies if you've accumulated significant wealth over your career. Strategies such as setting up a family trust and a legacy plan to safeguard the wealth transfer to future generations.

A properly drafted estate and legacy plan can save you time and money. Use the step-by-step recommendations below designed to make the estate planning process more streamlined.

1 Prepare or update your Will, Enduring Power of Attorney and Healthcare Representation Agreement

A professionally drafted will is one of the key components of a well thought out estate plan. Your Will should be reviewed on a regular basis and any time you experience significant life events.

Wills deal with passing away, but what happens if you lose the ability to make decisions and become incapacitated while you are still alive? It is important that you also set up an Enduring Power of Attorney (EPOA), in the event that you become unable to make decisions for yourself. The scope of EPOA's cover legal, financial, and real estate decisions that need to be made when you are incapacitated. In British Columbia, you will need an additional document called a Healthcare Representation Agreement to deal with healthcare related decisions in the event that you are unable to make those decision for yourself.

2 Choose your Executor, Enduring Power of Attorney, and Healthcare Representative carefully.

What do these roles do for you?

- An Executor handles the distribution of the deceased's estate to their beneficiaries and acts in the best interests of the deceased by going through probate, taking action to protect the assets of the estate, and paying the funeral expenses, debts, and taxes of the estate.
- An Enduring Power of Attorney is someone authorized to make financial and legal decisions, should you become incapacitated and not able to make sound decisions.
- In BC, a Healthcare Representative is someone authorized to make healthcare decisions, should you become incapacitated.

3 Ensure your Will does not contradict your life insurance policies.

A common mistake when drafting an updated Will, is having inconsistencies between the beneficiaries that are written in the Will and the beneficiaries that are stated on life insurance policies. A recommendation is to not include your life insurance policies in your Will because life insurance policies with named beneficiaries are intended to bypass the Will and go directly to your beneficiaries within a couple of weeks. It is prudent to speak to your financial advisor to review the beneficiaries for each investment and/or insurance product. All too often, an investment product or an insurance policy is missed and not updated with the correct beneficiaries.

4 Ensure your personal and corporate assets are accounted for in your estate plan.

Your estate plan needs to encompass, not only your personal assets, but the assets owned by your corporation. These assets may include real estate, investments, and corporate owned life and critical illness insurance policies.

Make sure they are all accounted for in your estate plan and that you get proper tax planning advice, as there may be different tax consequences associated with personally-owned and corporately-owned assets.

Step 5: Continually monitor your plan with a team of experts

Most physicians believe that once all the documents (e.g. Will, retirement plan, estate plan, etc.) are completed, that they are finished and they can sit back and relax. Unfortunately, that is not the case. Physicians should revisit their financial, retirement, and estate plans at least once a year by consulting their financial planner, accountant, and estate lawyer. Life happens, stock and real estate markets experience volatility, tax and estate laws change all the time. Neglecting to revisit your various plans may undo some or all of the work you put into your planning.

If you are 10 years away from retirement, it's important to ask yourself, "Am I on track for retirement?" because it is time to give serious thought to setting up an integrated financial, tax, and estate plan.

This chart serves as a template to consider in terms of putting together your integrated plan with your team of professionals.

This is where it is crucial for physicians to build a longitudinal relationship with a trusted financial planner who meets with you regularly. We hope that this **Five-Step Retirement Readiness Roadmap** will help you make sense of the various personal and corporate financial, tax and estate planning issues that affect physicians as they work towards retirement readiness and give you a better picture of how to build an "on-ramp" towards retirement.

Years before retirement	Meetings/ year	Path
10	2	Complete Steps 1 to 5 of the Retirement Readiness Roadmap and determine if there are any gaps to be addressed
6 to 9	2	Monitor your progress
5	2	Are you on track or do you need to re-adjust and reassess your options and expectations?
3 to 4	3	Monitor your progress
1 to 2	4	Begin executing your practice succession plan and enter into your retirement years

Financial Literacy Counsel Inc.

Financial Literacy Counsel (FLC) is committed to the financial wellbeing of physicians by offering integrated financial, tax and legal prescription as part of your Division member benefits. This prescription is customized to your unique needs and ensure that physicians are on track financially, are investing wisely, are maximizing tax deductions and have adequate insurance coverage.

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Email: consultation@flci.ca
Website: www.FLCI.ca

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Step 1: Your Retirement Vision

Here are some key questions to get you started in envisioning your retirement “on-ramp” in light of the 3 phases of retirement.

Question	Field Notes	Action Item(s)
When do you plan to retire? ☐ Right away and as soon as possible ☐ In the next 24 months ☐ In the next 3 to 5 years ☐ In the next 5 to 10 years ☐ In the next 15 to 20 year	Begin planning for retirement ten years before retiring. This provides you with the most flexibility and options to align your expectations. Ensure your financial, tax and investment strategies are all on track. Having the conversation ahead will help ensure your vision for retirement can become a reality. Invite your loved ones to provide valuable input into your planning so that you are journey-ing together towards the same destination.	If you’re planning to retire in the next ten years, it’s time to have a candid and honest discussion with a financial planner.
What’s on your wish list in terms of things you want to do, buy or experience? ☐ A dream trip, vacation, car, boat etc. ☐ Donating to charity ☐ Getting more involved in volunteering ☐ Financially supporting loved ones	Start your list by dreaming – but don’t expect to achieve them all right away. You will have plenty of years to get everything done.	Start your wish list today to help inform your vision for retirement.
What will you do in retirement and what are your anticipated living expenses? ☐ I plan to work part-time and maintain same expenses ☐ Volunteer for organizations ☐ Simplify my lifestyle and spending ☐ Take care of my children and grandchildren financially ☐ Enjoy life and spend freely (spend every dollar I have!)	When it comes to enjoying retirement, it is important to have a realistic spending plan for the 3 phases of retirement. Outline where your money will go in each phase. Examples of big topic items are listed below: • **Early Retirement Phase** o Leisure and travel o Part-time work expenses o Volunteering expenses o Helping children buy a home o Item’s from my wish list • **Mid Retirement Phase** o Healthcare expenses o Helping children o Item’s from my wish list • **Late Retirement Phase** o Nursing home expenses o Item’s from my wish list	Speak to your accountant and financial planner to ensure you will have adequate income in retirement in each phase of retirement.

Cont....

<table>
<tr><th>Question</th><th>Field Notes</th><th>Action Item(s)</th></tr>
<tr><td>Where will you live?
☐ Stay in my current home
☐ Downsize
☐ Move cities
☐ Snowbird lifestyle, living both in Canada and another country
☐ Moving in with your children</td><td>Housing not only gives you a sense of security, it is also an asset in retirement if you are a home owner. It is important to have a housing game plan for the 3 phases of retirement:
• Early Retirement Phase
o Maintain current home or downsize
o Live abroad a part of the year
• Mid Retirement Phase
o Independent retirement community options
o Living with your children
• Late Retirement Phase
o Assisted living or nursing home options</td><td>Speak to your realtor, accountant, family members, and financial planner about the opportunity costs and tax impact of selling, keeping your home or living abroad for periods at a time.</td></tr>
<tr><td>How do you think retiring will make you feel?
☐ I can't wait to retire! The sooner the better!
☐ Neutral, neither happy or sad
☐ A little sad, I love what I do and I'm losing a part of who I am, my identity, and influence
☐ I'm not sure how I feel</td><td>Be honest with yourself. Are you a little fearful? Are your hopes in retirement too high? How will you feel in retirement?

Retirement is a big change and you will probably have a variety of emotions. We encourage you to think ahead and be prepared not only financially, but also mentally and emotionally.</td><td>Take action today if preparing for retirement causes some anxiety and worry by reaching out to a counsellor or Physician Health Program, to help you.</td></tr>
<tr><td>If you have a spouse or partner, how will your retirement affect him or her?
☐ My partner is thrilled I'll be retiring and looks forward to doing things together
☐ My spouse will still be working. He/she might expect me to do more household duties
☐ I haven't asked their opinion</td><td>Being on the same page with your significant other about your retirement goals and expectations is key to thriving in retirement.

We encourage you to prioritize this important step in becoming retirement ready.</td><td>Communicate with your spouse or partner on how to best work together to make the best of retirement for both of you.</td></tr>
<tr><td>What worries you about retirement?
☐ My mind won't have enough stimulation
☐ Not having enough money to do everything I want to do
☐ Getting older and having health issues
☐ I'm not worried about a thing</td><td>Be realistic about what worries you. Take the steps to make changes where you can and learn to accept what you can't change.</td><td>Be realistic about what worries you and take the steps necessary to make changes where you can and learn to accept what you can't change.</td></tr>
</table>

Step 2 – Retirement Spending Plan

Remember, establishing a baseline for what retirement will cost begins with reviewing what life looks like for you today, compared to what it looks like in the 3 phases of retirement.

Keep in mind the following as you fill out the worksheet below.

- What can you live without?
- Do you want to maintain your current lifestyle in retirement?
- Will there be expenses that will not continue into retirement?
  - You no longer have to save for retirement.
  - Work clothes and commuting costs will stop.
  - You may have paid off your mortgage.
  - You may no longer be providing financial support to adult aged children.
- Will there be new expenses in retirement?
  - Having more time for leisure, grandchildren, travel or the health condition of you or your loved ones?
- Do you have any big purchases on your wish list?

When you research or consult professionals regarding what your spending in retirement could look like, be careful of the generic rules of thumb (for example, retirees only spend 70-80% of their pre-retirement expenses once they are retired). Some retirees spend more money than they did while working (i.e., you now have more time to spend your money). Take the time to carefully consider and to be honest with what your spending habits will be. If you still have a mortgage, health issues, or plan to donate significant amounts to charity, travel around the world or support children and grandchildren, your retirement years can cost more than your current expenses.

Big Purchase Wish List

Expense Category	Approximate Purchase Price	Current Amount Saved	Current Shortfall	Purchase Target Date
Travel	$	$	$	$
Real Estate	$	$	$	$
Vehicle (car, boat, etc.)	$	$	$	$
Artwork	$	$	$	$
Significant Charitable Gift	$	$	$	$
New Hobbies	$	$	$	$
Other:__________________	$	$	$	$
Other:__________________	$	$	$	$

Monthly Retirement Spending Plan Worksheet

Expense Category	Current	Early Retirement Phase 1	Mid Retirement Phase 2	Late Retirement Phase 3
Mortgage	$	$	$	$
Property taxes	$	$	$	$
Homeowners insurance	$	$	$	$
Rent	$	$	$	$
Utilities	$	$	$	$
Maintenance/fees	$	$	$	$
Groceries	$	$	$	$
Dining out	$	$	$	$
Vehicle maintenance	$	$	$	$
Fuel	$	$	$	$
Auto insurance	$	$	$	$
Public transportation	$	$	$	$
Medical services	$	$	$	$
Medications and supplies	$	$	$	$
Health insurance	$	$	$	$
Life insurance	$	$	$	$
Disability insurance	$	$	$	$
Long-term care insurance	$	$	$	$
Other insurance	$	$	$	$
Clothing	$	$	$	$
Products and services	$	$	$	$
Alimony	$	$	$	$
Family	$	$	$	$
Loans/credit cards	$	$	$	$
Entertainment	$	$	$	$
Travel/vacation	$	$	$	$
Hobbies	$	$	$	$
Gifts	$	$	$	$
Education	$	$	$	$
Charitable contributions	$	$	$	$
Professional services: Lawyer, Accountant, Financial Planner, etc.				
Other ___________________	$	$	$	$
Other ___________________	$	$	$	$
Total monthly expenses:	$ / month	$ / month	$ / month	$ / month

Step 3: Inspect Income Sources

Monthly Retirement Income Worksheet

The worksheet below is based on the 3 pillars of income and the expenses from the 3 phases of retirement (Step 3). The worksheet will help you determine how much money you will have in retirement, as well as any potential shortfalls that you will need to address before retiring.

Start with filling out the Early Retirement Phase column and speak to both your financial and accounting professional to help you forecast the other phases.

Pillar 1: Government Pillar	Early Retirement Phase 1 Ages 60-75	Mid Retirement Phase 2 Ages 75-90	Late Retirement Phase 3 Ages 90+	Taxable
Canadian Pension Plan	$	$	$	YES
Old Age Security	$	$	$	YES
Guaranteed Income Supplement	$	$	$	NO
Total Government Pillar:	$ / month	$ / month	$ / month	

Pillar 2: Employer Pillar	Early Retirement Phase 1	Mid Retirement Phase 2	Late Retirement Phase 3	Taxable
Defined Benefit	$	$	$	YES
Defined Contribution	$	$	$	YES
Total Employer Pillar:	$ / month	$ / month	$ / month	

Pillar 3: Personal Pillar	Early Retirement Phase 1	Mid Retirement Phase 2	Late Retirement Phase 3	Taxable
Part Time Income	$	$	$	Depends
CPRSP	$	$	$	YES
Spousal RRSP's	$	$	$	YES
RRIF	$	$	$	YES
TFSA	$	$	$	YES
Life Insurance Cash Value	$	$	$	Depends
Disability Insurance	$	$	$	Depends
Non-Registered Investments	$	$	$	Depends
Real Estate Income	$	$	$	Depends
Business Income	$	$	$	Depends
Other income or proceeds	$	$	$	
Total Personal Pillar:	$ / month	$ / month	$ / month	Depends

Summary of Income and Expenses

Sources of Income	Early Retirement Phase 1	Mid Retirement Phase 2	Late Retirement Phase 3	Taxable
Government Pillar	$	$	$	Depends
Employer Pillar	$	$	$	YES
Personal Pillar	$	$	$	Depends
Total Income:	$ / month	$ / month	$ / month	Depends
Total Expenses:	$ / month	$ / month	$ / month	Depends
Surplus or Shortfall:	$ / month	$ / month	$ / month	N/A

Step 4: Update your estate plan

Below are questions to consider as you either create or update your estate plan.

#	Questions to review when CREATING your estate plan	Questions to review when UPDATING your estate plan
1	What is my net worth?	Has my net worth changed significantly?
2	Do I know the impact of taxes on my estate should I pass away?	Do I know the impact of taxes on my estate should I pass away?
3	List of beneficiaries and alternate beneficiaries • Spouse/ partner • Children/grandchildren • Friends • Charities	Have my beneficiaries and alternate beneficiaries changed? • Spouse/ partner • Children/grandchildren • Friends • Charities
4	Who will be my Executor?	Is my Executor still willing and able to perform the roles and responsibilities of an Executor?
5	Who will be my Enduring Power of Attorney?	Is my Enduring Power of Attorney still willing and able to perform their roles and responsibilities?
6	Who will be my Healthcare Representative?	Is my Healthcare Representative still willing and able to perform their roles and responsibilities?
7	Does my Executor, Enduring Power of Attorney, and Healthcare Representative know what to do?	Does my Executor, Enduring Power of Attorney, and Healthcare Representative know what to do?
8	Have I provided clear investing instructions for any trusts that are created through my will or life insurance payouts paid to beneficiaries?	Should I update investing instructions for any trusts or life insurance payouts?
9	Will I provide financial literacy training and education for my heirs and beneficiaries to better prepare them to manage their inheritance? Have I communicated my expectations and wishes?	Are my heirs and beneficiaries up to date with best practices related to financial literacy, wealth management, and any changes to my wishes and expectations?

1. Choose your Executor, Enduring Power of Attorney, and Healthcare Representative carefully
2. Make sure your Will does not contradict your life insurance policies
3. Make sure your personal and corporate assets are accounted for in your estate plan