



# CASE STUDY

RETIRED COUPLE

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A cash flow plan is about managing spending so you can pay down debt and save for retirement.

Why have a cash flow plan during retirement?

Canadians over 65 say that **managing day-to-day spending** is their top priority. Making cash flow planning *even* more important for those in retirement.

Cash flow  
planning is  
vital to a  
happy  
retirement!

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Marg and Peter have worked hard all their lives. He has a pension and she has a few previous pensions from various professional roles now in the form of Locked-in RRSPs. They feel like they have decent savings, and while they've indeed retired with some debt, it's only a small mortgage line of credit (\$24,000) and a single credit card (\$2,500).

### Here are their details:

- ▶ \$24,000 Line of credit
- ▶ \$150,000 RRSP's
- ▶ \$50,000 in locked-in RRSP's
- ▶ \$5,200/mo combine income from all sources
- ▶ \$2,5000 credit card



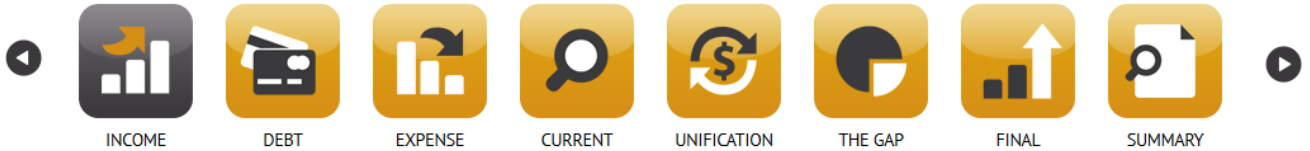
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MR. RETIRED

Last Revised: 01-23-2014 12:57 AM GMT



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MR. RETIRED		Annual Net Pay	\$32400.00
Take Home Pay	<input type="text" value="2700"/>		
Number of Pays Per Year	<input type="text" value="12"/>		

MRS. RETIRED		Annual Net Pay	\$30000.00
Take Home Pay	<input type="text" value="2500"/>		
Number of Pays Per Year	<input type="text" value="12"/>		

## WE USE OUR SOFTWARE TO GET THE NUMBERS

They've been retired for three years, having left the work force at 62, a little earlier than originally intended. Now that OAS is about to kick in and because they took CCP early, they've realized that Peter will actually see a net reduction in pension income, although income splitting may help reduce the consequences



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CREDIT 1	\$2,500
LINE OF CREDIT	\$24,000
TOTAL DEBT	\$26,500

“59% of Canadians are retiring in debt and nearly 60% of that debt is credit cards and lines of credit.”

### SHOULD THEY TRY AND PAY OFF THIS DEBT?



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First of all, they have no idea how much income they need. So far they've been making do each month, drawing from their other unlocked RRSP's when needed. What they don't know is how much income they can safely take from the assets they control in order to enjoy them to the fullest and avoid running out.

When a cash flow plan is done for retirees it's not just about finding money, it's about preventing the erosion of assets, as well as giving them a way to figure out what they need to live on and how to avoid going over that amount.

This debt seems small but it can cost you.

TOTAL DEBT	\$26,500
TOTAL DEBT WITHOUT MORTGAGE	\$2,500
TOTAL MONTHLY PAYMENT	\$350.00

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Here are the results of Marg and Peter's retirement cash flow plan:

# “MAKE MORE FROM WHAT THEY HAVE.”

- ▶ They were able to determine that they needed a base income of \$4,300 per month, which their pensions nearly covered.
- ▶ They realized they needed to annuitize some of their assets to give them an indexed monthly income of at least \$400 a month for life.
- ▶ They learned how to manage the rest of their assets to create their lifestyle income and knew what to do in the event of market fluctuations or other uncontrollable events.
- ▶ Their mortgage line of credit was paid off within 24 months, saving thousands in interest; previously, they'd just been paying the interest.