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Fraser McDowell, CFP, CPCA

MAIN FOCUS THIS QUARTER:

Boomers risk straining finances to support adult children

Source: Advisor.ca

One-in-five boomers admit they'd put their own financial security at risk to help support their adult children, finds a TD study.

In fact, the majority has already financially supported their adult children in some capacity. This includes letting them live at home rent free (43%), subsidizing big purchases like a new car or computer (29%), contributing to monthly bills like groceries and rent (23%), and helping pay off their credit cards or other debt (20%).

"As a parent, it's natural to want to help when children struggle with finances, but it's important this support does not compromise your own financial stability and retirement savings goals," says John Tracy, a senior vice president at TD Canada Trust.

Family relationship expert and social worker Gary Direnfeld says a little tough love is essential to avoid a cycle of dependency and to maintain healthy family dynamics.

Here are some tips for boomer parents.

1. Have open and honest conversations

If grown children move back home, discuss their responsibilities, including whether they'll pay rent or cover any household expenses.

"If the support strains your finances, share those concerns," Direnfeld says. "The big challenge is withstanding the initial backlash and staying firm."

2. Pay yourself first

Prioritize retirement savings. "Millennials have decades left in the workforce to earn money, but boomers likely do not," says Tracy. "If parents can't support themselves in retirement, then they risk shifting the financial strain onto their children instead."

To make saving simpler, set up regular preauthorized transfers of a set amount into an RSP, and a TFSA for emergencies.

INSIDE:

Monthly eNewsletter!

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We will be sure to add you to the email list to keep you up to date on various Financial Planning and community information.

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Did you know...

that Fraser McDowell has his own personal website that is full of articles, newsletters, calculators, market updates, and more! Be sure to visit **www.frasermcdowell.com**

Thank you

for all the referrals we have been receiving. We truly appreciate your continued patronage and confidence in our firm.

3. Budget

More than half of parents estimate that even though their adult children are not attending school, they provide between $100 and $300 each month in financial support. And 18% have helped their children with the down payment on their first homes. Regardless of how much support parents offer, it's crucial to budget.

"Before helping with a down payment, speak with a financial planner and mortgage expert to understand the financial implications and, more importantly, to find out if all parties can truly afford to do it," Tracy says.

4. Be a role model

Teaching children about money from a very young age can help prevent a cycle of dependency. But, parents who are supporting adult children today should shift from financial aid to coach.

"Help kids establish a plan to get their expenses under control and pay down debts," adds Tracy.

When do you need a Power of Attorney?

Source: Dynamic Funds

According to the Alzheimer's Society of Canada, over 450,000 Canadians over 65 are suffering from Alzheimer's or a similar condition that causes dementia and leads to mental incapacity. One third of Canadians know someone who has Alzheimer's. And, the situation is only going to get worse. It is expected that by the year 2031 over 750,000 Canadians will be suffering from Alzheimer's or a related disease.

Alzhiemer's is a difficult disease to fight. There are no known causes and it is not known how to stop its progression, the Alzheimer's Society says. If you (or your parents) are starting to show signs of disorientation, memory loss, mood or personality changes or similar symptoms visit your doctor. But, it may also be time to put some protections in place to ensure your finances and property continues to be managed properly.

One of the common protections available is a Continuing Power of Attorney for Property. This is a legal document where a person gives someone else the legal authority to make decisions about their finances if they become unable to make those decisions themselves. It is important to know that having a Power of Attorney does not stop you from looking after your own affairs while you are capable. You can stipulate that the POA doesn't come into effect until a certain date or until your doctor provides a letter stating that you are mentally incapable of making decisions.

One of the biggest decisions to be made when considering a Continuing Power of Attorney for Property is who should be the new decision-maker. An Attorney could be granted a great deal of power. For example, if a father names his son to be the Power of Attorney, the son could pay bills, manage investments and real estate, sign documents for the father and even sell his home. Assigned powers can be limited. For example, you could provide your Attorney with full decision-making authority with respect to your bank accounts and investments, but prohibit him from making decisions about your real estate.

Anyone over 18 can be named an Attorney. If you appoint more than one Attorney, they have to make decisions together unless you specifically give them permission to act separately. If you name two people Attorneys there could be the potential for disagreements between them on what to do with your property. If you name your two children, your affairs could be the cause of friction in their relationship. To avoid disagreements between siblings, you could also name a Trust Company which would act as your Attorney for a fee. Any Attorney named is entitled to a payment based on a government-mandated formula, but you can prohibit payments in your Power of Attorney document.

There are many serious issues to be considered when granting a Continuing Power of Attorney for Property. Your financial advisor will be able to help you make decisions that are right for your situation. And, while it's not necessary to consult with a lawyer, doing so will ensure the document is designed to work in your best interests.

Terri Williams, CFP, is Vice President, Editorial Services and Production for DundeeWealth Inc.

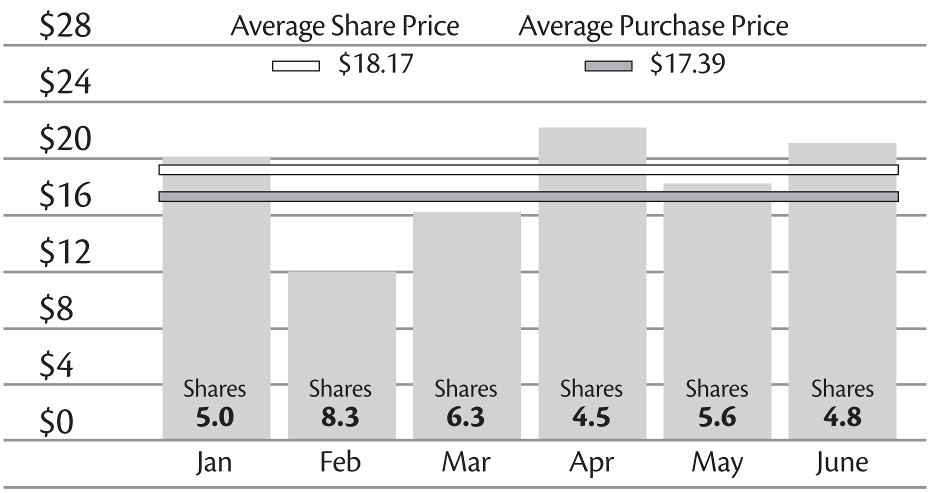
Dollar Cost Averaging

Source: CI Investments

Many Canadians struggle to make a large lump-sum contribution each year to their savings accounts or to their RRSP before the annual deadline. The problem with this approach is that it can be difficult to come up with enough money to make an effective contribution. Contributing through a regular investment program is one of the simplest ways to ensure that you are saving on a regular basis, while managing the risks of investing in the process.

The following chart highlights the advantages of a slow, steady investment plan:

Dollar-cost averaging in a fluctuating market



If you have time on your side, dollar-cost averaging, or DCA, can be an effective strategy for helping you make the most of your investment experience. DCA can be used with mutual funds and segregated funds. With a DCA program, you invest equal dollar amounts at regular and continuing intervals, regardless of what the market is doing.

By investing a fixed amount while the share cost fluctuates,

- You buy more shares when prices are low
- Buy fewer shares when prices are high, and

Critical Illness Insurance

Source: Canada Life

Critical illness insurance is a form of protection that can provide you with a lump sum payment if you suffer from a covered critical illness and the survival period is satisfied. The physical and emotional strain of a critical illness can be severe and when you combine that with the potentially damaging financial impact, the result can be devastating.

That's where the critical illness benefit comes in—you are free to spend the money as you wish—such as to help cover lost income, to pay for private nursing or out-of-country treatment, for medical equipment or even to pay off your mortgage. It can help you where you need it most so you can focus all your energy on recovering.

A critical illness can happen to anyone:

- It is estimated there are over 70,000 heart attacks in Canada each year.
- There are between 40,000 and 50,000 strokes in Canada each year.
- An estimated 3,075 Canadians will be diagnosed with cancer every week.

Sources: Heart and Stroke Foundation 2006; National Cancer Institute of Canada: Canadian Cancer Statistics 2007. The statistics shown above have been developed by the identified sources and are provided for general information only

If you would like to learn more about Critical Illness Insurance and to find out if it is right for you, please feel free to call Fraser McDowell for more information.

- You may end up with an average share cost that is lower than the average share price over the investment period.

While dollar-cost averaging cannot assure a gain or protect against losses in a declining market, it does provide the discipline to invest no matter how the markets are performing day to day.

Your financial preparedness checklist

Source: Manulife Investments

Retirement is about so much more than leaving a career behind. It's about making the most of the opportunities that lie ahead. Here are six tips to help you get ready:

Make a financial forecast

Review your pension plan and investment assets – such as your savings accounts, your non-registered investment accounts and your RRSPs – with your advisor to forecast how much income they're likely to generate for you in retirement.

Look into additional income sources

Find out whether you fit the eligibility requirements for other sources of retirement income, such as the Canada/Quebec Pension Plan, Old Age Security or the Guaranteed Income Supplement. Calculate what income you can expect from these sources and when.

Check that you're on target

Draft a budget of your estimated retirement expenses, keeping in mind that you should adjust for inflation. Compare this figure against your forecasted totals from the above first two steps in case you need to adjust your desired lifestyle expectations.

Review your asset allocation

Does the composition of your investment portfolio reflect your changing needs? Does it help you meet your retirement income goals? Check with an advisor to see that your portfolio is still designed to help you meet your retirement income goals.

Mark your 71st birthday

Make sure you convert your RRSPs to RRIFs or annuities by the end of the year you turn 71 or you might face a tax bill that swallows almost half the value of your RRSPs.

Ensure you won't outlive your retirement savings

Consider supplementing any government or employer pensions with investment solutions that can provide a guaranteed income stream for life.

"You must be the change you wish to see in the world."

Mahatma Ghandi

"There's no shortage of remarkable ideas, what's missing is the will to execute them."

Seth Godin

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