CPA CHARTERED PROFESSIONAL ACCOUNTANTS

Investing During Major Market Swings

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:00:07.92]** Welcome to Mastering Money, The Educator's Edition, where we talk about the latest in financial literacy education. I'm Doretta Thompson, Financial Literacy Leader for Chartered Professional Accountants of Canada. We provide no cost programs and free online resources that help Canadians own their finances and learn the language of money. **[00:00:28.80]** This episode is part of our special series focusing on the financial and mental health aspects of COVID-19. Our guests shed light on the current situation and share insights on navigating these uncharted waters. You can find our podcast on Podbean, Apple Podcasts, Google Podcasts, and Spotify. And if you have any questions, you can get in touch with us at financialliteracy@cpacanada.ca. **[00:00:59.36]** Today, we're talking about retirement, and we're joined by David Trahair, CPA, CA, speaker, trainer, and national best selling author of seven books on personal finance topics. Dave is the author of CPA Canada's popular publication The Procrastinator's Guide to Retirement-- How You Can Retire In 10 Years or Less. Today, David's here to talk to us about the challenges of retirement planning, something very much top of mind for those of us who are approaching retirement or have already retired and may have suffered some significant hits to our retirement savings David, thanks for speaking with me today and a topic that I think is on the minds of many.
DAVID TRAHAIR:	**[00:01:38.60]** Thanks for having me, Doretta.
DORETTA THOMPSON:	**[00:01:40.23]** So how are you doing in this situation? It's a great time for you and I to be having this conversation because we are both in that demographic where looking at retirement is not that far away.

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SPEAKER	TRANSCRIPTION
DAVID TRAHAIR:	**[00:01:49.97]** That's correct, yeah. I'm going to be 62 this year, so when you approach the big 6-0, I think many people start to get a little bit more serious about this concept of retirement. But I'm doing fine, thanks. This isn't a huge change for me because I've been working from home since 2017 when I gave up my accounting practice. **[00:02:09.50]** So working at home by myself is not something that's totally foreign, which it is for many people. And I can understand that's a major psychological shift for many people. But for me, it's not that different than it was before.
DORETTA THOMPSON:	**[00:02:25.61]** I worked from home from time to time too, and I also travel a lot. So I'm out of the office a lot. I usually value the time that I get to work from home. **[00:02:33.17]** But I'll tell you, after 12 weeks, it's getting to be a very long road. So David, I know that there are a lot of people who are approaching retirement or who have retired who are feeling very panicked right now. We've seen a big hit to the stock market, although we've seen some recovery. And people have shorter time frames when you're approaching retirement or, indeed, when you're at retirement. What's your first advice to people who are in that situation and who are really seeing the value of their savings diminish?
DAVID TRAHAIR:	**[00:03:05.18]** It's a very interesting question. I think even before the pandemic, I mean, I'm basically a very conservative person. So there were many years where my personal retirement portfolio was 100% fixed income. **[00:03:19.58]** It was 100% GICs. Now, obviously that's about as conservative as you can get. But if that's the case, then really, what the stock market does is irrelevant. And for people who set themselves up with a very conservative portfolio, it's not as worrying. **[00:03:36.56]** Now I know that's very uncommon. So I think to a large degree depends on how much exposure somebody had to the stock market before this disaster happened. There's one rule of thumb that I'm really a big fan of when it comes to personal finance and I was a fan of it before COVID-19 and I still am a fan of it. And that rule of thumb says that you should keep your exposure to the stock market to a maximum of 100 minus your age.

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SPEAKER	TRANSCRIPTION
DAVID TRAHAIR:	**[00:04:06.86]**
	Or a simpler way to look at it-- keep your age in fixed income safe products. So a 30-year-old would have a maximum of 70% in the stock market, and a 70-year-old would have a maximum of only 30% exposed to the stock market. And I like that rough rule of thumb because it forces people to become more conservative as they age. And that's important. You alluded to it in your introduction because of the sequence of return risk.
	[00:04:36.75]
	In other words, if you're very young, you're in your 20s, you got 40 or more years to go before retirement, the stock market crashes, you got decades to recover that. But if you're 65 and you're going to retire at, say, the next year at 66 and you've got your whole portfolio exposed to the stock market, be it Canada, the US, foreign, or whatever, and the stock market happens to crash the year before you're going to retire, you've got a major problem because you don't have decades to recover.
	[00:05:08.03]
	You don't even have many years to recover that loss. And that's why I like getting back to this rule of thumb as a basis for discussion with your professional financial planner if you have one as a basis to get yourself to think more conservatively as you age. If you had done that before COVID-19 was something that everybody heard about, then you wouldn't be losing too much sleep. It's those people who ignored that and took on way too much risk for their age-- they're the ones that are going to be losing sleep at the moment.
	[00:05:45.62]
	Let's talk about what the stock market has done. And I think it's important when we talk about, quote, "the stock market" to define what we're talking about. Let's focus on the Canadian stock market.
	[00:05:57.14]
	The key measure of the stock market in Canada is the TSX composite index, the one you see quoted in the media all the time-- about 15,000 points now. So let's talk about the Canadian market as measured by the TSX composite index. It peaked on February 23, 2020, and then in four weeks, to March 23, 2020, it lost 37% of its value.
	[00:06:22.76]
	Incredible negative decline-- people were panicking at that point. The good news is it's rebounded significantly since that. So as of May 31, 2020, it was only down 15%-- so significant recovery.

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SPEAKER	TRANSCRIPTION
DAVID TRAHAIR:	**[00:06:38.36]**
	And it still keeps hanging in there and going up. Now this is bizarre. It basically is impossible for anybody to predict where the market's going in the future. And therefore, that makes it literally impossible to time the market.
	[00:06:53.27]
	The biggest problem with exposure to the stock market is your human emotion because if you, were, say significantly exposed to the Canadian stock market and you watch it every day and you said, oh my goodness, March 23, I've lost 37%, and you pull the trigger, that's the worst thing you could possibly have done because then you've solidified what was previously just paper losses. If you had done that, you would have missed this recovery. So I think with respect to the stock market, asset allocation is key, how much risk you're willing to take. And then don't panic. You've got to be able to let that sit for months and years. You cannot panic if you're in the stock market.
	[00:07:38.55]
	Now with respect to what's going to happen in the future, I mean, I cannot, for the life of me, believe that this is not going to be worse than the 2008, 2009 stock market crash. That was a much simpler situation than we're in now.
	[00:07:55.98]
	We're in a health crisis now, not a financial crisis. We're in a financial crisis because of the health crisis. So if we look at what happened in 2008, 2009, that same index I've been talking about, the TSX composite index that includes reinvested dividends, lost 50% of its value in a nine month period from June of 2008 to March of 2009 and then took three years, three years to February 14, 2011, to recover to the peak in June of 2008.
	[00:08:30.08]
	So again, predicting the future is literally impossible when it comes to trying to figure out where the stock market's going to go. My worry is that when all the news kicks in and the second quarter results from corporations and governments start coming in, assuming employment doesn't magically bounce back, people then might start panicking, and it might decline in the future. So I think that gets back again to reassessing your personal asset allocation, especially if you're close to or in retirement.
	[00:09:05.21]
	I think we've got a golden opportunity right now to reduce our exposure to the stock market, reduce our risk, just in case it just gets really bad in the next year. Personally, what I've done, I've gone back to telling my investment advisor, my main RSP account, to get out of the market. So I am now back in 100% fixed income because I suspect things are going to get worse.

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SPEAKER	TRANSCRIPTION
DAVID TRAHAIR:	**[00:09:33.59]** And I'm extremely conservative. I don't like losses. And I'm willing to accept the cost of that decision, which is that my average annual return is going to be like 2% or less because I'm in GICs, and that's about the best rate you can get these days. **[00:09:50.69]** So it's a very personal decision. I think it's very important to have a good investment advisor. I mean, I study this, but I don't do it all myself. I have found a professional financial planner, well-qualified, that answers my questions. So I don't try and do this all myself. And I think that's the situation for most Canadians. **[00:10:13.58]** So think about how your investment advisor has performed over the last couple of months. Have they been in touch? Have they answered your phone calls if you've called in a panicked call to try and get some advice from them? **[00:10:28.40]** It's more important than ever to have a well qualified financial advisor, financial planner who can help you through this unless you're one of the few that does it all yourself with a discount brokerage account. It's more important than ever to make sure you have a good financial advisor. And if you don't take steps to find a good one-- because they're worth their weight in gold, especially when things start falling apart.
DORETTA THOMPSON:	**[00:10:53.45]** Are there some specific strategies that you can recommend to people who are facing declines in their retirement assets to help them feel more in control of this situation? I hear you saying, I think it's very, very important, first of all, not to panic and not to lock in losses at a time that you may not need to do that. Seek out a good financial advisor, which I think is always good advice for most people. Are there other things that people can do to help them stay calm and in control of the situation?
DAVID TRAHAIR:	**[00:11:23.46]** I think one of the biggest issues-- and this has been an issue even since before the pandemic-- is people's personal financial situation with respect to what they earn versus what they spend. So we're talking about what they should do with their investments and all this. The problem is that a large portion of Canadians are woefully inadequately saved for retirement. **[00:11:45.57]** So they get a small pot of money. Their bigger problem is that they're living beyond their means. According to the Canadian Bankers Association, approximately 56% of Canadians pay their credit cards off every month and therefore don't incur interest charges. And this is data before the pandemic.

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SPEAKER	TRANSCRIPTION
DAVID TRAHAIR:	**[00:12:04.55]** That means about 44% of the population, 4 in 10 Canadians before this, could not afford to pay off their credit cards and were having this interest built up against them at maybe 20% or more. They were in pretty bad shape before the pandemic. So people in that situation are obviously going to be in a severe cash crunch problem right now not to mention lines of credit. **[00:12:28.52]** People are using lines of credit secured by the house, home equity lines of credit, et cetera, et cetera. I think the best thing people can do in this situation, and I've been recommending it for decades before this as well-- the best thing you can do with respect to helping yourself get back on side with your personal finances is to track your spending because my opinion is that whatever you track tends to improve, OK? So you want to improve your fitness, you get a Fitbit or an Apple Watch, right? **[00:13:00.60]** You want to go 10,000 steps a day, you significantly increase the odds of you doing that, meeting that goal, if you track it because if you don't have a watch, how do you know how many steps you've done? So the same thinking applies to your personal finances. Literally, if you had a summary of where your family's money went, you could immediately spot the cash drains. **[00:13:23.63]** And psychologically, the impact is that it tends to change people's behavior. In other words, if you track the spending of a credit card revolver, somebody you can afford to pay off their credit cards, and they see, oh, we're spending $5,000, $8,000 a year on interest, hopefully that might spur them the next time they go to the mall to not overspend and try and change their habits because the only way to get out of debt is to earn more money or spend less or hopefully do both unless you win the lottery or get an inheritance. **[00:13:57.29]** So I think tracking your family spending is recommended at this point and always has been recommended. Looking for bright spots in this pandemic, if you did track your spending, like I do, you'll probably notice a number of categories that have gone down significantly because they've been forced to go down. So that's the good news.
DAVID TRAHAIR:	**[00:14:17.55]** That's good news if you're still earning an income and my spending is going down. That frees up more money. I have an opportunity now to perhaps pay down debt or crank up my retirement savings. For the many people who have lost the jobs, it's good news, but it still doesn't solve the problem of the fact that their income is insufficient to pay their core expenses. So that's what I think from a financial point of view, tracking your spending is the best thing you can do.

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SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:14:46.31]** In terms of people who are worried, concerned about their retirement savings, there's the all-important overall advice of really understanding where your money goes so that you can adjust and you can plan regularly. And at a time like this, I think some of our guests have even recommended actually expenses on a weekly basis. Understand what's coming and going on a weekly basis. **[00:15:11.09]** For people who are already retired, however, and already living on a fixed income that was maybe supplemented by their retirement savings, et cetera, are there particular things that they can be looking at? The government has made some changes that will benefit people who are drawing down their retirement savings right now. Would you like to explain that a little bit for us, please?
DAVID TRAHAIR:	**[00:15:33.05]** Well, basically, by December 31 of the year you turn 71, you have to close your RSP and convert it either to a RRIF, a Registered Retirement Income Fund, or buy an annuity. Most people just roll it over into a retirement income fund. So basically, it's just changing the name on the account from RSP to RRIF. **[00:15:54.71]** The issue with a RRIF is that there are mandatory minimum withdrawals that the government has laid out. So for example, the minimum RRIF withdrawal percentages based on your age on January 1. So say you're 71 on January 1. **[00:16:12.88]** The year you turn 72, the minimum RRIF withdrawal percentage is to 5.28%. So for every $100,000 you have in a RRIF the year you turn 72, you have to take out $5,280. The government has relaxed that requirement for 2020 to reduce it by 25%. **[00:16:36.29]** So you take whatever the standard RRIF withdrawal percentage is based on your age, and it increases as you get older and reduces it by 25%. So that year you're 72, it's no longer 5.28%. It's 3.96%. **[00:16:51.37]** Now the issue with minimum RRIF withdrawal requirements is that for many people, it's a moot point. It's irrelevant because they need more than that minimum to finance their life anyway. Say somebody has, just for ease of calculations, $100,000 in their RRIF, and they need to take out $20,000 that first year to finance their life. **[00:17:13.93]** Well, the fact that the minimum has gone down from $5,280 to $3,960 is irrelevant to them because they've already taken out more than the minimum. And that by the way, there is no maximum you could take out the whole $100,000 if you want, but it goes on your tax return.

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SPEAKER	TRANSCRIPTION
DAVID TRAHAIR:	**[00:17:31.55]**
	So the minimum RRIF withdrawal percentages for many people are not really an issue to worry about. One little tip that I always try and bring to light is that you are allowed to base the minimum RRIF withdrawal percentages on your own age or your younger spouse or common law partner's age if you have one. And I cannot see a reason why you wouldn't base the minimum RRIF withdrawals on the younger of you or your spouse because it lowers the minimum bar.
	[00:18:00.34]
	As I said, you can always take more than that. The problem is, you've only got one shot at that, and it's when you convert your RSP to a RRIF. You have to tell the company that holds your investments which age you want to use. I've had a personal story of somebody who took one of my courses and said she was married to a much older gentleman.
	[00:18:20.50]
	There were wealthy. When her husband turned 71, the company looking after their money didn't even ask the question. It automatically just based it on his age.
	[00:18:30.50]
	They could have chosen her age and therefore been allowed to take out a lot less. And they didn't need the money, but it was too late. You can't go back and change it.
	[00:18:40.09]
	So that's the main change with respect to RRIF withdrawals. The other thing they've done is with OAS, Old Age Security recipients, they've added on a one time tax-free top-off of $300 for anybody receiving old age security. And interestingly enough, they didn't limit it by age.
	[00:18:58.64]
	So even people who are earning enough to have their old age security clawed back get this one time top off tax-free. For lower income people, they've added another $200 for those that are eligible for the guaranteed income supplement. So those are a couple of things that the government's done for seniors.

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SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:19:16.06]**
	It's very helpful for people who are approaching retirement and/or people who are already retired to follow some of these important fundamentals of financial well-being, of being in control of your money, understanding your money, where it's coming from, where it's going. What about younger people who you alluded earlier? They have decades, perhaps, to recover from a stock market crash or other unfavorable hits to their savings.
	[00:19:43.16]
	But also a lot of young people may not necessarily be thinking about retirement at all. It seems like a long way away. And of course, many people are really struggling right now with cutback hours. They may be facing job loss or experiencing job loss. But hopefully, that will be a temporary situation, and as the economy rebounds, people will be back at work. What's your general advice to younger people in terms of thinking about retirement savings?

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SPEAKER	TRANSCRIPTION
DAVID TRAHAIR:	**[00:20:11.26]**
	I think for the vast majority of younger people, forget it. You know, forget about retirement savings. If you've just graduated from university, perhaps you're in your early 20s, about half of people who graduate have student loan debt. Are we really going to suggest somebody that hasn't even finished paying off for their education to start saving for retirement? That makes no sense at all to me.
	[00:20:34.93]
	About half those students graduate without student debt. Most of them have much bigger concerns than retirement. Where the heck am I going to get a job? Can I get a full time job?
	[00:20:44.74]
	Do I have to do with the gig economy without any benefits? They are going to have issues such as, well, if I want to buy a home. Those that have made the decision to try and eventually buy a home, that I would say is a much more significant goal to aim for than retirement that's decades and decades and decades off.
	[00:21:05.84]
	Sure, in an ideal situation, yeah, we're going to tell a student, be totally debt free. Never get into credit card debt. Get a good job. Save enough for a house and raising kids and save for retirement
	[00:21:18.45]
	But for the vast majority of them, that's going to be impossible. So on the scale or the listing of priorities, financial priorities, for a younger person, saving for retirement is not one of the top ones. It's down here. You've got much bigger concerns than that.
	[00:21:37.29]
	And I think the bigger concern is, well, what is it that I'm going to be doing as a profession or for a job to allow me to pay for my life, including saving for retirement? And I think this is an interesting concept here with respect to who's going to do well. Who's going to survive this situation that we're in now?
	[00:22:00.47]
	It's not going to be the strongest. It's not going to be the smartest. It's those that are most easily able to make changes, adapt to the changing environment.
DORETTA THOMPSON:	**[00:22:11.34]**
	So not the strongest or the smartest, but the most adaptable are the people who are going to be the most successful in the long term.

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SPEAKER	TRANSCRIPTION
DAVID TRAHAIR:	**[00:22:18.39]**
	That's the best advice I can think of to help people get prepared for what's coming next, which is, who knows? We talk about the difficulty of predicting what the stock market's going to do. Well, what about the economy?
	[00:22:30.08]
	Even-- as Stephen Poloz, governor of the Bank of Canada who's actually just finished May 31-- so there's now somebody else in there. But even the governor of the Bank of Canada a couple of weeks ago said he has no idea whether we're going to be in an inflationary environment or a deflationary environment going forward. Those are direct opposites.
	[00:22:53.72]
	And the Bank of Canada has control over monetary policy. They have control over interest rates and the supply of money. If anybody should know what the impact is of this unprecedented quantitative easing and monetary policies that the central banks are bringing in, it would be the people running the institution.
	[00:23:11.78]
	And even he has no idea. And that's very scary. That's very scary to think about what's going to happen next.
DORETTA THOMPSON:	**[00:23:18.83]**
	You've mentioned a number of strategies that people can look to. I'm wondering if there are some resources that you could mention where people can get more information on how to make decisions around retirement planning at this time and in general.
DAVID TRAHAIR:	**[00:23:32.12]**
	Well, one resource is the book I wrote, The Procrastinator's Guide to Retirement-- How You Can Retire In 10 Years or Less. New addition is coming out in 2021. I've recently been updating it.
	[00:23:44.93]
	I've been thinking that actually this is still relevant and maybe even more so for more people because many people will be forced to tap into their retirement savings and might be worried about having enough. And that book is all about hope. It's all about the fact that there's an incredible amount you can do in, as it says, 10 years or less to secure a comfortable retirement.
DORETTA THOMPSON:	**[00:24:06.38]**
	Let's think about that. Let's think about people who are within that 10 year time frame. What are the top things they can do in that 10 year period to secure a comfortable retirement?

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SPEAKER	TRANSCRIPTION
DAVID TRAHAIR:	**[00:24:15.59]**
	Well, the first is, as I've already discussed, track your spending. That's a key part of the procrastinator's guide. As you track your spending, hopefully that changes your behaviors so you reduce spending in certain areas.
	[00:24:27.95]
	It will also alert you to beneficial situations that happen just because of luck of the timing. So for example, you've got a kid in university. Well, when that kid graduates university and you see all the cost declines significant, you might free up money to crank up your retirement savings.
	[00:24:45.38]
	I think the other interesting part of retirement are the government pension plans, the Canada Pension Plan and old age security. Old age security can start at 65 at the earliest, but you can delay up to age 70. Get a premium of 7.2% per year for every year you delay.
	[00:25:05.81]
	Canada Pension Plan, typical age is 65. But you can start as early as age 60 and delay up to age 70. And if you delay from 65 to 70 in CPP, there's an 8.4% per year premium that you get.
	[00:25:20.78]
	So it occurred to me, and I've read several articles from pension experts about this concept with respect to, if you can, delay old age security. Delay Canada Pension Plan to 70. Get a higher amount.
	[00:25:36.26]
	It's adjusted for inflation, and it's paid for your life. They are defined benefit pension plans backed up by a solvent federal government. In addition, the Canada Pension Plan that's administered by the Canada Pension Plan Investment Board has a significant reserve fund.
	[00:25:55.76]
	March 31st year end 2020, I think it was $409 billion. So there is a reserve fund. It's not going to run out of money.
	[00:26:03.20]
	So with the strategy of delaying your government pensions and using up your retirement savings in the period up to the age 70, then you significantly reduce your exposure to what happens in the stock market because you're relying on those government pension plans. Now unfortunately, for most people, CPP and old age security is not enough on their own to live on. And just to give some numbers, the maximum scope for 2020 is $14,110. Old age security in 2020 is $7,462.

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SPEAKER	TRANSCRIPTION
DAVID TRAHAIR:	**[00:26:39.22]**
	So if you were eligible for the maximum CPP in old age security, that's $21,472 for you and possibly for your spouse if they've worked enough years to maximize CPP. So you're over $40,000 in today's dollars to finance your retirement.
	[00:26:58.14]
	So if you project 10 years from now, well, they go up by inflation every year. You add your premium at 7.2% or 8.4% every year. You know, that could get into a pretty significant amount on a monthly basis guaranteed by the government for as long as you live.
	[00:27:13.19]
	So I think people necessarily should think about that factor in Canada Pension Plan and old age security. The problem is, most people aren't eligible for the maximum CPP. The last time I checked, the government said that the average Canadian has only paid in enough to get about 60% of the maximum.
	[00:27:33.40]
	So you can't bank on you getting the maximum. You need to go through the calculations of how much you're going to get. But I'm a huge fan of CPP and old age security, and I would strongly recommend people look into Canada Pension Plan and old age security and again see if you can afford to delay it for this guaranteed money adjusted for inflation backed by the Canadian government.
DORETTA THOMPSON:	**[00:27:55.18]**
	So understand your spending and minimize that, obviously. And I think that is really important, and we can't underlie it enough that writing it down is important. Seeing what you're actually doing is important. Then maximizing your government pensions-- so understand where you are. Put them off as long as possible because there is a huge and enduring payback for that.

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SPEAKER	TRANSCRIPTION
DAVID TRAHAIR:	**[00:28:18.91]**
	Exactly-- guaranteed for life, adjusted for inflation. One other thing I would suggest, maybe the third point here, is think about when you want to retire, OK? If you can delay retirement, it's amazing how significantly positive delaying even one year can have.
	[00:28:39.23]
	So if you want to retire at 65, consider going to 66 because that's one extra year where you're working and your salary pays your expenses. It's one extra year where you could possibly make another RSP contribution. And it's one more year that your RSP, which is hopefully as big as it's ever going to be, gets to grow without being touched.
	[00:28:57.88]
	And it's one less year you have to finance during retirement with your retirement savings. It can have a huge, positive impact. And the problem is that many people don't get to decide that. If you have a health concern or get laid off from work, you don't get to say, well, I really want to stay an extra year.
	[00:29:16.12]
	And those positives that I just mentioned about delaying work against you if you are forced to retire early. So the retirement date is significant, requires some thought. If you have the option, try and resist pulling the trigger before you really need to retire.
	[00:29:33.58]
	The other thing that I'm a huge fan of it is sort of a phased in retirement. Rather than sort of just cutting the cord and stopping work one day, think about continuing part time employment. Maybe it's consulting in your area of expertise a few days a week, a half day here or there, to not only keep yourself busy, keep your mind active, but provide you some income. I think that's a beautiful strategy to sort of phase into your retirement.
	[00:30:05.29]
	Now that's easier said than done. It's easier for some people than others. Those that have always had a full time job and need that paycheck and have never done any consulting, don't have a contact database of potential clients, it's more difficult. But I always argue that people who are in that situation, please experiment with it. Try it. Try something part time even while you're still employed just in case.
DORETTA THOMPSON:	**[00:30:29.71]**
	Very good advice for people who are working in professional fields And I think also good advice, adaptable advice, for people in general who may have different kinds of jobs and might want to do something completely different in retirement or find a part time job that can provide social connections, et cetera, or turning a hobby into an income source, which I think is another thing that some people find great satisfaction in doing.

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SPEAKER	TRANSCRIPTION
DAVID TRAHAIR:	**[00:30:57.87]**
	For sure, definitely. And I think for those people who are not sort of into technology, try and learn. Try and get familiar with it because we don't know how long this is going to go on for.
DORETTA THOMPSON:	**[00:31:12.39]**
	Is there anything about the current situation that has actually changed your perspective on planning for retirement?
DAVID TRAHAIR:	**[00:31:19.78]**
	That's an interesting point, and the conclusion I come to is, not really. I guess to some degree, I got even more conservative than I was. And again, I had changed my personal philosophy.
	[00:31:31.47]
	There was a time. It was the decade ending 2007 where I was 100% fixed income with my portfolio. Then I loosened up. I conform to my rule of thumb-- about 60% in fixed income, 40% exposed to the stock market.
	[00:31:47.92]
	And I was willing to continue with that rule of thumb. But what happened in March really scared me so that I went back to safety, 100% fixed income. And I don't see a major downside to that.
	[00:32:01.50]
	Maybe if things bounce back quickly in a year, I might loosen up and go back to my rule of thumb. With respect to me personally, it has forced me to get into the online environment. Now that's not totally new to me.
	[00:32:14.25]
	I had given online webinars before. I had already gotten into creating customized online courses before. So that's a lot of what I do now. So it hasn't affected me that significantly.
	[00:32:26.34]
	I think the people who it probably will affect more significantly are the risk takers, the entrepreneurs, the people who are up to their eyeballs in debt and need funding to keep their employees on payroll. In a situation like this, risk is the enemy. Risk takers are the ones who are going to suffer.
	[00:32:44.37]
	Now having said that, this stock market is beyond belief. How it keeps going up when all this bad news about massive unemployment, worst employment, since the Great Depression-- then the stock market just doesn't seem to care and just keeps bobbing along. That's just mind blowing to me.

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SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:33:04.08]** So in essence, as a conservative person in terms of long term planning and retirement, it's kind of validated your philosophy and your approach?
DAVID TRAHAIR:	**[00:33:14.55]** Well, I guess so. I basically try and approach the subject of personal finance the same way I would analyze a business. I like to state the facts, often analyzing an issue with a Microsoft Excel spreadsheet. **[00:33:27.96]** I tell people what my thinking is, why I did things. I try and make sure that I'm not seen as trying to tell them what to do. I'm trying to present alternatives and show them the risks, the rewards, the costs associated with a risky strategy, the alternative, which is 100% safe with fixed income, and let them decide where they want to go in between. **[00:33:54.43]** And again, being an accountant, that's what they train us to do. They train us to analyze the past because in trying to predict what the future is going to hold, you have to have a good, solid grasp on what the past had done. And then you can make reasonable estimations about what the future will hold.
DORETTA THOMPSON:	**[00:34:10.86]** And I think in the end for each and every one of us, we need to be able to sleep at night. So you need to understand your situation and make the decisions that are going to allow you to do that.
DAVID TRAHAIR:	**[00:34:22.47]** That hits the nail on the head. Sleep is the most important thing. Investment advisors always talk about your propensity for risk, OK? **[00:34:30.30]** We're going to put you in a medium portfolio. Would you rather go higher risk? Because higher risk usually comes with higher returns. **[00:34:36.45]** But there's a risk of a downturn. Most people say, yeah, I'll take some risk. And then when it happens, they discover, oh my goodness. I can't handle risk. So this current decline but significant bounce back is giving people pause for concern. And I think it's an opportunity to think seriously about whether you should change things in the make up of your investments.
DORETTA THOMPSON:	**[00:35:01.68]** And David, as we wrap up, what have you learned about yourself during this pandemic? It's a question that we've been asking all our guests to share because these are very, very unusual times.

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SPEAKER	TRANSCRIPTION
DAVID TRAHAIR:	**[00:35:13.29]**
	Basically, it hasn't unearthed anything totally out of this world about myself. I think in times like this-- and the same thing happened in 2008, 2009-- I was glad that I was conservative. I was glad that I didn't have to worry about what the stock market's been doing.
	[00:35:31.11]
	So it's, I think, confirmed what I already knew about myself, being very conservative. But again, I'm going to be 62 this year. So I've had a lot of years to figure this out before this.
	[00:35:43.29]
	And I've gone through stock market crashes before-- the dotcom crash, crash in 2008, 2009, '85. I've gone through the housing market, right, in the '80s. I know how long it often takes to come back.
	[00:35:59.39]
	So I guess my life experiences, my basic conservative nature, and my training as an accountant has put me in a good position to weather a storm like this. But remember-- this, too, shall pass. This is not going to go on forever.
	[00:36:16.86]
	Even people who lived through the Great Depression, it eventually ended. So this will end. We just don't know how long that will take. And we're obviously needing to be patient. And again, I think the important thing is to think about how things are going to change and try and set yourself up to be in a good position for when this pandemic ends.
DORETTA THOMPSON:	**[00:36:39.80]**
	David, thank you so much. I think your wisdom and your thoughtfulness will have calmed some nerves and provided some helpful guidance that will see people through these difficult times.
DAVID TRAHAIR:	**[00:36:49.71]**
	Thanks for having me, Doretta.

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SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:36:51.38]**
	And to our listeners, you can click to resources mentioned in this episode in the description for this podcast on your podcast app. Please note, this is a recorded podcast. The information presented as it relates to the COVID-19 pandemic is current as of the date of recording.
	[00:37:08.90]
	New and changing government restrictions and assistance programs may have come into effect since the recording date. Please seek additional professional advice or information before acting on any podcast information which pertains to COVID-19. This has been a special COVID-19 episode of Mastering Money-- the Educator's Edition brought to you by Chartered Professional Accountants of Canada.
	[00:37:31.28]
	Please rate and review us. If you'd like to get in touch with us, our email is financialliteracy@cpacanada.ca. In these uncertain times, be well.
	[00:37:41.55]
	Be kind. Be safe. We're in this together.

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