

The Challenges and Decisions we Face as we Age

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SPEAKER	TRANSCRIPTION
	<p>[00:00:00.00]</p> <p>[MUSIC PLAYING]</p>
DORETTA THOMPSON:	<p>[00:00:11.24]</p> <p>Hello. You're listening to Mastering Money, where we explore the many aspects of good financial decision-making. 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.</p> <p>[00:00:32.82]</p> <p>This season, we're looking at retirement in Canada and discussing ways to plan and save for a secure retirement, because understanding your landscape and options are key to charting your path. In today's episode, we're exploring some of the challenges and decisions we face as we age and how to prepare for and overcome them.</p> <p>[00:00:56.69]</p> <p>My guest today is CFP professional Tina Tehranchian, senior wealth advisor at Assante Capital Management Limited. Tina's been a financial advisor for more than 30 years and specializes in helping both business owners and self-employed professionals increase their wealth and build sound financial and estate plans.</p> <p>[00:01:16.76]</p> <p>She also develops charitable tax planning strategies for Canadians interested in increasing bequests to charities while reducing taxes. Tina, Thanks so much for joining us.</p>
TINA TEHRANCHIAN:	<p>[00:01:27.45]</p> <p>Thanks for inviting me, Doretta.</p>

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	<p data-bbox="532 268 699 300">[00:01:30.21]</p> <p data-bbox="532 323 1377 354">So before we begin, tell us a little bit about yourself and your career.</p>
TINA TEHRANCHIAN:	<p data-bbox="532 394 699 426">[00:01:35.31]</p> <p data-bbox="532 449 1463 569">Sure. As you mentioned, I've been a financial advisor for over 30 years. And I'm very passionate about what I do, especially in terms of planning for business owners and entrepreneurs, and philanthropy has always been a personal passion of mine.</p> <p data-bbox="532 579 699 611">[00:01:53.12]</p> <p data-bbox="532 634 1451 779">I've done a lot of fundraising in the past, and I'm involved with fundraising right now as well. I chair the One Life Gala for Princess Margaret Cancer Foundation. And helping my clients amplify their philanthropy and multiply what they can do in terms of charitable donations and bequests is another passion of mine.</p>
DORETTA THOMPSON:	<p data-bbox="532 821 699 852">[00:02:20.03]</p> <p data-bbox="532 875 1471 1052">That sounds like it's a very, very fulfilling work. So our topic today is the challenges and decisions that we face as we age. And it's something that a lot of us don't really like to think about. We've got a lot of assumptions about our needs will be, but there's a big gap between vague assumptions and planning. So what are the key things that we should be asking ourselves about preparing for our later years?</p>
TINA TEHRANCHIAN:	<p data-bbox="532 1094 699 1125">[00:02:48.65]</p> <p data-bbox="532 1148 1492 1268">That's a very good question. I think it should start with a realistic assumption in terms of what we need for our lifestyle expenses. Most people I talk to do not have an idea what they're spending right now, even, let alone what they're going to need in retirement.</p> <p data-bbox="532 1278 699 1310">[00:03:06.61]</p> <p data-bbox="532 1333 1479 1478">So I always start the exercise with a cash flow projection of current lifestyle expenses and needs in retirement. And I always ask my clients to think in terms of their retirement target age and imagine they are that age today and write a budget for the type of lifestyle that they want to have at that point in today's dollars.</p> <p data-bbox="532 1488 699 1520">[00:03:33.32]</p> <p data-bbox="532 1543 1487 1675">Obviously it's impossible for anyone to project what the actual expenses will be down the road, but write it in today's dollars and that's the starting point. That is a big reality check that everybody needs to do before they embark on their retirement planning exercise.</p>
DORETTA THOMPSON:	<p data-bbox="532 1717 699 1749">[00:03:53.30]</p> <p data-bbox="532 1772 1471 1917">Do you see any gaps between, for example, what people expect they'll need in retirement and what it really looks like? I mean, do people assume that they'll be spending a lot more than they are now or that their costs will just go up forever? Or-- are there interesting assumptions that you ask them to step back and think a bit more about?</p>

SPEAKER**TRANSCRIPTION**

TINA TEHRANCHIAN:

[00:04:16.18]

The biggest issue that I see is that people think that their expenditures are going to be the same the first year that they retire and the last year of their lives. And it's not necessarily that way. We usually tend to be a lot more healthy and active in the early phases of our retirement. We want to travel and we can travel.

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So our expenses will be higher, actually, in the early years. And as people age and their mobility decreases, their expenses, when it comes to travel and leisure, goes down, but then the expenses in terms of care start going up.

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So you have to be realistic from that perspective as well and maybe have different phases of retirement that you plan for, and definitely long-term care needs should be taken into account because people are living longer and longer, and the best outcome for anybody is to have a long lifespan, but you want to be prepared and have the budget to be able to afford a long lifespan.

DORETTA THOMPSON:

[00:05:26.48]

Let's talk about health for a minute and probe that a bit. I think that the pandemic exposed some really ugly truths about long-term care homes in Canada, for example. So what are the things that people should be thinking about specifically in terms of their long-term health and what significant health challenges might look like?

TINA TEHRANCHIAN:

[00:05:48.51]

Well as I said, the fact is that the population is aging and our health situation is improving. People are living longer and longer. So you have to allow yourself at least 10 years more in terms of life span than the previous generation.

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So if your parents live to their 80s, you are likely to live to your 90s. So don't plan for your lifespan to be only the same as your parents. And with long life come challenges when it comes to health and care.

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Some people are totally against going into a retirement home or long-term care facility, so then you have to think about expenses for being cared at home, which can be significantly higher, actually, than going into a facility. And most people don't realize that and how expensive home care can be.

DORETTA THOMPSON:

[00:06:46.86]

Right. It is one of those things that you don't know about it in many cases until you're actually living it, which, for some of us, we've been through that with a family member or going through it now with a family member. It's a big challenge.

SPEAKER**TRANSCRIPTION**

TINA TEHRANCHIAN:

[00:06:58.53]

Very true, very true.

DORETTA THOMPSON:

[00:07:00.90]

One of the big unknowns-- and you've referred to this-- for retirement planning is, how long are we planning for? How long does our money have to last? And right now, life expectancy in Canada, I think, is about 80 for men and 84 for women. And it's changing all the time.

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And of course, that's not a static number. It's like if you're 80, your chances of living to 90 are actually quite significant. So what your personal life expectancy is is not just family, but just even at a demographic level, depends on how old you are right now, right? And I've been talking to some folks who are suggesting they are actually now testing retirement plans, et cetera, and using 90, 95 years now as a pretty standard.

TINA TEHRANCHIAN:

[00:07:43.99]

It's pretty standard. I do not do any retirement plans with an assumption of less than 95% years of age. So if people have really good genes and they've had relatives who've lived to their 90s and 100s, then we even go with 100. But at the minimum, 95.

DORETTA THOMPSON:

[00:08:05.91]

Let's talk a little bit about aging and work, which I think is a really interesting thing to talk about, ' because I have a feeling that a lot of us are, in fact, going to be working past the age of 65 in some form or other. And maybe we should even think about that retirement age because where did the age of 65 even come from as a retirement age? It actually goes back to 1880s Germany and Bismarck when life expectancy was less than 65.

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So CPA Canada did a survey recently and we saw that about 68% of our respondents said that they didn't expect to be able to afford to retire at 65, which was maybe a little pessimistic, but is an interesting finding. And of course, there are lots of people who want to continue working for other reasons.

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And I know you work a lot with business owners and stuff. And we'll get to them in a minute, but again, other reasons for working. And of course, there's also workforce issues where the Canadian population is aging, but the young people are not coming up behind it to fill that. So right now, there are actually more people over 65 in Canada than there are under 14. So it's a really interesting balance switch.

[00:09:11.94]

So what are you seeing among your clients and what are you seeing about continuing to work, et cetera, and how people think about that?

SPEAKER**TRANSCRIPTION**

TINA TEHRANCHIAN:

[00:09:20.01]

It's interesting, because I do have quite a few clients who are over 65 and they're still working not because they need to, but because they want to, because they enjoy what they're doing. Especially among business owners, that is very prevalent, because they're very passionate about what they do, their business is like their baby, and it's very difficult for them to let go. And they're used to working hard and working long hours and they keep going until their health allows them.

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So we typically see much later of retirement in many business owners, and there are other people-- I have one client who works for the government of Canada and she's over 71, she's still working, and she likes what she does.

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So for a lot of people, age is not the determinant of retirement, it's really how engaged they are with what they do and what sort of fulfillment they're getting from their job. And if they're enjoying it and it's helping them maintain their mental and physical health, they will keep on going for as long as they can.

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The notion of retiring at 65, as you said, was invented by Bismarck. It's not necessarily true that you have to retire once you turn 65.

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But unfortunately, society has adopted that as a norm, and that causes some employers, for example, to look at their employees who are over the age of 65 not as favorably as younger ones, whereas they could be just as productive, they definitely have way more experience than the younger people, and there are biases for sure in the workplace. And the worst part is if you lose your job and you're over 60, there can be a real hurdle in terms of landing another job.

DORETTA THOMPSON:

[00:11:22.14]

Yeah, that's really interesting. And I think we're seeing the beginning of some trends of ageism actually becoming part of the diversity, equity, and inclusion, part of that kind of focus. The other thing-- I saw an article I think in The Globe not that long ago where they were saying that there are job shortages, and in fact, there may be a real demand for people to continue working.

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Although I think that in a lot of those cases, employers are going to have to adapt and maybe create those positions a little bit differently because people may want to continue to contribute through paid employment, but not on a full-time basis or not at the same level of demand, you know?

SPEAKER**TRANSCRIPTION**

TINA TEHRANCHIAN:

[00:12:08.85]

That is very true. And I think from that perspective, the pandemic has had some good outcomes, actually. As you know, remote work is a true possibility right now.

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So as a retiree, you could literally spend the winter in Florida and work online if your employer is fine with that, and that will give you a lot more flexibility from a lifestyle standpoint, from the working hours standpoint, and I think a lot more employers will be adopting that going forward, especially if labor shortages continue.

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They will have to tap into this pool of senior workers who do have the know-how, they have the experience, and they have the willingness to work, but maybe not full-time and maybe not at the same intensity as younger workers would.

DORETTA THOMPSON:

[00:13:03.18]

Let's talk a little bit about financial planning for small business owners and entrepreneurs professionals who, as you say, have devoted so much of their life to creating this baby of theirs there, and so much of their identity is involved in it. How do you advise clients like that to think about planning for their own retirement?

TINA TEHRANCHIAN:

[00:13:28.02]

Well, entrepreneurs have more of a challenge when it comes to retirement planning than people who are working for corporations or the government and have a generous pension plan that they can fall back on. Obviously an entrepreneur has to do all the planning for their own retirement themselves.

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However, one of the least utilized financial instruments for entrepreneurs is a personal pension plan, which can really do the same job as a government pension could do for a government employee, for example.

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And I definitely do talk to all of my clients who are entrepreneurs and business owners about setting up a personal pension plan to be able to contribute even more than they can to their RRSP, allow it to grow tax-sheltered, be able to deduct that amount from the income of the corporation, and for family businesses where children are involved, it's a great vehicle for passing on wealth to the next generation without any tax implications.

DORETTA THOMPSON:

[00:14:35.49]

Wow, tell me more about that. How does that differ from, say, an RRSP and how that affects other family members?

SPEAKER **TRANSCRIPTION**

TINA TEHRANCHIAN:

[00:14:43.74]

Yeah. So it comes under the Pension Benefits Act, so it is different from an RRSP. The money that you contribute, it has to be sponsored by a corporation. So you either have to be a business owner or a key employee of a corporation, and then your business can set it up for you.

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And the limits in terms of being able to contribute to these types of plans are higher, especially at higher ages. So as you age, the difference in the amount that you can contribute to a personal pension plan versus an RRSP widens. Plus, there are other opportunities in terms of a terminal funding into the plan for business owners who want to sell their business or retire earlier, they can get lump sums into the plan that boost the amount that would be available for retirement.

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And you can do past service buybacks which allow business owners sometimes to put hundreds of thousands of dollars into a registered pension plan and deducted from the company's income and let it grow tax-sheltered. So it has immense benefits for business owners, but it's very under-utilized.

DORETTA THOMPSON:

[00:16:03.08]

So a really important thing for planning and for small business owners and entrepreneurs and self-employed professionals to think about talking to their advisors about.

TINA TEHRANCHIAN:

[00:16:11.90]

Exactly.

DORETTA THOMPSON:

[00:16:13.34]

When do you think that people should start thinking about planning for retirement?

TINA TEHRANCHIAN:

[[00:16:18.35]

The sooner the better. Unfortunately when we are in their 20s and 30s, we have too many other things on our mind. Starting a family, buying your home, tackling the mortgage, kids' education. So retirement gets put on a back burner.

[00:16:33.02]

But, ideally, if you start saving in your 20s, you'll be way ahead of someone who starts in their 40s. But it's never too late. So I would definitely recommend to anybody who hasn't started yet not to get hung up at the timing. The sooner you do it, the better, but today is much better than 10 years later.

SPEAKER**TRANSCRIPTION**

DORETTA THOMPSON:

[00:16:56.30]

Do you have any observations about financial planning for retirement for women relative to planning for men? And the reason that I ask that is that we know there's a significant gap in how much women earn and also a significant gap in how long women live.

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So women earn less, and therefore they tend to accumulate less wealth. They tend to marry older men just demographically on a macro level. And then they live longer, which means that women are very often the last survivor and that's what it's like at the end of their lives. Do you have any advice for women that you see as being through a little bit different lens than you would see for men?

TINA TEHRANCHIAN:

[00:17:44.28]

Well, I think women have their own unique challenges. I mean, you mentioned the longevity factor. Yes, women do live longer. Which means that they are more likely to have to spend a few years of their lives alone on their own without a spouse if they were married.

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And they earn less. We still don't have pay equity in this country, unfortunately. And women have to pay more for many products just because they're women. So look at what you pay for a haircut or you look at what you pay for cosmetics. As soon as it becomes a women's product, the price tag goes up exponentially.

DORETTA THOMPSON:

[00:18:27.91]

A pink tax.

TINA TEHRANCHIAN:

[00:18:29.24]

Yes. So it is challenging. Plus, in the past, I would say the previous generation, a lot of women delegated all of the financial decision-making for the family to their husband. So they didn't get us involved. And that makes it even harder, because when you lose that partner, you are much older, your learning capacity is not as good as it would have been when you were younger, and you're suddenly totally financially illiterate and left with managing large amounts of money.

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So my advice for women would be try to get educated as soon as possible-- the younger you are, the better-- so that you have the level of financial literacy to be able to manage your family's finances. Always get involved. One of the things that I always insist to my clients-- and it doesn't matter.

SPEAKER**TRANSCRIPTION**

TINA TEHRANCHIAN:

[00:19:24.17]

A lot of times I see in families, sometimes it's the male partner who controls the family finances, sometimes it's the female partner who controls the family finances. In either case, I strongly encourage my clients for both couples to come to the table. Don't leave all the decision making to one couple, get involved, get involved. It is your financial future, too.

[00:19:49.10]

And yes, your partner has your best interests in mind, but there's no guarantee that your partner is going to be around all the time. Half of marriages end up in divorce. And even good marriages, women outlive-- many women outlive their partners and have to be on their own. So it is important for them to be involved.

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And the sooner they're involved, the more financially educated they will become and the easier it will be for them to handle things on their own if they have to.

DORETTA THOMPSON:

[00:20:18.96]

I think that's so important. It's, first of all, building the knowledge, but then it's building the confidence and then practicing those skills. Something that we observe is that even if when you start out that a couple may be in the same place in terms of financial knowledge, et cetera, that division you talk about is a very common one that emerges.

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And so the women can be really good at flow management and managing day-to-day expenses and just really strong skills there. It's those big decisions around investments, et cetera, that often fall. And it so important that everybody have a sightline on investments, on strategy, on planning so that whatever happens, you have the tools you need to make confident decisions going forward.

TINA TEHRANCHIAN:

[00:21:11.91]

Very true. Or at the minimum, know what's going on with the family finances so you're not clueless if something happens to your partner.

DORETTA THOMPSON:

[00:21:20.67]

Are there any stories that stand out for you on how people's expectations and then how the planning comes forward and helps people get on solid footing for the retirement?

SPEAKER**TRANSCRIPTION**

TINA TEHRANCHIAN:

[00:21:36.00]

Yeah, definitely. I think one of the best examples I have, one of my clients who's been a client of mine actually for over 30 years, pretty much from the first year that I started in the business, when I met this client, he was going through a divorce, a very nasty divorce that took over four years to finalize, but he had met a new partner.

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And they were both professionals, very high-earning professionals, but they were both in debt. Him because of his divorce, his partner because of other reasons. And we started working on their financial planning and tackled all the debt, started building up their savings, and they bought their first home.

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They built up quite a big reserve, and unfortunately, the wife in this scenario, she got cancer and she died in her early 50s. Her husband was left with all the insurance money that she left behind. And now that he has retired, he's actually in very good solid shape.

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So that was one of the most fulfilling experience that I've had through my career, helping a couple from a very precarious situation where they had extremely high debt levels and no assets to build up their assets over time, getting rid of all their debt, and being able to retirement in the comfort that they had dreamed of.

DORETTA THOMPSON:

[00:23:06.40]

I think that's so important, and you referred to that earlier, that when you're building a plan, you really have to start with the basics. First of all, you really have to know where you are, what your cash flow is, understanding how you're actually spending your money, prioritizing it properly, et cetera, those important first steps to any good financial plan.

TINA TEHRANCHIAN:

[00:23:27.54]

Very true. And when it comes to couples also, I think it's a great exercise to go through. Even writing that retirement budget together and talking about the hopes and dreams that you have for retirement, because for a lot of couples, it's never articulated.

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We have things in our mind, but we may be totally on different planes and not thinking the same thing. Thinking about it and writing down the goals is a huge help for most couples.

SPEAKER**TRANSCRIPTION**

DORETTA THOMPSON:

[00:23:59.64]

I think that's so true. I have to say that I hear about professionals, even, who are literally approaching retirement and really don't have a plan. It's a kind of, I'll figure it out when I get there. And figure it out when you get there is not always the best strategy.

TINA TEHRANCHIAN:

[00:24:16.59]

No, no, it's not. I recently had a lady who was referred to me by another client and she is a professional herself, high-earning professional, her husband is a lawyer making very good money, but apparently he had been handling all the investments all the lives and lost significant amounts of money, which is what made her very anxious and wanted to seek out financial advice.

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But when I talked to her, I found out that she had no clue about the family finances. And it was a struggle for her to get the information together, but it was a very good exercise. It's taking her some time to get things together, but I think it's the best step that she took before retirement. She waited too long, she should have done it sooner, but still, better late than never. It's good that she took that step.

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And I think one of the reasons that she waited too long is that like most people who postpone things and don't take action, they sometimes feel embarrassed by the fact that they've reached a certain age and they're not prepared for retirement. So talking with a CFP professional might be stressful for them, but they should not have that hang up. They should take that step and start working on their plan before it's even too late than it is now.

DORETTA THOMPSON:

[00:25:43.86]

And actually for most people, once they get going, it's usually a calming thing. It's like, OK, now I can do this. It's coming from a place of knowledge. You want to come from a place where you understand and where you are and where you want to go.

TINA TEHRANCHIAN:

00:25:58.00]

It is, it is, absolutely. And the other thing that I think sometimes people get maybe put off by is that financial planning seems too complex, too time-consuming to them. But you have to keep in mind that you do it step by step. It's like mountain climbing. When you look at the mountain peak, it seems insurmountable. But you don't do it in one jump, you do it step by step by step, and finally you get to that peak.

SPEAKER**TRANSCRIPTION**

TINA TEHRANCHIAN:

[00:26:29.46]

And financial planning is the same thing. You have to find a financial planner that you feel comfortable with, and it's really a lifelong journey that you take together. And you do it in small steps.

DORETTA THOMPSON:

[00:26:43.80]

Can you tell me a little bit about what are the things you should think about if you do want to talk to a financial planner? What can you expect them to ask you so that you're prepared for that kind of discussion?

TINA TEHRANCHIAN:

[00:26:55.56]

That's a very good question, actually, because most people think that the only information they should give a financial planner is about their assets and liabilities and nothing else. However, a good financial planner will want to know about every aspect of your life, because they need to know you as a person. They need to know your values, what's important for you, what are your hopes, what are your dreams, what is your family situation?

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Our family usually has financial implications for us. So if you have children, for example, who have mental or physical disabilities or are going through marital issues or job losses where as parents you have to step in and help them, it's going to affect your finances.

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Your health is another issue. Sometimes when I ask people, do you have any health issues? They wonder like, what does that have to do with my financial planning? It has everything to do with your financial planning, because it will impact how soon you're going to retire, extra expenses that you may have for your care, whether you can even get disability coverage or not.

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So there are many things that a good financial planner will ask you. The minimum that you should have ready when you go talk to a planner, obviously, is your latest statements, your wills, your powers of attorney. These are things that they will want to look at. But be prepared to talk about more value-based questions and to let them know about your entire family and financial picture.

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	<p data-bbox="532 275 699 310">[00:28:38.67]</p> <p data-bbox="532 338 980 373">Tina, thank you so much for joining us.</p>
TINA TEHRANCHIAN:	<p data-bbox="532 415 699 451">[00:28:41.92]</p> <p data-bbox="532 478 688 514">My pleasure.</p>
DORETTA THOMPSON:	<p data-bbox="532 548 699 583">[00:28:43.53]</p> <p data-bbox="532 611 1487 709">The personal financial challenges and decisions we face as we age sometimes can feel overwhelming, so I really hope our listeners can rest a little bit easier after listening to our conversation today.</p> <p data-bbox="532 716 699 751">[00:28:57.27]</p> <p data-bbox="532 779 1487 968">You've been listening to Mastering Money from Chartered Professional Accountants of Canada. You can click to all the resources mentioned in this episode in the description of the podcast in your podcast app. Please rate and review us, and if you'd like to get in touch, our email is financialliteracy@cpacanada.ca. This season is made possible by the generous support of our national development sponsor, Canada Life.</p> <p data-bbox="532 974 699 1010">[00:29:20.01]</p> <p data-bbox="532 1037 1487 1199">If you'd like to keep the financial literacy conversation going, we invite you to join us as CPAs Canada Celebrates Financial Literacy Month with two special conferences. For the first time in two years, we're bringing back our in-person conference, Mastering Money. It offers networking opportunities, interactive presentations, and live Q&As.</p> <p data-bbox="532 1205 699 1241">[00:29:41.68]</p> <p data-bbox="532 1268 1438 1367">We are also continuing with our popular virtual conference, Money in the World-- Exploring How Canada Fits into the International Financial Scene. Follow the links in our resources to register today.</p> <p data-bbox="532 1373 699 1409">[00:29:55.06]</p> <p data-bbox="532 1436 1446 1619">Please note, the views expressed by our guests are theirs alone and not necessarily the views of CPA Canada. This is a recorded podcast. The information presented is current as of the date of recording. New and changing government legislation and programs may have come into effect since the recording date. Please seek additional professional advice or information before acting on any podcast information.</p> <p data-bbox="532 1625 699 1661">[00:30:18.69]</p> <p data-bbox="532 1688 1386 1759">Be well, be kind and remember, thoughtful preparation is the key to a financially secure retirement.</p>
	<p data-bbox="532 1793 699 1829">[00:30:25.20]</p> <p data-bbox="532 1856 769 1892">[MUSIC PLAYING]</p>