Buying Time

Trading Your Retirement Savings for Income and Lifestyle in Your Prime Retirement Years

Second Edition

Daryl Diamond

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SECOND EDITION

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DARYL DIAMOND

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Preface

The purpose of this book is to provide an opportunity for retirees and those soon to retire (otherwise known as the baby boomers) to experience a more fulfilling and meaningful retirement. We will examine how to make the most efficient use of your time and your assets during your retirement years.

In the four years since this book was first published, there have been many changes. Tax rates and tax credits have been adjusted. There is new and amended taxation legislation, including the most exciting of all—the pension-splitting rules for retirees. And new products have been introduced to provide retirees with investment options they previously did not have. These changes allow us the opportunity to examine new strategies and solutions to help you make the most efficient use of the assets and benefits you have taken a lifetime to accumulate. It is important to remember that even a few small improvements, applied to a block of capital and multiplied over a number of years, can add up to a very large number.

I have been in the financial services business for more than 30 years. The last 18 of these have been dedicated to helping people consolidate their retirement income in the most efficient manner from the assets they have saved and the benefits they have earned. This includes individuals who are within 10 years of a target retirement date, those about to retire, and those who are already retired. Our business practice, which is composed of qualified planners and support staff, is dedicated to serving this group of people.

Most people retire only once, but we have had the experience of being able to retire several hundred times through the clients we serve. This has afforded us the opportunity to live through the experiences of many people and has allowed for some of the conclusions that form the planning concepts and strategies found within this material. There is much to be said for knowledge and information, but there is no substitute for experience and the resulting insight when it comes to providing meaningful advice and direction.

The bottom line is that our experience has shown us that people currently in their retirement years have a very different attitude about spending and using their assets than does the generation that follows them. Within the group of current retirees, we see tremendous waste in terms of asset use and taxation, and too many missed opportunities. Having experienced many retirement scenarios over the last 18 years, we have concluded that there is a way for retirees to make better use of their resources, readily meet other financial objectives, and take advantage of the time afforded them during their best retirement years. Stated another way, retirees could do a much more effective job in spending their assets while covering off health-risk and wealth-transfer objectives.

Time and time again, we see people who did not do the things they wanted to do after retirement because suddenly either they or their spouse started to lose their health, needed care, or passed away. We see large retirement accumulations sitting idle, held by people who do not even spend their government benefits on a monthly basis. This in turn leads to larger personal liabilities to fund their long-term care and larger-than-necessary income and estate taxes.

We hope to bring together various concepts and strategies and, in doing so, show how a comprehensive planning process can help you achieve more enjoyment from your retirement years. We will also show you how to make more efficient use of the assets you have to create the income you need. Given the book's space constraints, it will not be possible to cover off all the planning areas in the type of detail that would be possible if this book was dedicated to simply one particular planning stream. This conceptual resource will, however, assist people, in conjunction with their advisors, to investigate the individual and integrated planning concepts available.

We will accomplish this by bringing together the various multidisciplinary planning channels and by laying the groundwork for meaningful discussions between you and your financial advisor. It is not designed to be a "do it yourself" book. It is intended, by facilitating more comprehensive communication between individual and advisor, to be a "do it properly" and "do it better" manual.

The contents of this book apply to the baby boomers and their currently retired parents. In many instances the principles involve both groups simultaneously since there are familial responsibilities and financial links between the generations. Yet there are also many differences between these two groups, especially when it comes to the value and use of money.

There is no question that each retirement situation is unique. The material presented in this book is based on the general trends we have witnessed through our work. We are able to share with you our experience and insight into this process. In addition to this, we have a strong conviction about where we, as a nation with an increasing number of aging citizens, appear to be heading and the resulting planning issues that need to be addressed, and we will touch on these subjects throughout the book.

Introduction

This book begins where most other retirement planning books end. Many well-written books deal with the subject of accumulating money for your retirement; however, there are very few that give direction from that point forward—that time when you are drawing upon your assets to create the income you will need in retirement.

We may ultimately spend from one-quarter to one-half of our adult life in retirement. It is very common for people to think of retirement as one phase in life, when in fact it is comprised of many different stages over a 20- to 40-year period. Some of these stages may include:

- Starting your retirement
- The early or prime years of retirement
- Children leaving home or moving away
- Arrival of grandchildren
- Changes in your health
- Disability or failing health of a spouse or partner
- Caring for adult children
- Caring for aging parents
- Changing your place of residence/type of accommodation
- Breakdown of marriage
- Second marriage and a resulting second family
- Death of friends
- Loss of a spouse or partner

The stages identified above tend to involve health-related events, changes in family situation, and sometimes both. We refer to these as life-altering events. The reason we call them this is that what follows one will always be different from the way things were before the event occurred. It is also important to note that the vast majority of retirees will go through any number of these events in their lifetime. Granted, some of these events can and do occur before we retire, but most of the events listed above are typically associated with aging. These are retirement realities, and they need to be included in the setting of objectives, the consideration of asset use, health-risk management, and wealth transfer.

The fact that these changes impact our situation is one of the reasons why we emphasize using an advisor, someone with whom you discuss and work upon your financial, lifestyle, investment, and health-risk management issues. The main reason for using an advisor is because the creation of a plan is not what makes things happen. It is the *implementation* of the plan that makes things happen. Your advisor's role should also include assisting you to take the steps necessary to put the plan into action and turn your objectives into reality. Your relationship with your advisor, and the role he or she plays, will constantly change, just as your needs change through the various stages of retirement.

With the boomers and their parents we have one retired generation and one about-to-retire generation. While they have retirement in common, they also have some significant differences between them. Compared to their parents, the boomers expect to retire earlier, live longer, and do more in their retirement. However, most do not know how much money they will need to do this, and they are not as financially prepared as they need to be. This book contains technical and practical concepts designed to help you get the most from what you have been able to accumulate. These are proven strategies that work when implemented in conjunction with comprehensive planning.

In working with the parents of the boomers, we find that there is a great deal of inefficiency in how money is used for personal objectives, is taxed by the government, is used to pay for health-related expenses, and is ultimately passed on to future generations. What this book delivers is a combination of technical information and solutions that addresses the different yet connected problems of two generations moving through retirement at the same time. By employing an integrated approach involving four distinct planning channels, it also serves as a blueprint for planning between the generations. There is in excess of one trillion dollars of wealth to be transferred to the baby boomer generation over the next 25 years. How efficiently this is done will have a direct and profound impact not only on the retirement of the boomers, but on the generations that follow. Use this book to make a positive difference for you, your heirs, and future generations.

A FEW QUICK NOTES

We will use the term “couple” throughout descriptions in this book to refer to married couples, common-law couples, or individuals.

Also, we will use the term “advisor,” not “advisors,” although you may have more than one person with whom you work. We will not tell you that this is a mistake, but we strongly suggest that there is particular merit in coordinating all of your planning activities with one person or institution. We refer to it as consolidation and believe it delivers more effective planning and better results.

HOW TO USE THIS BOOK

There are three key steps you must take in order for this book to have the potential to make your retirement more fulfilling. They are:

Gain Awareness of the Process—and Yourself

The technical and strategic information in this book will provide you with a general knowledge base and understanding of retirement income planning. The exercise of establishing your objectives and priorities will allow you, and your partner, to better understand and emotionally relate to what it is you wish your retirement experience to be. Through our integrated planning process known as the Prime Approach™, you will find out how you can fulfill your objectives and enhance your best retirement years.

Align Yourself with an Advisor

The use of an advisor is a significant factor in successful planning. You may want to engage the services of someone who can help you in all four of the planning channels involved in this process. To assist you and your advisor in the planning process, we have included two important tools in the back of this book. First are the data forms. These will assist you to gather all of the information you will need to provide to an advisor in order for a comprehensive retirement income plan to be written for you. Second is a checklist that pulls together the key points covered in this book. Whether you are just having a plan constructed or you are reviewing and improving an existing plan, the checklist is an essential and valuable tool in the integrated planning process.

Our recommendation that you work with an advisor is not in any way to suggest that you are inept or unable. It is, however, to contend that you are better served over time by using the services of a professional to help you along this journey.

Put the Plan into Action

All the knowledge, awareness, and planning in the world is not of much benefit unless action is taken. This is also an area where working with an advisor is key. The joint efforts of you and your advisor will help ensure that the action steps you need to take are actually implemented. Just as importantly, the ongoing relationship with your advisor will enable you to make the appropriate adjustments to your financial plan as your priorities change or as life-altering events occur. While it may currently be your desire to handle your retirement planning on your own, there will likely come a time when either this will no longer be of interest to you or you will not be fully capable of handling your own affairs.

PART ONE

In Preparation

CHAPTER ONE

Fundamentals of the Prime Approach™

THE TIME HUB AND THE MONEY HUB

Everyone has a Time Hub and a Money Hub through which respective time priorities and money priorities are defined. The Money Hub pertains to those assets, benefits, and entitlements that will be used to create income, and the priorities we attach to their use. It is segmented into income priorities and asset priorities. The Time Hub, on the other hand, is composed of key personal needs. The priorities within this hub are driven by a combination of emotional and physical well-being. Both hubs are dynamic in size and driven by the factors of reality—the income/asset relationship to spending for the Money Hub, and the health, time, and emotional priorities for the Time Hub.

The Money Hub can be objectively and technically planned. The Time Hub, however, is the unknown in the equation because the most dramatic, life-altering events occur here, and they are primarily driven by emotion. Although the two hubs work in tandem, the priorities of the Time Hub are ultimately what determine the priorities of the Money Hub. It is the use of assets and income in relation to the Time Hub objectives that is the central premise of the Prime Approach to retirement income planning.

Establishing Your Time Hub Priorities

Whether you think of retirement as "the long holiday" or a "never-ending weekend," it is the period in our life when we have greatest discretion as to how to use our time. What do you plan to or want to do with your time when you have the choice? It is the Time Hub priorities that will influence these decisions.

- LOVE
  This is the strongest emotion we have. To what extent does this factor drive the prioritizing and setting of your objectives? Is the focus here on love of spouse, children, grandchildren, self, someone else, or something else?
- PURPOSE/FULFILLMENT
  Does your dreamed-of retirement provide you with the opportunity to pursue activities that will allow you to realize your potential or passion in a given pursuit, interest, or cause?
- RECREATION
  Whether it's golf, gardening, travel, volunteer work, or helping the children, what recreational activities will take priority for you in your planning?
- SECURITY
  What needs to be in place to ensure you maintain your sense of well-being as it relates to your safety and surroundings?
- HEALTH
  Are there health issues for you, your spouse, or someone else that set a different priority or order for how you wish to use your income or assets? Health issues are directly connected to time, both in terms of quantity and quality.
- ACCOMMODATION
  Just as the other priorities interrelate, the issue of where you are living will be influenced by health, security, love, and even recreational issues. Where you choose to or need to live involves house, apartment, or facility. It also refers to city or country.

Often the retirement income planning exercise focuses only on what the income needs are. For example, "How much income do you need to have each month?" This is indeed necessary to know and the planning process requires that this be identified and provided to your advisor to help put your financial plan together. But what are the factors that have driven the need for this level of income at this point in time? It is more than just a numerical calculation. It is essential you know the answer to other key questions, most of which are connected to the Time Hub priorities.

Some Time Hub questions include:

- In addition to financial plans, what other plans have you made?
- If you had all the money you could ever use or want, what are the first five things that you would do, and why?
- What are the 10 things you want to do while your health permits you? What is their order of priority for you, and what is the time frame within which you want to accomplish each of them?

Those baby boomers coming into retirement expect that their retirement will look very different from the one that their parents enjoyed. Yet, for the vast majority of boomers, what they have seen their parents go through is the only comprehensive frame of reference that they have on the subject. Since their own retirement is not going to be the same, they had better develop a clear and defined picture of what this is going to look like.

The Time Hub questions are included with several others in the data forms at the end of the book.

Time Hub priorities are not "measured" per se, but rather are defined. Identifying the priorities in this area, as is evident from the questions you need to consider, is really a subjective exercise. You will need to invest some thought and effort to accurately answer the Time Hub questions. That is what makes them worthwhile. If you are married, it is very possible that for any number of reasons, the Time Hub priorities may differ between you and your partner. It is important that you work through this exercise together to address your combined needs.

Once the priorities have been addressed, they are reflected on the financial side where things can be quantified. Stated another way, the Time Hub priorities express the "what," and the Money Hub defines the "how."

If the understanding and alignment of Time Hub priorities between the two generations could be achieved earlier, there would be a considerable number of benefits to be realized by all parties, including:

- More structure for both the parents and boomers in terms of future financial decisions
- More flexibility to use or reposition assets
- Less emotional stress on all parties from decisions that would otherwise have to be made in the future
- Less costs in terms of expenses and taxes
- Potentially greater wealth transfer
- Fewer family disputes

The Boomers and Their Parents– The "Generation Gap" Persists

Do you remember the expression "generation gap"? The term was used to describe the extreme variance in attitudes between what was at that time the boomers in their teens and early 20s and their parents. Guess what? It still exists, although both sides have mellowed considerably over the last 30 years. The passing of time has narrowed the communication gap, which was a significant part of this disconnect between parents and their children. Yet different attitudes on certain issues still prevail to some extent. The boomers are now entering their pre-retirement years, while their parents have been retired for some time. If we look back through the years, these were some of the key differences between the belief sets of the baby boomers in their younger years and those of their parents.

VARIANCE OF ATTITUDES

Boomers	Parents
Change the world	Respect authority/conform
Never die/never grow old	Go when they are called
Many employers, many jobs	Loyal to one company
Focus on possessions, credit, and debt	Modest/avoid debt
Enjoy now and pay later	This one's good enough
Reluctant to save	Reluctant to spend
Afraid of not keeping up	Afraid of loss

For the parents of boomers, the value proposition is the value of money. For the boomers, it is the value of time.

The boomer generation has focused on material possessions, credit, debt, and the continuous belief in the practice of buy now (enjoy now) and pay later. Nearly everything the boomers possess has a systematic repayment schedule attached to it.

Boomers, on average, have had fewer children than did their parents. Their parents, however, managed to do with less, stretching existing resources to the maximum, and were still able to save money. Granted, there may have been lower tax rates than we have today, higher nominal interest rates through the 1980s, and the benefit of soaring housing values, all of which contributed to the wealth accumulated by our parents. But our parents for the most part were and are practical in what they expect from retirement and what they spend money doing in retirement.

Compared to their parents, boomers want to retire earlier, expect to live longer, and want to do more in their golden years. However, all of these goals require assets to replace the income they will leave behind when they stop working. The boomers are notoriously poor savers. Fewer than 35 percent of all tax filers make a Registered Retirement Savings Plan (RRSP) contribution. The median RRSP account holds less than $50,000, and there is next to no savings in non-registered assets. The main reason for boomers making an RRSP contribution is to get a tax deduction, not to accumulate retirement savings. As they progress into the greying years, the generation that was going to change the world, and to some degree did, is realizing that just like their parents they are moving through to old age and many have not prepared properly for this time in their life.

Boomers are accustomed to borrowing to obtain everything they have and so far this pattern has worked, even though they find themselves swimming in debt. The problem in continuing this pattern is that you cannot borrow to finance your retirement. It is the one thing that you must pay for in advance. One needs to pay now in order to enjoy later. This is a process with which the vast majority of boomers have little experience.

Many boomers are counting on inheritances from parents who did not spend their assets. In fact, there are some boomers who have already "spent" their future inheritance in that they will need the money just to clear debt they are carrying. If this is even partially true, then you, your siblings, and your parent(s) need to do some intelligent intergenerational planning. This is probably a difficult subject for you to handle directly with your parents, which is why you should have an advisor serve as your guide and intermediary.

You may have noticed that the boomers like to put forward to their parents what they truly believe to be valuable suggestions regarding the parents' income, investments, health care, and living arrangements. Why is that? Because they feel that they are far more in tune with what is new, current, and best for their parents. The parents, however, don't necessarily share the view that they should make immediate and radical changes to the way things have always been and to what they have become used to. The boomers walk away from such conversations somewhat frustrated and with a view that their parents are stubborn. In reality, you still have two groups with different value and attitude sets that have grown up in different times. The *key* difference is that each group does not share the other's Time Hub priorities.

The communication gap is back, except it is reversed. It is the parents who, for the most part, are tuning out the direction their children are attempting to provide. They will listen politely and nod, but are reluctant to implement the suggestions put to them. Eventually, however, as aging takes its toll, the parents will likely depend on the direction and actions of their children. It is at this point when both groups reach a common understanding, and their Time Hub priorities are aligned. A common understanding is reached.

Establishing Your Money Hub Priorities

Here are some of the issues of the Money Hub.

- INCOME SECURITY
  Are you concerned that you will outlive your income?

- HIGHEST POSSIBLE INCOME TODAY
  How important is it to you to trigger income from every source and asset that you have? The answer may depend on what resources you have and how much income is to be created. Does your state of health or that of your spouse suggest that there will be limited time to do the things you want to do?

- COPING WITH INFLATION
  This refers to having your income and assets grow in order to maintain your purchasing power.
- TAX REDUCTION
  Is it important to you to explore strategies to pay less tax on your income? It may sound like a redundant question, but how important is this issue to you relative to the others listed here?
- HEALTH-RISK MANAGEMENT
  How important is proper management of health care and long-term care to you? In addition, how significant are the issues surrounding how this care will be funded? Is it important that the use of your personal assets be minimized for this purpose?
- USING CAPITAL ASSETS
  How important is it to you that the initial value of your income-producing assets stays intact? Is it a large concern if, in order to create the income needed, your asset balances decline over time?
- WEALTH TRANSFER
  How much of a priority is it to maximize the transfer of your estate assets to your heirs? How significant is it that planning be done so that more of your money goes to family rather than to the tax department?

  In the data forms at the end of the book, you are asked to rank the above items in terms of their priority to you. Each of these items is key, but you need to know exactly how important they are to you relative to each other. There are trade-offs in this process, and you need to indicate your level of interest in or concern for each option.

  The manner in which you rate these priorities will assist you and your advisor to determine how and when different assets and benefits are used to create income. In addition, the answers you provide will give direction in the areas of risk management and investment strategies.

Getting the Time Hub and Money Hub in Sync

Objectives and priorities first need to be established in the Time Hub in order to most appropriately deploy the resources within the Money Hub. The Time Hub priorities of love, purpose, fulfillment, recreation, security, health, and accommodation are driven almost exclusively by emotional factors. Once established, the Time Hub priorities are quantified through Money Hub planning.

How exactly will priorities change over two or three decades of retirement? Other than to say that there will be many changes and different stages through this time, this is really the unknown. When creating income from assets, the structure should be flexible to allow for changes in priorities throughout these stages.

Take the example of two couples about to commence their retirement, both the same ages, with the same retirement assets and income potential. How would the Time Hub factors, priorities, and objectives differ between these two couples if the husband in one family had just been diagnosed with a life-threatening illness?

Or, consider two people who are retired. One is age 63 and has just spent her first month of retirement in a sunny, tropical location. The other is age 83, and has just lost her partner after 55 years of marriage. How does their view of retirement differ? What is their view of the future? How would their Time Hub and subsequently their Money Hub priorities differ?

As you may be beginning to realize, when we talk about defining objectives at retirement we really need to look in detail at the Time Hub. What is it exactly that people want to do? For example, a married couple will need to discuss how closely their respective Time Hubs align. Their objectives and attitudes in any of the Time Hub areas may vary greatly, especially if there is a large difference in age. Once those issues are identified and prioritized, it is then appropriate to look at how to most effectively use assets and income to fulfill their objectives.

By structuring the income plan with consideration to both the Time Hub and the Money Hub, what we can potentially accomplish is enhanced quality of time, if not the quantity of time. We know it is impossible to plan for all of the changes and stages retirees will experience over the decades. Some changes will be sudden, while some will be gradual and prolonged. However, each of these events will be cause to redefine the Time Hub priorities, and, as a result, reflect those changes in the Money Hub.

The span of years during retirement is much like taking a vacation. Of course, with a vacation we normally have a defined time frame. With retirement, we really do not know what amount of time we will actually have. We plan for and save for a vacation. The same must be done for retirement.

Let's take an example of a two-week vacation. If there is only so much money to spend, you may wait for the last week of a two-week vacation to do things that you really want to do for fear of running out of cash too early. So, during the first week, you limit your activities and spend very little of your money, in anticipation of the second week. For the first three days of the second week, the weather turns quite bad. So, at least you still have the last four days. Then you or your spouse become sick for the last four days, so none of the things you had planned for the last half of your vacation come about. You go home with money in your pocket because it was not used during the best days of the vacation, a time when everyone was in good health and the weather was fine. Could this money have been better employed and the vacation time better used? Well, we can simply plan more effectively for the next vacation. However, we only have one retirement. We cannot go back and do it all over again.

Let's add one more issue for the vacation–retirement comparison. Any money not used in the vacation can be held over until the next trip. In retirement, some of the money that passes through to the estate goes through the hands of the taxman first and then on to beneficiaries.

What are the steps that need to be taken to look at the most effective way to transfer these assets? More importantly, how do we make the best use of our money during our retirement years? You need to align your Time Hub and Money Hub priorities to determine both. This is done through the planning and implementation stages.

BUYING TIME

To be able to trade money for time would be both an intriguing and popular concept. The fact of the matter is that we are only given so much time to live. "Buying time" does not refer to being able, through the expenditure of income and assets, to obtain more time, but rather to apply our financial resources in the best possible manner to make our allotted time better. This is the process we refer to as the Prime Approach to retirement income planning.

Introduction of the Prime Approach Concept

There is a double meaning for this term as it applies to different stages of the retirement planning process. As you ***Approach*** the 10 years before your target retirement date, these are your ***Prime*** earning years. There are specific planning strategies that can be employed in this time that will make a substantially positive difference on how your retirement income will be delivered.

The second meaning of this term applies if you are retired or are just about to retire. We want to show you an ***Approach*** to using your assets and benefits in order to maximize the enjoyment of your ***Prime*** retirement years. We define the prime retirement years as that period of time from the commencement of your retirement, in whatever manner you engage it, to that point in time where you or your spouse needs care or passes away. Whether you retire at age 52, 62, or 72, the first 10 years of your retirement will likely be the most fulfilling. This is because these are usually the years in which you and your spouse will enjoy the best health of your retirement. This is the time during retirement that is referred to as the "golden years." When health fails or a partner passes away, we may find ourselves in the "olden years."

By helping you define more precisely what it is that you wish to do in your best retirement years, both time and financial resources can be used in the most meaningful and efficient manner. In our practice, we have seen too many situations where people wait to do the things they want to do and then lose their health or pass away. It is a shame that some people are not using the wealth they have built, and not enjoying their retirement years to the fullest. The beneficiaries of this overly frugal behaviour are the heirs and the tax department—and not the individuals themselves. Meanwhile, the heirs want to minimize any estate taxes and realize the maximum value of the estate when it is settled. Luckily, several planning steps can be implemented to help retirees fulfill their objectives during their years of best health, while preserving or even enhancing the transfer of wealth to future generations.

As referred to earlier, there are a number of distinctions between the baby boomer generation and their parents. It is the parents of the boomers that are being referred to here as the inefficient spenders. It appears that baby boomers themselves have very little trouble spending money.

So why is it that current retirees are reluctant to use their assets? Aside from the general attitudes listed previously and the fact that many of these people grew up through the depression of the 1930s, there are three common reasons:

1. **Fear of running out of income**
   This is without question the greatest fear of anyone who is retired. As people move into their late 70s and 80s, though, they tend to spend less money than they did in their earlier years of retirement. They may in fact be accumulating money in savings and chequing accounts as income flows exceed the amounts they are spending.
2. **Wanting to ensure there is money available to cover health-care costs**
   This becomes a larger concern with increasing age and with the onset of health problems. There usually is a twofold concern here. First, there is the issue of having the ability to afford a level of care in an environment that will meet their needs and provide dignity. Second, there is the need to have the resources to do this so that they are not dependent on family or feel that they are a financial burden to their children.
3. **Desire to leave money to future generations**
   This objective becomes more important as people age, and is further strengthened when one partner passes away. The reason for the increasing interest in transferring wealth is to leave a legacy or remembrance of some kind. In other words, if you cannot take it with you, why not "live on" through what an inheritance can do or provide for your heirs? Each generation has traditionally been better off financially than the previous. It is common for retirees to initially regard the transfer of their wealth as an issue to which they do not give great priority. As they often say after looking at the material possessions their children have, "the children are in far better financial shape than we are." What the parents usually don't know is the corresponding level of debt that their children are carrying in order to finance those possessions. There is a tendency for these attitudes to change as the parents' health concerns increase and grandchildren enter the picture. This is another example of how changes in the Time Hub priorities directly alter the priorities of the Money Hub. If the desire to leave an inheritance becomes important, a different set of Money Hub priorities may be established.

Through comprehensive planning and with the use of specific financial tools, it is possible to provide a mechanism for covering health-care costs and guarantee a transfer of wealth consistent with objectives. If these contingencies can be addressed and a plan and process to deliver income be put in place, retirees will gain more discretion over how they may choose to use their assets earlier in their retirement years. Simply stated, more structure provides more freedom.

This is the basis of the Prime Approach to retirement income planning. As stated earlier, we cannot use assets and income to buy more time, but we can use them to buy better time. And people should make the most of their best retirement years. After all, it's true that you are only young once, and that you are never old twice.

The Four Planning Channels

By understanding the relationship between your Time Hub objectives, your retirement income, and risk-management issues, you can enhance your best retirement years while still planning for well-being and lifestyle issues you will face as you become older.

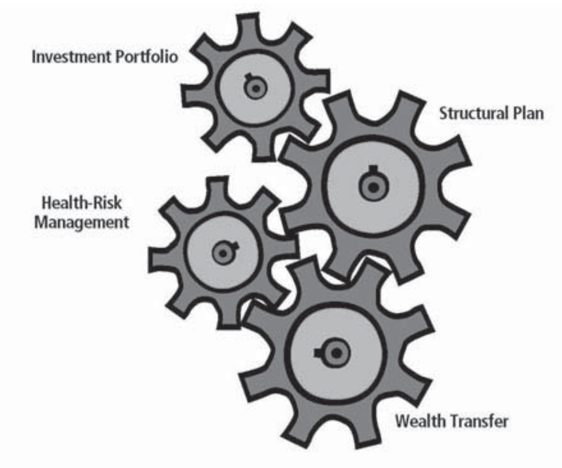
In addition to this, the four distinct planning channels must work in tandem if you are to have your retirement plan work most efficiently in accordance with your objectives. The channels are key components of a comprehensive financial plan.

The four planning channels are:

1. The Structural Plan
2. The Investment Portfolio
3. Health-Risk Management
4. Wealth Transfer

Each of these channels is a process unto itself, and initially people may have a specific need to address only one or two areas. However, the true benefits of integrated planning will only be realized when all four planning areas are working in conjunction. This is because each time a decision is reached and action is taken in one of the planning areas, it affects the other three. For example, an increase in the amount of income withdrawn (structure) will reduce potential inheritances (wealth transfer), and may affect the ability to fund long-term health-care costs (health-risk management), unless the investments (investment portfolio) are adjusted to attract a potentially higher rate of return. The four separate channels are illustrated in Figure 1.1 as gears because when one turns, they all turn. It is therefore essential to understand the impact of an action not only on its own planning channel, but on the other three as well.

FIGURE 1.1



The Structural Plan

This is the formal retirement income plan. It is represented by the largest of the cogs because it is the most important component. It is based on the Time Hub and Money Hub priorities of the couple, as well as the financial resources available to create the income that is needed. A complementary document called the Investment Policy Statement (IPS) will define the purpose and strategy of how money will be invested, income created, management performance assessed, and changes made. The structural plan, in conjunction with the IPS, should serve as the basis for review, decision-making, and any future actions. A comprehensive structural plan should include the following:

GENERAL ITEMS
- Outline of process
- Details of your and your partner's personal situation