Investor's Edge

RBC Wealth Management

First quarter 2019

An exclusive newsletter for RBC Wealth Management clients

Rewriting retirement: Today's retirement has become anything but traditional

By Angie O'Leary, Head of Planning Services
Courtesy of RBC Wealth Management

Baby boomers have redefined every life phase, and retirement is no different. As 10,000 baby boomers step into retirement daily, the landscape is quickly shifting away from the expected stereotype of the past to an exciting new life phase characterized by new perspectives—and new attitudes—around retirement and aging.

Simply put, it's not your parent's retirement. Rather than viewing retirement as the final chapter in an active life, today's boomers optimistically perceive retirement as an extended encore—a chance to reinvent themselves, pursue lifelong passions, volunteer, work a part-time gig or even embark on a new business venture.

Yet this transformational shift in the mindset of today's retirees will require assessing your expectations and concerns and redefining your goals—regardless of your age. *Rewriting Retirement*—a new Wealth Insights report from RBC Wealth Management—explores both the opportunities and challenges of today's retirement and conveys proven planning strategies to help you write your personal story and navigate this important milestone with clarity and confidence.

Changing viewpoints

According to our survey, many find that their goals and concerns evolve as they move into retirement. The top fear for Americans regardless of their age is the risk of running out of money. But those who have moved into retirement tend to find that their focus shifts. Fully one-third of retirees surveyed say they are spending their time in retirement differently than they anticipated.

Prior to retiring, more than half of respondents said their top goal in retirement would be travel. But for those already retired, the top priorities according to the survey were related to more holistic goals, such as spending time with family (53 percent), maintaining an active lifestyle (35 percent) and volunteering (25 percent).

Rewriting Retirement also identifies key trends that can help people adapt and thrive in retirement. For example, longer life expectancies coupled with healthier lifestyles has enabled many boomers to stay at work well beyond age 65 to remain connected with their colleagues and supplement their retirement savings.

Continued on page 2

Inside this issue

Rewriting retirement: Today's retirement has become anything but traditional, continued

RBC Wealth Management recently commissioned a survey designed to help gain a better understanding of expectations, concerns and goals related to retirement. To compare the perspective on both sides of retirement, 700 pre-retirees and 700 people who have moved into retirement were interviewed. Our survey identified a distinct contrast between the expectations of retirement and the realities experienced by those already in their encore phase. In *Rewriting Retirement*, a new Wealth Insights report from RBC Wealth Management, we explore these expectations and realities to help you prepare for your personal retirement journey.

Then again, many boomers increasingly seek to retire earlier and reinvent themselves by launching new careers or working side gigs. And as the average age of Americans continues to rise, we're witnessing the rise of a "longevity economy" as new sectors sprout up to meet the changing needs of the age 50+ population. This has implications for virtually every sector ranging from healthcare to housing and beyond.

Your retirement rewrite starts with good planning

Most who are still in the workforce are confident about the future, especially those who have a retirement plan in place and are executing that plan. While you can't prepare for every unanticipated twist-and-turn that could impact your retirement, a good plan gives you added flexibility to adapt to changing circumstances.

Baby boomers may be subject to more uncertainty about retirement than prior generations. One contributing factor is that households are less traditional. You may be caring for aging parents or have adult children still living at home. Another concern is that the safety net may not be as secure as it once was, resulting in higher health care costs and/or reduced benefits.

One of the lessons we can take from this survey is that those who are still working toward retirement should take a close look at the plans they make. Here are three important steps to consider as you start, or re-start, the retirement planning process.

1. Set appropriate expectations

Based on how the survey showed a gap between the expectations of workers and the experiences of retirees, you may want to re-visit expectations of how you will spend your time in retirement. Try to be as realistic as possible. Don't anticipate that your approach to life will change drastically in retirement compared to what it is today. Your goals should accurately reflect who you are.

2. Assess potential "disrupters"

The best retirement plan is one that goes into the process with "eyes wide open." You are likely to encounter detours along your retirement path, such as health care issues. Anticipating what those may be is an important part of the planning process. To the extent possible, have contingency plans in place to protect your retirement goals if unexpected events threaten to alter the course of your life.

3. Prioritize your goals

You likely have multiple financial goals you hope to achieve in retirement. It is important to put them in priority order. A good framework to use is to categorize each goal as either a "need," a "want," or a "wish." Your needs include making sure you've taken care of essential living expenses. It makes sense to separate health care essentials as a separate item under this heading. Other goals may include "wants" and "wishes" like home improvements, a second home and travel plans. *(Please see article on page 5 for more information.)*

A goals-based wealth plan can help you navigate your financial life. It allows you to lay out a path for your retirement, determine specific milestones, track your progress toward your goals and make adjustments due to changing circumstances or unplanned events.

Your RBC Wealth Management® financial advisor can work with you to help put your wealth plan in place, delivering clarity and confidence about this important transition stage in life.

To find out more, ask for a complimentary copy of our Rewriting Retirement *report that provides a detailed discussion of the issues that lie ahead and steps to take on your path to retirement.*

Cash management tips for traveling abroad

Winter is definitely here. If you are thinking of heading overseas for a vacation, possibly to a favorite place to relax and recharge after the holidays, you will want to take steps to manage your cash wisely and earn as many travel-related financial benefits as possible.

For example, you may want to establish a daily budget for all the dining, entertainment and shopping opportunities you may be looking forward to during your get-away. But how you spend your money is equally important. For travel outside the U.S., here are some options you should consider.

Credit cards

Some credit cards charge foreign transaction fees that typically add 3 percent to the cost of purchases abroad—so you will want to leave these cards at home. As an RBC Wealth Management client, you can apply for the City National Crystal® Visa Infinite® Credit Card[1] with City National Rewards® offered through our affiliate, City National Bank. With the Crystal Visa Infinite Credit Card, you can travel the world and City National Bank won't charge any foreign transaction fees on your purchases.[1]

Exchanging dollars for foreign currencies

You can buy most foreign currencies before you leave home, but the exchange rates may not be favorable. The same is true for exchanging cash once you reach your destination. While you may want to have some foreign currencies on hand for things like tips, you may have good reasons to minimize the cash you carry. Apart from the exchange rate issue, cash incurs the obvious risk of getting stolen, and offers none of the protection from loss or theft you can get from using a debit or credit card.

Debit cards for local cash

Using a debit card at a local ATM may be a practical way to get local cash. Typically, most U.S. banks add a transaction fee of $3 to $5 to every withdrawal at an ATM not operated by the bank or a partner, whether in the U.S. or a foreign country. And some local banks add their own fees. But you can avoid most of those fees by choosing and using the right debit card or the right ATM. For example, if you use the RBC Visa® Platinum Debit Card, you can get cash from over 32,000 surcharge-free ATMs world-wide through MoneyPass and PNC Bank.

By controlling how much you spend, and by using the most cost-efficient ways to spend, you can get more enjoyment out of your foreign adventure. Bon voyage!

To learn more about the RBC Visa Platinum Debit Card, or credit cards offered through City National Bank, please contact us.

Banking products and services are offered or issued by City National Bank, an affiliate of RBC Wealth Management, and are subject to City National Bank's terms and conditions. Products and services offered through City National Bank are not insured by SIPC.

RBC Wealth Management and/or its employees may receive compensation for referring customers to City National Bank.

City National Bank Member FDIC

[1] The Crystal Visa Infinite Credit Card is issued and subject to credit approval by City National Bank.

Think holistically about finances with strategic debt

Now that 2019 is here, you may be hoping to enhance your quality of life and make a difference in the lives of others by resolving to change a behavior or two. So why not also resolve to look at your financial life holistically this year? A good place to start may be changing the way you think about borrowing money by adopting a strategic point of view about using credit to achieve your goals when it is appropriate.

Like many Americans, the idea of having debt may be a concern for you. But there are good kinds of debt, like loans for college or a home you can afford—things that contribute to your wellbeing. And there are bad kinds of debt, like high interest loans that can be a drag on you financially.

Securities-based lending is an example of a potentially good kind of debt. And used strategically, it can be a practical and integral part of your overall wealth planning process. Indeed, taking time to qualify for a securities-based loan or line of credit now—before you have a financing need—may offer a practical source of funding that may help you prepare for just about anything.

Here's why. By pledging eligible portfolio assets as loan collateral to borrow money, you may qualify to get fast access to cash and potentially avoid possible tax liabilities and transaction costs of selling securities. It also helps keep your investment strategy intact, so your portfolio continues working toward your long-term goals.

A securities-based line of credit or loan can offer the following benefits.

Financial flexibility

Use securities-based lending to finance a variety of goals—to pay for a car, boat or vacation, remodel your home, invest in your business, help your grown children pay for a wedding—the list goes on and on. It is also a great way to respond when the unexpected happens, such as needing a major car repair or a new roof after a natural disaster.

Convenience

Compared to other sources of financing, setting up a securities-based loan can be relatively straight-forward. There are generally no costs and no charges to you until you borrow money.

Reasonable terms and competitive rates

As a non-amortizing loan, securities-based loans typically offer competitive interest rates. You simply make the monthly interest payments and can pay off the loan principal on your own terms.

Although securities-based loans can be useful, there are risks to understand. The value of your securities are pledged as collateral to secure the loan, which means your account must maintain a minimum value.

If it falls below this minimum, you will need to immediately deposit cash or other securities. Securities may also be sold out of your account to maintain the minimum value.

Still, you may find that a securities-based loan can give you the freedom to make those financial moves you could not otherwise make without incurring significant costs—either the **monetary** costs of more expensive loans or the **opportunity** costs of having to liquidate long-term investments to meet short-term needs.

To learn more about securities-based lending, please contact us.

Securities-based loans involve special risks and are not suitable for everyone. You should review the provisions of any agreement and related disclosures, and consult with your own independent tax and legal advisors about any questions you have prior to using securities-based loans or lines of credit. Additional restrictions may apply.

Your priorities play a key role in wealth planning

You may have many financial objectives—but will you be able to achieve all of them? And should you pursue them all in exactly the same way?

Actually, all goals are not created equal. You will have some that are simply more important than others. Consequently, when creating your overall wealth planning strategy, you will need to prioritize your goals. Prioritization involves several factors, including the following.

Varying levels of concern

By definition, prioritizing your goals means that some of them may take higher precedence than others. Your most important goal might be to ensure you have enough money to live comfortably, no matter how long you may live. So you'd rank this concern as "high." But you will also have secondary goals for which your level of concern is lower. For instance, six months of travel during the year during retirement may be important to you, as well.

Ability to compromise

The higher the priority of your goals, the less you will be able to compromise on them. Your need to avoid outliving your money is non-negotiable; you must achieve this goal. But lower-priority goals, such as your six-months-a-year travel plan, are more flexible; you might not be able to afford the full six months, but possibly you could manage three.

Investment decisions

As mentioned above, your level of concern is high for your goal of not outliving your money, and you cannot compromise. Therefore, you will need some space in your investment portfolio devoted to a low-risk method of providing a lifetime income stream. Conversely, when investing for a lower-priority goal, such as the six months of travel, you can possibly afford to take a little more risk, because coming up short will not have dire consequences.

For help in prioritizing your goals, you may want to consider using the RBC WealthPlan analysis. RBC WealthPlan incorporates a goals-based planning methodology to help you manage the entire prioritization process. Through goals-based planning, you can target investment strategies to meet specific goals. By tracking your progress toward these goals, you can also measure portfolio performance more meaningfully than by simply comparing it to some benchmark, such as the S&P 500.

In fact, RBC WealthPlan can help you identify your goals, articulate your levels of concern regarding these goals and assign all of them a degree of importance, based on your needs, wants and wishes.

To illustrate: Your most important needs, and the ones for which you have the greatest concerns, might be meeting your basic living expenses in retirement and ensuring you can pay for health care.

Your wants could be considered less essential and of lesser concern—such as the six months of travel described above, or the purchase of a new home.

Then come your wishes. You might wish to share your good fortune with people and causes you care about through legacy planning.

Ultimately, prioritizing your goals can help you achieve the outcomes of greatest importance to you—which is a good definition of investment success.

To learn more about prioritizing your goals and using RBC WealthPlan, please contact us.

Rewriting retirement: Today's retirement has become anything but traditional

18-01-6137_01598 (11/18)