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Working in retirement: Back to the future

We've noticed an increasing trend among our clients choosing to work beyond the traditional retirement age of 65. While this decision can be driven by a variety of factors, it's crucial to understand the pros and cons and strategically plan for it.

For those who haven't saved enough, continuing to work can be key for financial stability. Business owners often work beyond retirement age to establish a succession plan, especially if there's no immediate successor. But working in retirement isn't always just about finances — it's often a matter of identity, purpose and staying active. Many find fulfillment in their careers and choose to continue out of passion, not necessity. From a health standpoint, working can keep individuals physically active and cognitively sharp. And, of course, working provides social interaction, which is vital for mental health as we age.

Deciding to work post-retirement comes with its set of challenges and benefits. On the pro side, continued work can enhance financial security, allowing for a more comfortable retirement lifestyle. It also helps provide a sense of accomplishment and identity. However, there are cons as well. Increased income can lead to higher taxes and potentially affect the efficiency of your retirement plan. Working can also mean less time for leisure activities, travel and family. Depending on the nature of your job in retirement, there could also be physical or mental stress involved.

The financial side of working in retirement

When choosing to work post-retirement, it's essential to consider a few financial implications:

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- **Taxation:** More income can mean higher taxes. It's important to understand how additional income will impact your tax bracket.
- **Government benefits:** You might need to re-evaluate when to start taking government benefits like CPP (Canada Pension Plan). Sometimes, deferring these benefits can be more advantageous.
- **Pension plans:** You'll want to assess how continued income affects your pension plans. There could be opportunities to optimize your pension benefits.
- **RRSPs and investments:** You'll need to decide when to start drawing down on RRSPs and other investments. Working longer may allow you to delay this and potentially grow your nest egg further.

A few tips if you're considering working in retirement

- **Plan ahead:** Discuss your plans with your financial advisor to understand how working may impact your financial situation.
- **Consider part-time or contract work:** These options can offer more flexibility and less stress than full-time roles.
- **Balance work and leisure:** You've worked hard for decades. Ensure that work doesn't overshadow other retirement plans, like travel or spending time with family.
- **Stay informed on tax implications:** Understand or ask your advisor about how your income will affect your taxes and government benefits.
- **Explore non-financial benefits:** Consider roles that offer personal fulfillment beyond a paycheck.

Choosing to work during retirement is a personal decision that depends on your individual circumstances, goals and needs. Your advisor can work with you to navigate this decision, ensuring that your financial plan aligns with your retirement vision.

If you're considering working in retirement, let's discuss how to make this choice beneficial both financially and personally. Reach out to us anytime.

Executor tips and the benefits of outsourcing



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In a recent article, we outlined tips to help choose an effective executor for a Will. In part 2, we tackled some of an executor's responsibilities.

In our third article, we take a deeper dive into some of the responsibilities executors may be faced with and a variety of tips and suggestions, like outsourcing executor duties – or some, at least – to a third party.

The reality is executing a Will is not one job but actually a whole slew of them, from making funeral arrangements (though this is not technically an executor responsibility, it often is) and dealing with the courts and legal requirements around probate to grunt work like cleaning out the cottage or disposing of the deceased's household items. Engaging one company to do it all can mean overpaying for some services and underpaying for others. So, the likely

best way to tackle all the work is to build a small team to handle the executor's various responsibilities.

Before we discuss the benefits of hiring a third party to execute the Will, here is a rundown of some of the major steps an executor will likely have to take care of:

- **The funeral** – As we mentioned, handing the funeral, from burial or cremation to celebration of life, isn't technically an executor's responsibility because this usually begins once the Will's probate process is complete. Nevertheless the executor is often enlisted by the family to help with planning and logistics.
- **The road to probate** – Wading through the often onerous probate process, so that beneficiaries receive their portion of the estate in a timely fashion, usually involves reaching out to the deceased's financial advisor, accountant and/or lawyer for guidance, insight and assistance with the application process. There can be a variety of wrinkles with the taxation of the estate, for example, so it makes sense to hire an accountant or at least talk to one to make sure nothing is missed. Keep in mind that, post COVID-19, what used to take about three months for the probate process to unfold now often takes more than a year, so it will also be beneficial to set expectations with heirs about when the distribution of assets may be finalized.
- **While you wait** – Until probate is granted, there's not a whole lot that can go on with the deceased's estate, at least not formally. While homes and other assets can't be sold, family members often use this time to for cleaning up and clearing out possessions. A locksmith should be engaged to change locks early

on. Banks should be notified so that utilities, condo fees and taxes can continue to be paid automatically from the deceased's bank account. And bank statements should be reviewed to ensure that services like cable TV or gym and other memberships are cancelled as soon as possible.

A quick aside about Alter Ego Trusts

While beneficiaries usually must wait until after probate is obtained before the distribution of assets can take place, there is a legal workaround called an Alter Ego Trust. Permitted under the federal Income Tax Act, this transfers a person's estate, or parts of it, to the trust while they are still alive. During their lifetime, they fully control the trust. But upon their passing, a replacement trustee can bypass the probate process and distribute the trust assets to beneficiaries (once any estate debts and liabilities are paid off). Using an Alter Ego Trust is usually faster and avoids often significant probate fees but there are pros and cons that should be discussed with professionals.

Back to the executor duties . . .

Once probate is granted, the bulk of an executor's work really begins. Perhaps the most efficient approach we've seen is for the executor to scope out the skill sets required to execute the Will and distribute the estate along with what those various responsibilities may cost.

A traditional – but very expensive approach – is to hire a law firm to be the estate trustee. While the firm will likely do a good job, it could cost up to 5% of the value of the estate, so a \$2 million estate could be billed \$100,000, not counting a la carte tasks, which could be invoiced at \$500 or \$600 an hour.

Instead, as we mentioned, it may make more sense to dole out specific tasks to different parties. If, for instance, the deceased's home is filled with a whole host of items – from porcelain figurines to furniture and books and art – it may not be worth the time or effort to price everything and look for buyers. There are now companies that specialize in decluttering estates and handling estate sales, often for a reasonable flat fee.

Other estate administration companies offer support to prepare an inventory of the estate and get through all the record-keeping and other paperwork for thousands instead of hundreds of thousands of dollars. Many of these administration firms can also be hired as the estate trustee or even the executor, if the designated executor decides they are not able to fulfill their duties.

One more suggestion when selling property

Beneficiaries may have a range of ideas of what the deceased's property is worth so it's always a good idea to have the home(s) evaluated or speak to two or three real estate agents about a ballpark value to make sure everyone is on the same page before a sale takes place.

Being an executor can be a complex and time-consuming responsibility. But it's important to remember: you aren't expected to go it alone. With the right team – including a financial advisor, accountant and lawyer, as well as estate administration and decluttering services and, of course, family members – you can quickly and efficiently settle the deceased's estate and distribute their assets as they intended.

Reach out to us anytime for a copy for our Executor Checklist, a helpful step-by-step document for executors and anyone planning their Will. We are always here to help.

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