Quarterly Exchange

Summer 2023

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TD Wealth

The importance of having a comprehensive plan to safeguard your assets

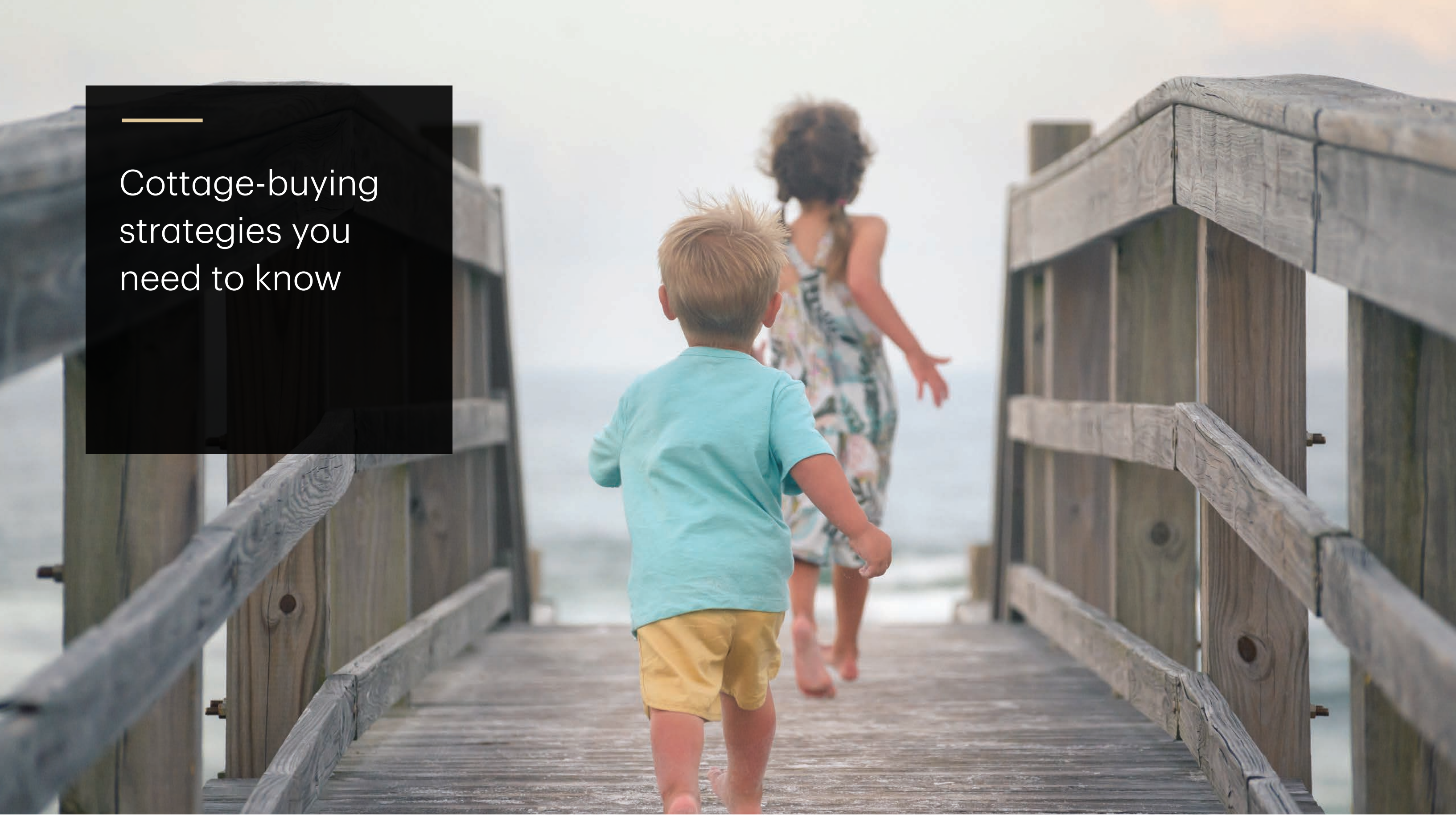
From purchasing a vacation property to safeguarding assets after a breakup and preparing for retirement, strategic financial planning is essential to securing a prosperous future.

First, the decision to purchase a vacation property should be accompanied by a financial strategy, taking into account factors such as overall financial planning, mortgage implications, and retirement plans, according to Nicole Ewing, Director of Tax and Estate Planning at TD Wealth. Prospective buyers should also consider co-ownership arrangements and the unique aspects of owning a cottage, such as changing property values, maintenance costs, and insurance considerations.

Secondly, ending a relationship can have significant financial implications, so it's important to protect your assets, including monitoring joint accounts, updating beneficiaries on financial accounts, checking your credit report, creating a comprehensive list of property and debts, and seeking the assistance of professionals like lawyers, mediators, and financial advisors to help navigate the process and secure your financial future.

Finally, retirement can sometimes lead to unexpected feelings of depression and anxiety, making it important to plan for mental health in addition to financial stability. Strategies for managing the retirement blues include staying active and socially engaged, pursuing interests and hobbies, creating a mental plan for the transition, and seeking professional advice to help ensure financial preparedness for retirement.

Whether you're considering buying a cottage, going through a divorce, or preparing for retirement, it's crucial to have a comprehensive financial strategy in place to help safeguard your assets, navigate emotional challenges, and secure a stable future.



Cottage-buying strategies you need to know

Many of us dream of owning a vacation property one day. But even before finding a real estate agent, perhaps it may be wise to call your financial advisor.

Like many Canadians, Jeff Halpern dreamed of owning a vacation property long before he was able to afford one. The Business Succession Advisor at TD Wealth says, “Growing up in difficult financial circumstances, I saw people who had cottages, and they just looked so happy. I’ve always felt that the cottage is such a beautiful place to bring the family together every summer, and so I aspired to be a cottage owner from a young age.”

Many years later, while working in Singapore, Halpern took a two-week vacation and travelled back to Canada to fulfill his goal. As he tells it, he spent much of that trip driving up and down Lake Simcoe until he finally found a for sale sign and a willing seller. He called an agent and put in an offer that very day. “It was the end of August, and we had to close the purchase when I was back in Singapore. My family has been using it ever since.”

If you’ve been keeping an eye on real estate headlines, you’re probably aware of the roller coaster ride prices have been on for a few years now. And yet, for many, the all-Canadian dream of one day owning a family vacation property remains. The decision to purchase one, however, is big and shouldn’t be taken lightly — even if you can already picture your kids building sandcastles on the beach. To better understand what prospective buyers should be aware of before they take the plunge, we spoke to Nicole Ewing, Director, Tax and Estate Planning, TD Wealth. Here are the considerations she shared.

Why cottage-buying involves a financial strategy first

A lot has changed since Jeff bought his cottage in 1999. For one, prices are much higher now. As a result, Ewing says that “it’s increasingly important to think about a purchase like this within the context of your overall financial plan.” To begin, prospective buyers should work with their financial advisor to discuss not only where the money for a down payment will come from, but also how a mortgage (or second mortgage) might affect your cashflow going forward. From a planning perspective, Ewing also suggests buyers consider the purpose of their property, beyond summers in the sun: “A lot of people purchase a cottage with the idea that they’re going to retire there. That may play into the calculation of how you’re going to afford it. Is there a certain point, for example, where you’re selling your current home to finance a permanent move to the cottage?"

Run your numbers (twice)

Currently house prices have resumed their upward trend and interest rates are much higher than five years ago. If you're planning to borrow money from a financial institution, Ewing says it's a good idea to run your numbers with the help of an advisor to see how it impacts your overall financial plan before you commit to a purchase. Things to consider include: the interest rate you may pay today, how that interest rate could change in the future and (perhaps most importantly) how your financial situation may evolve. For example, if you're only five–10 years away from retirement, have you considered how you'll afford your mortgage payments after you retire? Many standard mortgage amortization periods are 20–25 years. Unlike your first home, which you may have purchased in your 30s, you may be paying for your vacation property using a more limited income stream.

Ewing says, "You don't want to leave yourself completely vulnerable. If it were me, I'd be asking my advisor to run some scenarios to help me figure out what I'd need to sustain this purchase, and what my backup plan might be." Additional costs to consider include: maintenance costs, home improvement costs, property tax, utilities, insurance and recreational costs (e.g., will you have a boat?).

Ewing also suggests checking in with your lender well in advance in case there are credit or borrowing limitations you may not be aware of, particularly if you're already retired.

Be cautious with co-ownership

If you intend to make your vacation property an heirloom for your extended family, you may have considered co-ownership with a sibling or relative. In the case of co-ownership, Ewing says it's wise to look before you leap. "A variety of complications can arise with co-ownership arrangements, but the most important takeaway is to always have a co-ownership agreement in place. It's so essential. You don't want to end up suing a relative."

Within any co-ownership agreement, Ewing suggests addressing a number of diverse and even mundane issues, such as: how you'll divvy up both the initial and ongoing costs, who will have decision-making rights, who will have access and when, how you'll structure ownership and what will happen from an estate planning perspective if one

of you dies. For instance, have you considered who will be responsible for putting the boat away at the end of the summer? And who gets final say about whether or not you'll host that neighbourhood dock party? These arrangements can become quite complex, so it's best to be very thorough in your planning before you begin the house hunt.

"Ultimately, family dynamics can add to the risk," says Ewing. "If you fall out with a friend, it's less big of a deal than if you fall out with a family member. Best to proceed with caution."

Remember, a cottage is a different kind of asset

While your cottage may be a home away from home, it is actually a different kind of asset from the point of view of changing values, maintenance costs and insurance considerations.

"What if the area floods?" says Ewing. "Or sometimes, you may buy in what's considered to be a very desirable area, and then the highway changes, and suddenly the stores and amenities that you used to rely on are gone."

To help ensure you approach the purchase on safe footing, you may want to work with a real estate agent who is familiar with the area and cottages in general. After all, there are a number of nuances to rural properties that you may not be aware of. For example, are you ok with sharing a well for water with your neighbour, and paying them for the privilege as the case may be? Would you be comfortable maintaining a private road, or one that is used by others through an easement? These sorts of cottage-specific considerations are important for any prospective buyer hoping to avoid future headaches.

Once you've purchased a cottage, your family will likely develop strong emotional attachments to the place and that could have an impact on how much you're willing to spend on renovations, as well as how you'll want to pass it on eventually. For all these reasons, you may wish to work closely with an advisor or planner to ensure you have an experienced second opinion as you buy, maintain and pass the property on.

Consider the taxes

Before you purchase any piece of new property, it can be important to consider how it will impact other areas of your financial life. The most obvious impact will, of course, be the property taxes you pay. But consider too how this property will be passed on and the capital gains tax that may follow.

After death, taxes can become complicated if you don't have a solid plan in place. If your cottage is not your principal residence when you die, for example, your estate will be required to pay a capital gains tax — a potentially significant burden if you've owned the cottage for decades.

Ewing says many people believe that putting a cottage in a trust is one of the better ways to manage this. But she adds that you should consider the costs associated with trusts. Moreover, the strategy does not do away with the tax issue entirely — it just pushes it further into the future.

People may think another method to manage capital gains tax is to give your adult children co-ownership while you are still alive. However, Ewing points out that it actually does not solve the tax issue and may create problems since our children have as much say in what happens to the property as you do.

Over two decades after he purchased his cottage, Jeff Halpern has no regrets. "My kids grew up with the cottage, they always loved it, and now our six grandkids are growing up with it. Between the water sports, learning to swim and going fishing, it's just a very nice way for families to unite and make memories," he says.

Like Halpern, your daydreams may be filled with visions of cozy nights by the fire and breakfast on the dock with your family. Before making an offer on that charming property, however, it's important to take some time to consider your decision and the impact it may have on your finances. While that's not to say these considerations should ultimately dissuade you, a thoughtful approach is often the safest as you proceed with any large purchase. As always, it can be helpful to speak to your financial advisor or planner if you have any questions.

— Tamara Young

The love is gone. Make sure the money stays.

You've shared a life and finances with a partner but now your relationship is over. These five ideas could help you navigate your separation or divorce without ending up with empty pockets and an empty heart.

A divorce, separation or even the breakdown of a common-law relationship, can be life-changing and devastating. And if there are bad feelings or thoughts of getting even, financial retribution during a breakup is not out of the realm of possibility. Even in an amicable breakup, money matters may go awry. According to the National Endowment for Financial Education, almost two-thirds of couples combine their finances which may cause credit problems if they go their own way.[1]

And unfortunately, financial abuse is all too common. "Everyone says that he or she wouldn't do that to me," says Zeljka Walker, Portfolio Manager and Senior Investment Advisor, TD Wealth, who's also a Chartered Financial Divorce Specialist (CFDS). "But, I can tell you from experience, it happens all the time."

Walker decided to specialize in divorce finances after she saw what happened in her own breakup. To protect yourself and your assets, Walker suggests five things you can do as soon as you think your relationship may be over:

The love is gone. Make sure the money stays.

1. Keep your eye on joint accounts

When your relationship ends, you and your ex-partner will soon have to work out how to divide your assets and debts, but until you have an agreement in place, be diligent about monitoring what goes in and out of the bank accounts you share. Open your own chequing and savings account and get your own credit card as soon as possible. And, after paying off the balance, try and close any joint accounts you have, including joint credit cards (Although this may not be possible unless you have the cooperation of your ex.) Change your direct deposit information for any payments and talk to your bank about flagging any further borrowing from joint credit cards or lines of credit. If you continue to use loans or credit lines you have together, both of you could be liable to repay the debt. Walker warns, if your ex-partner doesn't pay his or her share, you will be on the hook — even if you were just a "secondary" cardholder or an authorized user.

2. Update your beneficiaries

If you have a pension, retirement savings, a Will, or life or health insurance, check to see if your ex-partner is listed as a beneficiary. If so, that means that they would get a payout when you die. Assuming you no longer want that to be the case, it's important to rename your beneficiary. If coming up with a beneficiary right away is too much to manage while you have other matters to deal with, you can simply name your estate as the beneficiary. Even if there's a legal separation or divorce in place, your ex may still get a payout if you haven't changed your beneficiary or haven't named one.

3. Check your credit immediately

Obtain a credit report on yourself as soon as possible. If there are any skeletons in your ex's financial closet, like credit cards or accounts that he or she hasn't told you about, this may tip you off. In a 2021 TD survey of American couples and their financial habits, 32% reported keeping a financial secret from their partner while 50% said they had no intention of ever sharing this information.[2] To make sure you have good credit for the future, try to clear up any deficiencies or problems that you are responsible for. Ask the credit report company to place a note on your file stating that, going forward, you will not be responsible for any bills under your ex's name. It won't stop creditors from coming after you, but it might help your case should you need it.

4. Make a list — Check it twice

Make a list of all the property, debts and expenses that you hold independently and jointly with your ex: account numbers, financial institutions, branches, credit cards, loans and investments. Make sure you have copies of important financial information, such as tax returns, account statements and pay stubs. Keep all receipts for expenses related to joint property. Gathering the information now will be helpful later when you sit down and divide your property. To safeguard your financial information and to protect yourself from identity theft or an unpredictable ex-partner, consider changing paper account statements to e-statements, and updating passwords and even email addresses. And remember to always lock your computers and phones.

5. Build a team

Don't go it alone. Surround yourself with a group of trusted specialists, such as lawyers, mediators and financial advisors, who can help and support you through this tough time. They can help you make sense of your finances so that you are protected going forward, and you can plan for a secure financial future. They can work through the details to divide up your assets, update your Will, and help to freeze assets should you need to.

— Denise O'Connell

[1] National Endowment for Financial Education. 2014 Financial Infidelity Survey. http://www.nefe.org/Portals/0/WhatWeProvide/PrimaryResearch/ConsumerPolls/PDF/2014%20Financial%20Infidelity%20Full%20Survey.pdf accessed January 18, 2017

[2] Love & Money in 2021, TD stories, Feb. 8, 2022 accessed May 11, 2023, https://stories.td.com/us/en/article/infographic-love-and-money-2021

Bounce back from the retirement blues

Many people dream of a life free of worries in their golden years. Yet some find themselves anxious and depressed when that abrupt change comes. Here are some planning tips to help make your retirement days truly golden.

Robert Delamontagne wasn't used to being caught off guard. After 25 years building EduNeering Inc., a software company for regulated businesses, he was adept at anticipating problems. But when he sold his company and retired his CEO post at age 63, he was shocked by the impact it had on his mental health.

"I started feeling weird emotions," says Delamontagne. "I didn't know if it was depression or what. I was lethargic, aimless, bored. I felt some kind of psychological pressure inside of me, like a malaise."

With his fast-paced, pressure-filled days behind him, he says he had a hard time adjusting to his new retired life. "I went from going 1,000 miles an hour to zero miles an hour," he says.

Be ready emotionally when retirement arrives

Retired and not being happy may sound odd to those who want to retire but Delamontagne's experience isn't rare. Depression is the number one mental health issue facing older Canadian adults, with retirement from work being a key trigger.[1] In fact, studies show retiring can raise your risk of clinical depression by 40%.[2]

The fact that post-work depression is recognized as a serious issue means that everyone can consider managing the retirement blues before they happen. Mental health should be one of the many areas that is factored into someone's retirement planning. Just like we want to accumulate sufficient funds for retirement day, we should make sure we're also mentally ready when it arrives.

We talked to Delamontagne and some specialists about strategies for dealing with mental health in retirement.

Build a mental plan for retirement

Like in Delamontagne's experience, depression can hit rapidly after an abrupt change in lifestyle, says Dr. Gina Di Giulio, clinical psychologist, mental health activist, CEO and Founder of Pathwell, a mental health clinic in Toronto.

"It's more common than people think because, unfortunately, it's not usually openly discussed. It's especially true in the first weeks and months. There is this idea that retirement is this great thing that people look forward to. So, it can be very confusing when it arrives and yet they are not happy."

Symptoms of depression can range from mild to severe, and can include anxiety, restlessness, agitation, sleep problems, changes in appetite or weight, decreased motivation and uncertainty about the future.

Keep active, be social

For some, being away from a work environment closes off a major source of socialization. "Being socially isolated is one of the symptoms of depression, and if people are having a hard time coping with retirement, they may withdraw more from friends and family who might be able to potentially help them adjust," she says.

"Too much free time can trigger anxiety when structure and routine are removed, because it introduces more uncertainty into a person's day," Di Giulio says. "One of the scariest questions that more routine-oriented and structure-oriented people can ask themselves in retirement is, 'what am I going to do today?'"

Becoming active by pursuing some of the things you've always said you wanted to do helps. "This is ideally how one should spend their time in retirement, now that the constraints of time [and] work responsibilities are removed," Di Giulio says.

Delamontagne says he escaped his depression by, first, recognizing what was happening, and second, getting busy doing all the things he's always wanted to do but just didn't have the time for.

"I went on a 170 km bike ride. My family members went with me because they were afraid I was going to have a heart attack," he says. "I went to Spain and walked the Camino Santiago, a nearly 200 km walk from France to Spain that people have been doing for 1,000 years. So, I started to do things that were out of the ordinary for me, because I felt I needed to break the mold."

Fortunately, Delamontagne had the money to do it.

Don't let depression disrupt retirement planning

However, for people who are depressed or anxious about retirement, the important decisions around the retirement process can cause them to avoid, withdraw from or procrastinate about retirement planning just when decisions on these issues are vital.

Equally as bad is making a snap decision about a financial problem or delegating the responsibility to someone unqualified — a friend or family member — just to push the problem away.

"One of the symptoms of depression is avoidance, behavioural avoidance, withdrawal from other people, withdrawal from tasks and responsibility. So, definitely, feeling depressed will lead to putting off larger decisions that may feel overwhelming," Di Giulio says.

She says one of the methods to alleviate stress and anxiety is to have a mental plan: People must have a roadmap for the mental transition from a working lifestyle to a retirement lifestyle.

Planning finances ahead may contribute to a happy retirement

Reaching retirement with enough money to do what you want, when you want to do it, is the number one concern of those seeking financial advice, says Zeljka Walker, Portfolio Manager and Senior Investment Advisor, TD Wealth, in Vancouver. "It is the first question clients all ask," she says. "It's a conversation we have at every meeting."

Not planning well in advance of retirement, on the other hand, can force people to work longer and take on more risk in their investments. It could also mean downsizing your property prematurely, moving to a less expensive neighbourhood or reducing your general standard of living, she says.

Walker has seen these financial compromises lead to frustration, stress, anxiety and depression in clients. "Some people have ended up in divorce," she says, "or see their health deteriorate."

In order to pre-empt this frustration and be prepared for when retirement day arrives, Walker stresses that pre-retirees focus on these specific aspects of planning: health, retirement lifestyle goals, the financial strategy to fund these goals and risk-tolerance.

Finally, she asks pre-retirees to envision what day-to-day living with their spouse or partner will look like. She says it's great that couples want to spend time together but 24 hours a day in each other's company can be a source of stress. She says compromises must be made if partners have different interests and plans in retirement. She stresses these decisions need to be discussed in

the years leading up to retirement, not the morning after the retirement party.

What happened to Robert?

After a healthy dose of self-reflection and early financial planning, Delamontagne now says he is having the time of his life. Beyond travelling and setting physical challenges for himself, he's helping others: He's written a series of books including, The Retiring Mind: How to Make the Psychological Transition to Retirement.

The bottom line

If you are having mental health issues, talk to a doctor who can direct you to the right professional. Speaking with a financial specialist about your options before you retire is critical, Walker says. "Knowledge is empowering," she says. "Financial plans offer scenarios to see if you can meet your goals. You have an actual plan in writing of all your assets and debts, and income and expenses. It is a clear picture of where you are now and where you are going in the future."

— Don Sutton, *MoneyTalk Life*

[1] Mental Health Commission of Canada, Guidelines for Comprehensive Mental Health Services for Older Adults in Canada, For the Seniors Advisory Committee, June 2011

[2] "Work Longer, Live Healthier: The relationship between economic activity, health and government policy," Gabriel H. Sahlgren, The Institute for Economic Affairs UK (IEA) Discussion Paper No. 46, May 2013.