

## Lau Tzu “He who knows he has enough is rich”

It’s sad when retirees, who in fact have more than enough for a comfortable retirement, fail to enjoy life to the fullest because of irrational money worries.



Life is full of uncertainties and it’s true that unexpected expenses may occur. But retirees should know that keeping a large cushion to protect against things that are unlikely to occur comes with substantial costs. These costs are guaranteed costs and they include paying more income tax each year, higher probate fees at death, foregoing a better lifestyle, foregoing the opportunity to help children when the help is really needed and foregoing the joy that can come from being involved in helping people in your community.

It’s hard to break a habit of saving – but retirees have to ask, “what am I saving for?”. If they’re saving to have protection against unexpected health costs – there’s a better way to do it. If they’re saving to leave more for their kids – it might be better to give the children advances on their inheritance at a time when they can really use the money.

If an Essential Capital / Surplus Capital™ financial plan is prepared using conservative assumptions (i.e., assuming low investment returns and high expenses), and it shows there is still a significant surplus, it’s irrational not to use this money for the purpose intended, i.e., to enjoy financial security in retirement.

On the other hand, if the financial plan shows there is a deficit – then the plan provides an even greater benefit - because with this knowledge one can take appropriate steps to ensure that they never do run out of money.

We all need enough income to cover our basic lifestyle. After we have enough to cover our basic lifestyle, higher wealth has a declining marginal utility and, as we age, managing surplus funds may become more a burden than a source of enjoyment.

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