



Retirees need to know the cost of seeking protection against all risks.

It's natural for retirees to want to be cautious and to avoid wasting money. And, since no one knows what the future might hold, it's sensible to keep a cushion for unexpected costs. But retirees should know that there can be a high cost to keep a cushion large enough to protect against every possible unexpected expense.

The costs of being overly cautious (and therefore leaving a large estate) include: Paying more tax on investment income every year and at the end (with a larger estate) paying more in capital gains tax and probate fees. Foregoing the joy of seeing the good that you can do with your money. Foregoing a better lifestyle and foregoing the opportunity to be more involved with philanthropy or to help your heirs when they can really use the help. As the estate grows in size you also increase the probability that heirs will fight over the estate.

With large estates it's not uncommon for heirs to engage in litigation but legal battles over small estates occur less often. This is an advantage of good communication, spending, giving inheritance 'advances', or gifting to a charity, most of the estate before you die.

Retirees who like to save also don't like to waste money – but the biggest waste of all is to work hard for a lifetime to create financial security and then to never get to use it. And it's even worse if the estate is large enough to cause more misery than happiness for the heirs, or to cause the family to be torn apart.

People should remember when it comes right down to it – for an elderly person, the thing that will provide greater security than a ton of money - is to have friends or family or people in the community who care about you. Warren MacKenzie, CPA, CA, CFP, CIM, CIMA
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