Growth

July 2024 Edition

Cashflow ~ Laurel Hickey & Garth Bluekens

What's Cashflow Got To Do With It?

In previous monthly updates, we have discussed the items we need to help map out saving for retirement or drawing on your portfolio in retirement. Saving for retirement and then eventually drawing on your portfolio, have a common element: Cashflow. Cashflow is the driver of any financial decision that we make with clients. Clients often ask what the number is that they need to be saving each month or what the number is that they should have as monthly income in retirement. We can never answer this question without understanding someone's cashflow now and the cashflow that they would like in retirement.

To start with savings, knowing what you are spending now gives us an idea of how much is available for savings. It is commonly used that 10-20% of income should go towards savings, but this number also depends on what you want the end results of these savings to be. You may be saving 10% of your salary in an employer RRSP matching program and feel that this is all the savings you need. If the projected long-term value of your RRSP after considering investment growth and taxes gives you the after-tax cashflow to achieve your retirement goals, then sticking to your employer savings program may be enough. If your cashflow is falling short of your goals, then additional savings may be warranted. As a starting point for understanding cashflow, look at your bank statements for 3 to 6 months to see what you are spending your money on. Comparing this with your after-tax pay on your pay stub will let you know what might be available to put aside each month for retirement savings. When looking at your pay stubs, it is also important to note if there are deductions for work RRSP contributions or pensions. Many times, clients come to us saying they aren't saving, but they belong to a pension plan at work. Just because you can't see these amounts, doesn't mean they aren't growing and won't be a valuable source of income in retirement.

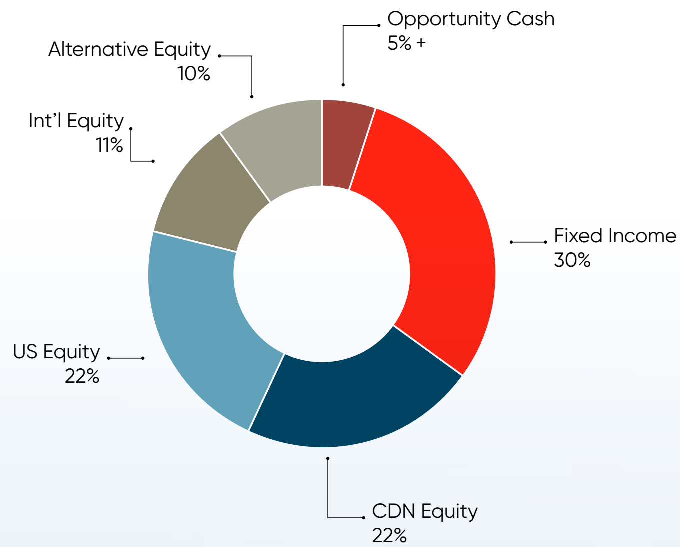
Now to look at drawing on your portfolio. Cashflow when it comes to drawing from your portfolio can feel strange when you are shifting from the savings mindset. If you are starting early to save for retirement, you can usually have more input in what your after-tax income might be in retirement. For example, if you are 15 years out from retirement and realize you might be short of your goals, you can increase your monthly savings and have the power of compounding work in your favour. If you are about to retire and just looking at what your numbers might be, the value of the investments, CPP/OAS and any work pensions will usually determine what is available. This doesn't mean there is nothing that can be done. Retirement planning can be dynamic, meaning your cashflow doesn't need to be fixed. For example, maybe you want to spend a bit more now to do some traveling and are willing to sacrifice some cashflow down the road. These variations in spending can help to make sure your goals can be achieved.

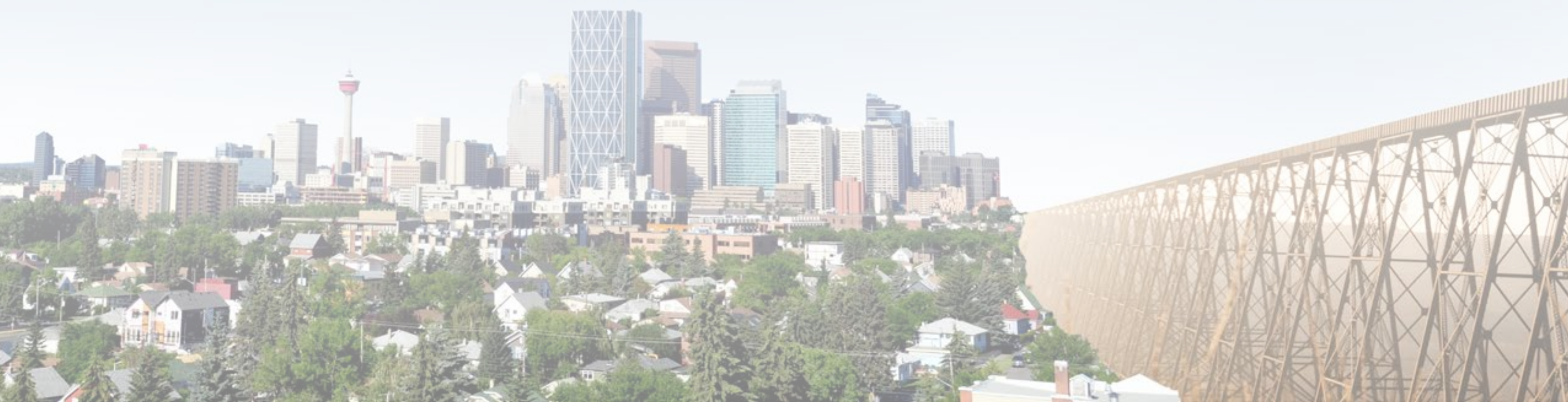
It is important to note that cashflow review and knowing what your needs are is not a one-time event. Reviewing your spending and saving should be done at least annually or when you have a major life event. A good time to review cashflow is after tax time when you have a fresh idea of what your income was for the previous year. Especially with the rising cost of living, your spending may have changed significantly without necessarily a change in your spending habits.

Whenever the thought of saving or drawing on your portfolio in retirement feels overwhelming, always bring it back to cashflow. The process of reviewing your income sources, alongside your bank statements, can help to give peace of mind. We can also make sense of these numbers and are always here to make sure you are on track for your retirement goals.

Growth Investment Model Goal Asset Allocation

Your Investment Policy **GROWTH PROFILE:** Your main goal is to achieve growth in your investments. Although you can tolerate greater changes in the market value in order to increase the value of your assets, you are not prepared to invest your entire portfolio in equities. If you feel that your risk tolerance is shifting, please let us know!





Source: This information is for illustration purposes and subject to change. Your portfolio may not hold all of these positions. We enhance the composition of your portfolio with additional equity solutions that are not illustrated. The weightings change with market fluctuations and model rebalancing.

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