RETIREMENT PLANNING: EYE ON 67

STRATEGY

The bad news: We're not planning for our failing health

Canadians are living longer but are reluctant to face the likelihood that they will suffer a physical or mental disability before they die

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Live long and prosper: For many, retirement planning means working with a financial adviser to figure out how much we need to save in order to live comfortably and provide some sort of legacy for our loved ones.

And Canadians are living longer – the average life expectancy at birth, according to Statistics Canada, was 81.4 years in 2011, almost two years higher than in 2001.

But longevity is one thing; being healthy is another. And that's why experts often quote a different statistic – the DFLE, or disability-free life expectancy. In Canada, that is estimated to be 68.6 years.

In other words, Canadians can expect to live more than a decade with a significant physical or mental disability before they die.

That's why more financial experts and planners are advising Canadians to consider how they will fund failing health.

"I think we're more afraid of aging than dying in this country, and we don't even want to think about it," says Marg Manias of Manias & Associates, a Burlington, Ont.-based firm specializing in so-called living benefits such as disability insurance, critical illness and long-term care. "We always thought we'd be happy, healthy, then dead. Who thought I might have seven to 10 years when I require care?"

Jason Round, head of financial planning support with Royal Bank of Canada, believes it's the job of the financial planner to bring up health during discussions with clients, who are often reluctant to do it themselves.

He cites a poll conducted for RBC this spring that found 40 per cent of baby boomers don't expect their lifestyle or independence to ever be affected by health constraints. "And the reality is, it's most likely to be significantly worse than that," he says.

Planners should talk about three kinds of need with their clients – living, lifestyle and legacy, Mr. Round says. Living needs are necessities that are non-negotiable – such as food and shelter – and he says the category should also include health care and long-term care.

Clients should ask their advisers to work through a number of financial models for retirement, including what happens if they develop a health issue and their expenses increase as a result, says Debbie Ammeter, the Winnipeg-based vice-president of advanced financial planning for Investors Group.

For example, she says, a financial planner can work on a model that has you, at age 75, suffering a stroke or heart attack from which you recover but not enough to continue living in your home. That scenario, she says, would cover the cost of an assisted-living facility.

By working on models like this, Ms. Ammeter says, clients begin to understand "whether they are saving enough for every eventuality."

It's important to get a sense of how much care costs – not just for physical impairments but for people suffering from Alzheimer's or dementia who might be in a facility for years or even a decade, says Tina Di Vito, head of the Bank of Montreal's Retirement Institute and author of *52 Ways to Wreck Your Retirement ... and How to Rescue It*.

The Alzheimer Society of Canada estimates that 1.1 million Canadians will have dementia by the year 2035.

"There's a belief that the medical system here is so fantastic that we will be taken care of from a health perspective in old age," Ms. Di Vito says. "But if you're looking at staying in a particular kind of facility for long-term care, the cost can be quite substantial."

It's not uncommon, she says, for people in Canada to spend $40,000 to $50,000 a year in care costs. And that's not for high-end care, or what she calls "The Ritz" – it's for middle-of-the-road care. "So just imagine a couple of years of that."

All of the experts say clients have two options to protect themselves in case of failing health – save enough money or buy long-term care insurance.

In the first case, consider setting up a separate fund just for health concerns, Mr. Round says.

Whatever you choose, Ms. Di Vito says, it helps to plan as early as possible. In the case of long-term care insurance, she says, if you wait too long and develop an illness or disability, you will be ineligible.

Ms. Manias, who is focusing her professional efforts on long-term care insurance, says it's important for people to investigate plans and kinds of care. "People should try to look at what care they'd like to have, not where they're going to be shoved [if they don't have a plan]," she says.

But while all the experts say that long-term care insurance isn't on the radar of most Canadians, they see more and more baby boomers asking about it and about planning for failing health. That's because boomers are seeing their parents or older relatives develop health issues and are learning from the experience.

"It's like everything in life," Ms. Di Vito says. "You don't really appreciate things until you go through them yourself."

'I think we're more afraid of aging than dying in this country, and we don't even want to think about it,' says Marg Manias of the insurance-related firm Manias & Associates of Burlington, Ont. GLENN LOWSON/THE GLOBE AND MAIL

A LOOK AHEAD

21

Number of years that a Canadian woman on her 65th birthday can expect to live

18

Number of years for a Canadian man

74.6%

Percentage of high-income male earners (top 10 per cent) who can expect to see age 75

51.2%

Percentage for low-income male earners (bottom 10 per cent)

11.3%

Share of Canadians over 65 who were still working in 2011, compared with 5.9% in 2001

Source: Statistics Canada

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