FEATURED ADVISORS

Meeting the Retirement Challenge Head On

How advisors are successfully negotiating today's rapidly changing retirement landscape

According to a *Financial Post* 2019 report, the Canadian retirement gap – the number of years that seniors might outlive their money – is now ten years for men and thirteen for women. From low yields and increased market volatility to the risk of outliving one's savings, retirement planning has been forced to evolve significantly over the last decade and a half. *Active Matters* recently spoke with Claudia Weisser to see how she's adapting to the new retirement reality and how her clients are responding.

Claudia Weisser
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Originally from Germany, where she started her career as an accountant, advisor Claudia Weisser certainly has a unique perspective on the industry. An advisor since 1997, Claudia originally started in Canada with Investors Group and then moved to Berkshire Securities before joining CI Assante Wealth Management, where she's been since 2006.

Today, Claudia and her staff of four – which includes her husband, who is an associate advisor – serve roughly 250 households comprised mainly of small business owners, professionals, and entrepreneurs.

When asked about significant changes over the years, Claudia notes that when it comes to retirement, many of her clients today are more fearful about a range of issues.

"What if I have to go to a retirement home? What if I live so long that I can't stay in my house? Do I have enough money to retire and will it last?" says Claudia, recounting some of her clients' most persistent fears. Claudia says longevity risk – the fear of running out of money in retirement – is clearly the biggest worry among her clients.

With markets losing ground in 2022, Claudia has been especially proactive, reaching out to clients, urging them to sit tight and not panic. "When markets are down, I think it's all about being there for the client, and to have them avoid making a mistake because that's when they want to get out, or they just want to do anything to feel productive," Claudia notes.

Claudia's quick to point out that inactivity can sometimes be a good thing. "As investors, we want to be active when things are going wrong. We want to make changes. We want to react. We want to do something," Claudia adds. "But this time, doing nothing was usually the best thing to do. There simply haven't been any good options now."

Building Financial Plans

While markets have certainly evolved over the last two decades, Claudia says one thing hasn't changed: the importance of creating financial plans for clients. "It's the most important thing. Once you do the plan, it identifies any problems, which can then be addressed early on."

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While it often depends on the individual client, Claudia notes that the retirement conversation usually starts a decade before retirement. "The 10-year point is very important because that's when a lot of people start saying, 'You know what? Let's start planning. Let's see if I'm really okay.'"

The conversation then usually deepens at the five-year point. And when clients are roughly two years away from retirement, depending on the market situation, that's when Claudia starts looking at making some changes – perhaps taking some risk off the table and building in that cash reserve so that clients feel secure.

Claudia says clients worried about market volatility need to have a cash reserve in the portfolio, either for withdrawing, for income needs, or for opportunities – because a drawdown always represents an opportunity to purchase solid companies at a discount.

Negotiating the Challenges

When it comes to building retirement plans, Claudia admits that the low-yield environment has been a challenge over the last few years. "Bonds just haven't done anything, which is starting to get a little bit more interesting as we're going through the cycle of rising interest rates."

"I think low yields are a big challenge because most use the balanced portfolio to a certain degree. As long as the market is strong, the client isn't concerned about bond performance because it's going to be compensated for by the stock portion. Usually, a balanced portfolio would absorb a correction like the one we have. But combined with the interest rate increases, there was nowhere to hide. Let's face it, the balanced portfolio didn't really do its job this year."

Claudia also acknowledges that the long-term economic effects of the pandemic – inflation, supply chain shortages and rising interest rates – present greater investment challenges than the pandemic itself.

Claudia notes that if the markets stabilize, her first step will probably be picking up some equity to accelerate the rebound. Eventually, once the interest rate increases level off, she'll look at selling off some equity and buying some bonds to have a nice yield, then basically go back to the balanced portfolio, which should be performing a lot better within the next 12 to 18 months, once the cycle has been finished.

What Clients Can Control

Although market returns in 2022 have been less than ideal, Claudia highlights the fact that clients have an important role to play in improving their own retirement – whether that's trying to save more during their working years or spending less in retirement.

While no one can guarantee a set rate of return for investors, Claudia says that tax-efficiency is a key component to the retirement plan. "It's crucial to reduce that tax burden during retirement, so let's take advantage of tools like spousal RSPs, income-splitting, and tax-free savings accounts when appropriate. These are all things that I can do to improve a client's bottom line in retirement."

Claudia says asset allocation is also key. "Sometimes, if your rate of return is not in the right portfolio, let's say you have it in your RSPs, then the taxes are going to eat your excess growth. The return is what a lot of clients focus on, but there are many other things that we can focus on to make a portfolio last."

Claudia also points out that, in most of her clients' situations, there's usually at least one property that's fully paid off upon retirement, so if all else fails, there is an asset available that could be used as well to extend the retirement cash flow.

This year, Claudia says she's been busier than ever, reaching out to clients to reassure them. "This is one of my most important roles as an advisor: to stop clients from making mistakes when their emotions are taking over. "We're going to get out of this," she says, "we just have to stay focused on the big picture."

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