Med-*Wealth*

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RETIREMENT ANXIETY

Will You Have Enough to Retire?

One of the first things I learned in Economics when I attended university was that people will spend according to their level of income. Back in the early 1980's, many of us thought that people who earned more than $60,000 would likely save their excess cash flow since all necessities of life would have been met by that income level. This was clearly before we all learned about 'lifestyles of the rich and famous' and the plethora of luxury goods and lifestyle that excess income would afford. Medical professionals in Canada are uniquely positioned in society by virtue of their superior earning power to be able to take advantage of excess cash flow, but only if they are disciplined in their spending habits.

> "It's not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for." – *Robert Kiyosaki*

Much has been written as to what percentage of your take home earnings you should save with 10% being a generally accepted figure. However, the general level of interest rates

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BOOSTING INVESTMENT PERFORMANCE

The other side of the wealth accumulation equation is investment returns. An assumption must be made about expected future investment returns, with 10-year government bond rates hovering in the 1.6% range, the traditional 60% stock, 40% fixed income portfolio allocation will likely have a lower return than the historical norm.

According to the Ontario Teachers' Pension Plan Board, the discount rate used for their pension calculations is now just 4.8% compared to 5.3% in 2011*.

Perusing investment returns for some of the largest mutual funds in Canada for the last 10 years, annual returns are hovering in the 4.0% range.

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and the expected growth rate of your investments will determine the optimal savings level at any given time. Today, 20% is a more realistic savings rate to be able to accumulate a retirement pool that will replace at least 50 to 70% of your earnings over a 35-year working career. As a general guide, a physician who has not accumulated at least $1 million dollars in their investment portfolio by age 50, must reassess their lifestyle and make the necessary changes to increase their savings rate. An experienced and qualified financial advisor specializing in working with medical professionals is the right person to provide the guidance for retirement planning. ■

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With longevity increasing and an assumed future inflation rate of 2%, portfolio returns need to be 6.5% or greater. Given the realities of market returns over the last decade medical professionals as well as all Canadians, must reassess their investment strategy and consider options to boost portfolio returns.

You don't have to become a speculator, but there are strategies that can potentially achieve superior returns. You most likely won't find these strategies at the big bank-owned investment dealers or the current dominant medical doctor advisory service. ■

*https://www.otpp.com/corporate/plan-funding/funding-valuations/discount-rate