

The Critical 10

Two years before retirement

What public legacy am I looking to establish?

With two years left before you retire, the reality of life away from your work is likely starting to sink in. One question in the preretirement phase you should be asking yourself is... "What am I actually going to do in retirement?" Retirement lifestyle specialist, Barry Lavalley cautions pre retirees to not look at retirement as one extended long weekend. It is very likely that you hope to spend a number of years in retirement and want that time to be meaningful as well as relaxing. A wide number of life expectancy calculators are available online. Sun Life calculates that a 65 year old man who is moderately overweight, moderately active and does not smoke or drink heavily as having a life expectancy of 86 years. The government of Canada estimates average life expectancy for all men age at 75 years. Women are expected to live even longer.

As the reality of retirement comes closer, it may be a good time for a little self-reflection. If you are confident that your income needs are on target to be met, and work is unnecessary, you may want to consider other ways to use your skills, knowledge and energy. The esteemed management guru, Peter Drucker, addressed the commitment to community service activities in the second half of life by being called a social entrepreneur. Community service organizations you are currently involved in are an obvious choice for increased time commitment, but don't overlook the opportunity to use your skills in some other organization or project that aligns with your personal passion.

If you anticipate that a large part of your retirement investment assets will come from the sale of a business, asset or shares, and anticipate that a one-time large tax obligation may come as a result of this, you may wish to explore the option of creating a family foundation or establishing a donor advised fund. Taking advantage of a donor advised fund can give you all the financial advantages and personal satisfaction as your own charitable foundation, with significantly less cost and complexity. These funds are run by organizations that are registered with Canada Revenue Agency (CRA) as a charitable public foundation. This is a charity dedicated to providing professional, comprehensive support. This includes ensuring your fund meets all annual disbursement requirements, issuing tax receipts and bequeathing gifts to registered charities.



A gift of cash or shares can be made to a donor advised fund. When you donate securities the tax liability associated with the accrual of capital gains can be avoided. Most donor advised funds have a minimum donation amount. Expect a minimum of approximately \$25,000. The contribution to the fund creates a tax deduction in the year you make the contribution.

Assets are held in a separate account and generally invested in low risk or managed investment solutions. The amount of you must disperse each year to charitable organizations are at least 3.5% of the value of the fund. You are free to give a much larger gift to a charity in any given year, including the entire value of the donor advised fund. You are not restricted to a certain organization for the life of the fund. You can make gifts to a variety of charitable organizations throughout the life of the fund.

Establishing a donor advised fund can help you establish a lasting legacy in a number of ways. If the account is well funded, earns reasonable rates of return and makes modest disbursements annually, you can create a fund that lasts in perpetuity. This may also give you the opportunity to earn a tax deduction at a period of life when your earned income is high and allow you to explore gifts to a variety of charities throughout your retirement years that are meaningful to you and your family. You may also wish to involve your young adult children in researching potential gift recipients and make the donor advised fund part of your family legacy.