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Senior boomers want more than bare-bones care

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By IE Staff

Like the date of death, health is a wild card, because sickness and accidents are impossible to forecast. There is also no guarantee that the government medical programs Canadians presently enjoy will be available in 20 to 40 years.

Critical-care and long-term care insurance can go a long way toward reducing the financial impact of health care and are best purchased when clients are closer to their 50s than their 80s. Insurance is less expensive for young and healthy people, who are more likely to be insurable.

“Health issues can take a big dent out of retirement savings,” says Daryl Diamond, president of Winnipeg-based Diamond Retirement Planning Ltd. “The boomer generation isn’t going to be comfortable with a bare-bones long-term care facility in old age. They’re going to want high-definition TVs and a lot of frills, and that takes dough.”

Income annuities may also have a place in your clients’ portfolios, especially if there is no defined-benefit pension plan. Moshe Milevsky, associate professor of finance at York University in Toronto, says it’s important to have some form of “longevity insurance,” as financial risk cannot be alleviated by balanced asset allocation on its own. An annuity is an insurance product purchased with a lump sum, and it can be designed to provide a guaranteed income for life. Different options are available, including annuities with a limited term or the ability to transfer benefits to a surviving spouse or provide life insurance for beneficiaries. Annuities provide a higher after-tax income than typical fixed-income investments because some of the income is considered to be return of capital.

Diane McCurdy, president of Vancouver-based McCurdy Financial Inc., says the steady income provided by annuities reduces anxiety for clients when the rest of their portfolios are invested in asset classes that may fluctuate in value. The ongoing income and inability to cash out may also protect the elderly from unscrupulous con artists trying to steal their assets. If clients’ declining mental faculties make it more difficult to handle financial matters, annuities can be a convenient solution.

“Managing emotions is a big part of dealing with clients in retirement,” McCurdy says. “It can be a big leap for people when they are no longer making money and can’t replace portfolio losses. If they’re too exposed to market fluctuations, they will panic and get out at the wrong time.”