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The **Costly** but *Preventable*
Errors of People Receiving a **Buyout**

THE HASKINGS TEAM REPORT

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TEAM



Investment
Planning Counsel™

IPC INVESTMENT CORPORATION

The Costly but Preventable Errors of People Receiving a Buy-Out

Regardless of age, years of service or buy-out sum, the decision of “*what to do*” with your money can have a dramatic impact on your financial future. The question is “*will you fall victim to the common pitfalls often suffered by those receiving a lump sum?*”

With the Haskings Team of Investment Planning Counsel, we have assisted hundreds of families receiving lump sums of money. The source varies from retirement packages, inheritances, lottery winnings or insurance settlements. The common denominators are that you are receiving a sum of money that has not been “*manually saved*” and is often unexpected. The following is a list of costly but preventable errors people have made when receiving a lump sum of money.

1. FAILURE TO CONSIDER “THEIR NUMBER”

The “number” is a figure determined with the help of a financial plan to identify how much money you need to accumulate to maintain your desired lifestyle in retirement. To capture this number, you must identify your sources of future income, including personal pensions, government pensions, registered retirement savings and income from unregistered sources. Often times, those receiving lump sums make quick emotional decisions without consideration of the long term affect to their “number.”

2. OPEN THE DOOR TO THE TAXMAN

When evaluating your options, ask yourself “how hard has Canada Revenue Agency worked on your behalf to help you accumulate the right to receive this money?” This may be a ridiculous question, however many recipients of a lump sum are so quick to share their hard earned savings with CRA. When evaluating your options, the most important consideration is “how much of this money will stick to your hands?” The strategies of maximizing unused RSP room (you or spouse) or taking advantage of the tax free rollover based on years of service are sure fire ways to keep more money in your hands.

3. INVESTING VERSUS BUYING?

Investing is the purchase of an appreciating asset. This is often confused with buying a depreciating asset. Cars, trailers and boats may appear to be investments; however the values of these depreciate over time. Once you have determined “your number” and have shut the door on the tax man, it may make sense for you to buy something you desire. However, a common pitfall is to do so in isolation of the overall impact of your financial well being.

4. COMPOUND INTEREST... FRIEND OR FOE?

Compound interest can be your friend or your foe. If you are investing, it can be your best friend. If you have debt, it can be disabling. If you have maximized the options of rolling money into your RSP based on unused

room or your transfer allowance, consideration should be given to expiring high interest rate debt. Because you pay debt with after tax income, cleaning up debt like credit cards can make a lot of sense. However, it is not unusual for lump sum recipients to pay off their credit cards and then load them up again by going on a shopping spree.

5. DOES MONEY STICK TO YOUR HANDS?

Over the years, we have found that those who have successfully acquired savings tend to continue on the path of making smart decisions. Those who say “money has a way of falling through my fingers” often make emotional and ill informed decisions. Only you can answer this question truthfully. If you fall in the latter group, this is an opportunity to reverse this trend.

6. FRIENDLY ADVICE

Another phenomenon that we have witnessed first hand is “my friend at work recommended that this is what I should do.” This concept of friendly advice may make sense when planning a vacation, but your friend or colleague likely doesn’t know your financial circumstance. The right strategy for them doesn’t mean that it works for you.

7. CHEAPER IS BETTER!

There is a perception that receiving expert financial advice can be costly. This is not true. The reality is that not getting an expert opinion can be very expensive.

For a complimentary personal review on
“How to Make the Best Decisions with Your Package”,
call the Haskings Team today.

Tel: (519) 251-4004

In advance of our meeting we will send you an agenda of what you can expect
from us and a profile outlining our personnel and our expertise.

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