

What do the rich worry about? Surprisingly, it's money



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Most older people worry about whether they will have enough money to carry them through retirement. The wealthy are lucky they need not bear the same concerns, right?

Not entirely true – even the very rich worry about outliving their money. According to a 2017 survey by the Illinois-based Spectrem Group, a financial research firm, 20 per cent of ultra-high-net-worth investors, defined as those with a net worth between \$5-million and \$25-million, are concerned about having enough cash to last throughout retirement.

While rising health-care costs, taxes and low interest rates on investments were cited as general concerns in the U.S. study, wealthy Canadians typically share similar financial fears, experts say. So what do Canadian high-net-worth clients worry about?

People feel angst about running out of money in retirement whether they have \$1-million, \$10-million or \$50-million, says Gordon Stockman, a fee-only financial planner and principal of Efficient Wealth Management Inc. in Mississauga.

They are all trying to estimate whether they will have enough income to support their current lifestyle, he says. "Most of us wish to go into retirement maintaining whatever lifestyle we've become accustomed to having. High-net-worth people spend lots of money. It's the same equation, just bigger numbers."

Once they achieve a certain standard of living, it's difficult to dial it back, says Ian Black, a fee-only financial advisor at Macdonald, Shymko & Co. Ltd. in Vancouver.

"High-net-worth people may have multiple residences, such as a summer home or place in the southern U.S. or Maui, plus there's property tax, insurance and travel between those residences," Mr. Black says. "People making a lot of money are often time-starved, so they spend more on help, such as gardeners and housekeepers, to do things for them."

His job is telling clients what retirement will look like. But one thing that sets the wealthy apart is that they often "aren't really retiring," says Mr. Black. "They may be self-employed, so they continue in some capacity, whether it's for board meetings or just slowing down and working less. Or if they're retiring and selling the business, often they're kept on as management for a period of time.

"If they've been the CEO of a company, or a senior executive, they may leave that company but still do consulting for business or government in their area of expertise. So they're still spending time working."

When his firm conducted a study and asked clients about their retirement concerns, the biggest worry wasn't investment returns but having enough to meet their own goals.

"If you retire at age 62, you're still going to live another 20 or 30 years," says Mr. Black. "So the question is, how is your net worth going to hold up to generate income for that period of time? For some people, the main goal is to create as much wealth as they can. For others, as long as they can maintain their standard of living, anything over and above that isn't going to change their lifestyle."

Another factor to consider is that the super-rich live longer and healthier lives, according to studies published in the British medical journal, the Lancet. They have better diets, exercise more and smoke less. Their accrued savings thus may need to stretch further than expected.

For another group of wealthy people, the concern is more about their heirs.

Cherise Berman, principal at Bespoke Financial Consulting Inc., a fee-only planning firm in Toronto, says she has "quite a few high-net-worth clients who aren't concerned

about having enough for retirement. Their bigger question is how do they preserve their wealth and even grow it for the next future generation."

"They want to keep their properties as long as they can and pass them on to their children," says Ms. Berman. "Sometimes there's an emotional attachment with memories. The cottage is a big one. They're focused on what their legacy will be."

Some high-net-worth people may thus be prepared to spend less or transfer wealth to their children in their lifetime, while others won't want to alter their lifestyle. They'll take the risk and perhaps acquire other assets along the way or pass on a smaller estate.

"Sometimes people just want to really enjoy those earlier retirement years when they're in good physical health and can travel and do more," says Ms. Berman.

In general, her wealthy clients don't worry about the markets or low interest rates as much as the average investor, as they're likely to have a balanced portfolio. Clients with less money often take on more risk to earn a higher rate of return.

"High-net-worth people have a lot more choice and control of their retirement than the average person," says Ms. Berman.

Sometimes they need to get a handle on spending habits, however. "I find a lot of higher-net-worth clients don't really have a good sense of what they're spending because there's no requirement for them to do so," says Ms. Berman.

"They've got cash flow coming in so they never really had to pay much attention to what they're spending. So I'd advise taking some time to understand where you're spending and whether that's something you can continue to do throughout your retirement."