Financial strategies for today's "sandwich" generation

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Do you have kids and parents that you provide some form of care to — on top of your career and spousal or partner commitments? When it comes to juggling time, money and responsibilities, those in the "sandwich generation" face numerous challenges.

According to statistics Canada, about 2.7 million Canadians ages 45 and over provide some form of care to seniors, often parents or in-laws, who have long-term health problems. More than 1 million of these caregivers are between 45 and 54 — an age when many still have children at home.

While there's no getting around the challenges of caring for more than one generation at the same time, a few basic steps can put financial plans in order to build security and relieve anxiety about the future.

MAKE YOUR FINANCES A PRIORITY. Those focused on helping other often put their own long-term saving on hold. Women are more likely to be the caregivers, and may need to leave the workforce, missing out on wages, pensions and promotions.

Caregivers should speak with their Financial Planer about how to set priorities for their most pressing needs based on their unique circumstances—from daily expenses to retirement saving. Even simple steps, like setting up a pre-Authorized Purchase Plan, can help to ensure that your retirement saving remain a priority.

PROTECT YOUR INCOME. You don't think twice about insuring your home or care, but consider what a loss of income would mean to your family. Review coverage, from creditor insurance on debts to workplace life and health policies, If your parents are relatively young, you may be able to arrange affordable long-term care insurance for future health-care expenses.

KICK-START YOUR KID'S EDUCATION. According to TD Economics, the total cost of obtaining a four year undergraduate degree in 18 years' time will be $137,013 for students living away from home and $101,426 for those at home. Your Financial Planner can help ensure you understand and are taking full advantage of a Registered Education Saving Plan and available government grants, Encourage grandparents and other family members to contribute as a great way to include them in family goals.

REVIEW YOUR ESTATE PLAN. Ensure that you and your loved ones know what to do in case of a sudden death or illness in the family. Update Wills and Powers of Attorney for yourself and your parents. Discuss the future with your parents' tax returners monitoring investments, Professional tax, insurance and estate planning can lighten the load. ■

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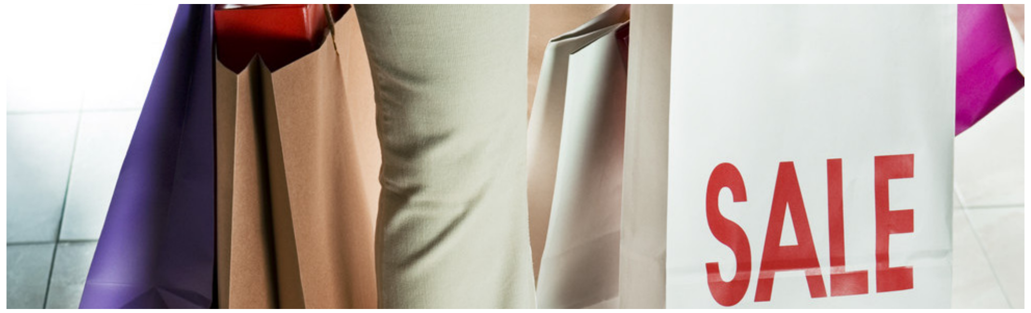

Consumer spending represents about 70% of the U.S. economy.

What's in store for the economy in 2010?

The global economy has turned the corner. The recession in Asia drew to a close in the second quarter of 2009, as did the economic contraction in the two largest economies in Continental Europe, Germany and France. Economic growth in the U.S. and Canada resumed in the third quarter of 2009.

This had led to two questions, First, will the recovery be sustained? Second, how strong will the recovery prove to be?

TD Economics expects continuing economic growth in 2010 and beyond. However, the pace of economic recovery in North America will be gradual, with the U.S. and Canada experiencing economic growth in the 2% to 3% range for 2010.

A positive backdrop

A pickup in production has already returned many economies to positive growth, While global "synchronicity" (shorthand for the interdependence of economies worldwide) meant a collective decline on the way down, this is also leading to a positive cycle on the way up.

Significant credit for the recovery is due to policy makers. Governments around the world introduced policies to boost their economies while central banks slashed interest rates and took actions to bolster their financial institutions, These rapid and coordinated actions put a floor under what could have spiraled into a much worse economic outcome.

Gradual recovery in the U.S.

We believe that the U.S. recovery is sustainable. Admittedly, it is being underpinned by a terrific boost of fiscal stimulus, and government transfers to households remains the mjor source of income growth. For a sustainable

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Economy in 2010

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Recovery, the baton must be passed successfully to private sources of demand. Re-hiring and private sector wage growth must eventually remerge. We believe this should occur in the coming months, but it is likely to be gradual.

As the recovery unfolds, U.S. monetary policy must walk a careful tightrope. Hiking rates too early would risk a "double dip" into a renewed contraction of output; moving too late could mean accelerating inflation.

We expect the U.S. recovery to proceed steadily, as both household balance sheets and financial institutions are still working their way back to health, These factors will constrain consumer spending, which represents about 70% of the economy.

This suggests that the U.S. Federal Reserve (the "fed") may not increase rates until early 2011. Although short-term rates will remain anchored by Fed policy, bond yields should head modestly higher in 2010, as investors anticipate stronger economic conditions and speculate about the tightening of monetary policy. The combination of low intrest rates and heavy government borrowing suggests that the U.S. dollar may continue weakening in the near term.

Solid fundamentals in Canada

For Canada, we expect the Canadian dollar to breach parity in early 2010. The soaring Lonnie will act as a major obstacle to the recovery of Canadian exports.

To a greater degree than in the past, Canada's economic recovery will rely on growth in domestic demand. The silver lining is that Canada emerged from the credit crunch will a well-funcationing banking system that continues to advance credit strongly to households. In addition, the cost of borrowing for business is highly favorable. Overall, the Canadian economy is likely to expericence moderate economic growth in 2010.

The Bank of Canada had committed to holding interest rates at their present levels at least until June 2010, and, given the relatively show uptake in economic slack, we forecast that it will not hike rates until the final quarter of 2010. Bond yields in Canada will largely track those stateside, but Canadian debt will carry modestly lower yields than its American counterpart. This will be a reflection of the better Canadian fiscal postion.

Rebound in corporate profits

Globally, corporate profits will rebound in the coming quarters. Equity markets have already largely anticipated this, which is why markets have rallied strongly since the spring of 2009. Investors will be looking for confirmation that corporate earnings are the economic outlook, TD economics forecasts corporate profits in the U.S. and Canada to rise at a high single-digit pace in 2010.

So the economic outlook for 2010 os for a gradual recovery. From an investors perspective, this suggests that the yield on cash products is likely to be almost negligible. Bond yields are projected to rise modestly, but are expected to be in the 3% to 4% range. The Canadian dollar is likely to remain strong and corporate profits should post a solid gain.

NOTICE

Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same, even if the value of the securities purchase declines.

How much will you need in retirement?

BY Charley Tsai, Vice-President, Wealth Planning Support,TD Waterhouse Canada INC.

Retirement represents a new phase in your life. The first step towards Finanical preparedness for retirement is to determine the amount of income you will need.

Conventional wisdom suggesting you must replace 60% to 70% of your pre-retirement income has changed, There is no infallible benchmark and how much you need in retirement will depend on a number of factors.

Your retirement lifestyle

Your expected retirement lifestyle is probably the most important determinate for the amount of income you will require. Ask yourself these questions:

WHERE WILL YOU BE LIVING?

Will you be staying in your current home or are you contemplating downsizing to a smaller residence to increase your retirement nest egg?

WHAT ACTIVITIES WILL YOU PURSUE?

You may envisage travelling a lot or taking up new hubbies.

DO YOU PLAN ON BECOMING A "WORKING RETIREE"?

Some of today's retirees have divided to keep working for a few more years after retirement to fulfill social and emotional needs. The decision to work part time or phase out full time work may have a positive impact on your retirement income.

Costs change when you retire

Once retired, you will likely be spending less on costs such as clothing and transportation.

TAXATION. Your income tax bill will likely go down when you retire, moving to a smaller dwelling may also mean a lower property tax bill.

Depending on your retirement income sources, you may be able to talk greater control over planning your taxes. Thus, if your income sources include registered Retirement Savings Plan (RSPs), Tax-Free Saving Accounts (TFSAs) and non-registered investments, planning your withdrawals wisely can have a significant impact on your taxes.

Contributions to pensions and savings plans. Pre-retirement expenses associated with contributions to canada/Quebec Pension Plan (CPP/QPP), employment insurance, employer pension plans and RSPs will likely be eliminated.

Health COVERAGE. Your medical and dental costs could increase if you are no longer covered by a company health plan.

Do you plan on early retirement?

The earlier you retire, the more money you will likely need, The amount of retirement benefit you will receive from CPP/QPP may also be affected, especially if you also decide to start receiving those benefits earlier.

Last, but certainly not least, don't forget to factor in the rising cost of living. For example, with an annual inflation rate of 2%, a current after-tax retirement income of $50,000 a year would mean a need for more than $90,000 per year in 30 years time.

The more time you devote to your retirement planning today, the better your chances of financial success during retirement. Go to www.TDretiremtn.com for more information on retirement income.

However, your Financial Planner is your main retirement resource, That is why it's a good idea to keep your Financial Planner up to date on how you plan to spend your retirement years.

BOOK REVIEW

Leonard Mlodinow's The Drunkard's Walk is an eye-opening guide to how the mathematical laws of randomness affect out lives. Mlodinow explains how a lot of what happens to us —in out careers or managing out investments — is as much the result of chance as it is skill and hard work.

Mlodinow helps us to develop a framework for thinking about random situations and explains how to adjust our expectations, decisions and, in some cases, our portfolios.