

THE STAN CLARK FINANCIAL TEAM'S

P E R S P E C T I V E S

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Financial & Estate Planning

PREPARE FOR YOUR FUTURE SELF

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When you're young and have your whole future ahead, who wants to think about getting old? Even when people ask where you see yourself in 10 years, that seems too far off. Yet it does pay to think of your future self. Have you given the idea any thought? Maybe it's time you should.

Because, as much as we don't like to think of aging, we will all one day be that future self.

Life expectancy has increased steadily around the world for the past 200 years. A child born today could likely live to be 100. This means each of us needs to have enough money to last - to keep us happy throughout our golden years.

Life Expectancy for 60-year-old

	Male	Female	Male/Female
Top 50% (average)	89	91	94
Top 25% (healthy)	94	96	98
Top 10% (over achiever)	97	100	101

With such long time horizons to consider, we need to watch out for inflation. Even the price of a Big Mac has changed considerably over the last 20 years, increasing nearly 50%! Inflation has a huge negative effect over time - and money is only as good as what it can buy. People shouldn't fool themselves into thinking inflation won't significantly affect their wealth. Furthermore, all planning should be based on the real value of that wealth, that is, factoring in the effects of inflation.

Over the past 100 years, inflation has averaged about 3%. At first glance, this might not seem significant. However, as you can see in the table below, 3% inflation over 10 years means a 26% loss in the real value of your wealth. And, over 30 years, inflation consumes 60% of your wealth.

Lots of people would shrug, "I'll let my future self worry about that." They're anticipating that their future self will earn and save more to compensate for any inflation, and/or to make up for their excessive spending right now. Rationalizing that they can pay it off later, these people may use debt to spend too much and buy beyond their means. Trust us, this is not a smart way to plan for your own future.

Life Expectancy for 60-year-old

Time	2% Inflation	3% Inflation	4% Inflation
10 Years	18% loss	26% loss	34% loss
20 Years	33% loss	46% loss	56% loss
30 Years	45% loss	60% loss	71% loss

You can help your future self rather by putting money away now and setting personal goals. Time is your friend when it comes to investing - the more time you have, the better your chance of achieving your goals. And studies show that people who write down their goals accomplish significantly more than those who don't. So, try it!



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