Investing as You Approach Retirement:

As you near retirement with a solid nest egg — say $500,000 or more — your focus naturally shifts from aggressive growth to protecting what you've built. It's all about balancing risk and reward while planning for a reliable income stream through your golden years. Let's talk about how you can do that with the right investments and accounts, and why segregated funds deserve a close look compared to mutual funds.

Segregated Funds vs. Mutual Funds: What's the Difference?

Both are pooled investment products, but segregated funds come wrapped in an insurance contract. This means they offer valuable guarantees that mutual funds don't — like a minimum return of your original investment (called a maturity guarantee) and death benefit guarantees. This can be a game-changer in volatile markets or during retirement when you can't afford big losses.

On the flip side, segregated funds usually carry higher fees than mutual funds, so it's important to weigh costs against the peace of mind they provide. They also offer creditor protection and can help your estate avoid probate fees because beneficiaries can be named directly on the contract. These perks can make a real difference for Ontario retirees with significant assets.

Making the Most of Your Accounts

- RRSPs: Great for tax-deferred growth before retirement, but withdrawals get taxed as income. Planning your RRSP-to-RRIF conversions carefully can help minimize tax surprises.

- TFSAs: A superstar for retirees — tax-free growth and withdrawals, with no impact on income-tested benefits like Old Age Security (OAS). Using your TFSA strategically can reduce your taxable income in retirement.

- Non-Registered Accounts: These offer flexibility but come with capital gains tax on profits. They're handy when you've maxed out your registered plans.

Tax planning tip: sequence withdrawals wisely. For example, drawing down RRSP/RRIFs first could push you into higher tax brackets and trigger OAS clawbacks. Using TFSA funds to supplement income can keep taxes lower.

In Short

Shifting your portfolio towards segregated funds as you retire can reduce risk thanks to their guarantees, creditor protection, and estate planning benefits — making them a compelling choice over traditional mutual funds. Combine this with smart use of your RRSP, TFSA, and non-registered accounts, and you'll have a solid plan to protect and grow your retirement savings.

Want to learn how to tailor this approach for your unique situation? Reach out for a no-obligation financial review — let's make your retirement as smooth and secure as possible.