

# Your Future by Design<sup>®</sup>

**Retire well – Take control of your health and wealth.**

This research report is one of several reports in the Your Future by Design Retirement Research series available at [www.rbc.com/retirementcentre](http://www.rbc.com/retirementcentre). Developed by Royal Bank of Canada in collaboration with the University of Waterloo, the reports in this series delve into key issues facing today's retirees, ranging from financial management to health concerns. Our goal is to help you plan for – and achieve – the retirement lifestyle you want.



# Retire well – Take control of your health and wealth

**Managing both your financial and physical capital is critical to your retirement success. How do you measure up?**

The face of retirement has changed substantially over the past 50 years or so. It is no longer a one-time event – the end of work life – but rather a transition into a new life phase that may well include work and a whole range of other activities. This phase could last as long as 25 or 30 years.

As the concept of retirement has evolved, so has retirement planning. Since today's retirees are likely to be active for many years, making the most of your physical as well as financial capital is essential.

We have all heard the messages before about healthy living and retirement preparation. But there is a huge gap between hearing these messages and actually taking action and sticking with a plan.

With so much going on in our busy lives it can be challenging to set priorities for the things that are right for your life – and equally challenging to keep track of them. But this can be simplified with the right information and the right techniques to take control.

One of the keys to planning for your total health can be expressed as a simple equation:

$$\begin{array}{l} \text{Balanced physical capital} \\ + \text{Balanced financial capital} \\ \hline = \text{Enjoyable retirement living} \end{array}$$

But how do you apply this equation to real life? The best advice is to take it in stages. Stage 1 involves understanding your physical and financial capital. Stage 2 involves learning the ways that you can control and manage each of these assets.

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## Stage 1 – Understanding

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### Your physical capital

We all know that getting older is a fact, not an option. And it means that change in our life is inevitable.

One of the most challenging changes occurs in our bodies, as aging reduces our physical capabilities. For example, from about age 30, the lungs, heart, blood vessels and muscles undergo age-associated structural and functional changes. As a result, the body's ability to use oxygen declines at a rate of about 10% per decade,<sup>1</sup> leading to lower endurance and aerobic capacity. But too many Canadians are allowing their physical capabilities to decline more than what should be occurring simply as a result of aging.

Aging is not the same as disease. By the time most of us have reached age 30 we are showing signs of aging, such as the loss of

aerobic power. But we need to recognize that these age-associated changes in tissue structure and function are not caused by the same things that cause diseases of the lungs, or cardiovascular system or muscle tissues. In fact, many of the changes that can occur are actually within our control, and can be slowed or controlled by staying active and making small lifestyle changes.

### Your financial capital

Building an adequate retirement nest egg throughout your working years is also not an option for many of us. The many demands of life – from paying a mortgage, to raising children, to managing all of life’s surprises – can make it difficult to take full advantage of the power of saving and investing money over the long term.

A surprising number of Canadians avoid planning for their retirement and hope to manage their financial challenges in retirement should issues arise – rather than determining in advance if their financial capital is adequate. But the fact is that there are ways to take control of the financial side of the equation, even in your later working years.

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## Stage 2 – Managing

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### Your physical capital

It’s an astounding statistic, but it’s true: physical activity has been shown to slow the age-associated declines in cardiovascular

and muscle function by as much as 50%.<sup>2</sup>

This means that, for most people, positive change is within our grasp. Physical activity can be effective in treating the physical decline that typically occurs in aging individuals, even for those with age-associated challenges such as a chronic disease.

So although you may have a genetic predisposition to a particular disorder, it does not mean that you are powerless. By taking appropriate steps, you can modify your life in astounding ways. These include:

- › Increasing your healthy life expectancy by several years.<sup>3</sup>
- › Decreasing the risk of a large number of chronic conditions and diseases, such as heart disease, high blood pressure, stroke, obesity, osteoporosis, adult-onset diabetes, some cancers, depression, as well as premature death from falls and injuries.<sup>4</sup>
- › Strengthening your cardiovascular and muscular systems<sup>5</sup> so that they can help you maintain a higher degree of physical function and independence in your later years.
- › Improving maintenance of your cognitive and mental function.<sup>6</sup>

There are three major aspects of your physical health that deteriorate with age – strength, endurance and flexibility. Losses in these areas are responsible for the majority of the physical aspects of

disability and loss of quality of life that start to increase with aging. You can significantly slow down the decline in each of these areas by taking control of your lifestyle. Here's an overview of each of these aspects of physical health.

- **Strength:** Muscle strength declines with age. This is due to changes in our nervous system and in the muscles themselves. The result is the loss of muscle mass (about 10% per decade after your 30s). Muscle is the machine that produces force. Therefore muscle loss means loss of strength and muscle fitness – and this will occur progressively with age. You can increase your muscle fitness and slow down these changes by regularly participating in activities that make you pull, push, lift and carry.
- **Endurance:** This is our aerobic fitness. It declines with age because changes in our lungs, heart, blood vessels, and muscles make it harder to deliver and use oxygen. This is key because oxygen is needed to maintain endurance activities and prevent fatigue. Aerobic fitness declines at a rate of about 10% per decade of life after our 30s but some of the decline is preventable. Regularly participating in aerobic or endurance activities that raise your heart rate, make you feel warm and cause you to breathe deeply can help you to cut your rate of aging-related declines in endurance by up to 50%.
- **Flexibility:** With age there is generally a progressive loss of flexibility as joint

## Three ways you can enhance your physical capital

- › **Stay active.** For maximum effectiveness, follow a well-rounded schedule of activities that will help maintain your strength, endurance and flexibility.
- › **Have regular medical checkups.** Your family physician is your first line of defense against age-related disorders, many of which can be slowed or prevented if detected early.
- › **Eat properly.** Nutrition plays a key role in maintaining a healthy weight, preventing high blood pressure and diabetes, and maintaining cardiovascular health.

mobility, agility and range of motion decreases. This results in a reduction in the efficiency of movement and mobility, and an increased chance of injury. But some of the decline is preventable by regularly participating in activities that make you stretch, reach and bend.

Mental flexibility is also important. Aging will present some health changes, which means it's up to you to manage existing health conditions effectively. If you are diagnosed with a condition, such as high blood pressure, diabetes or high cholesterol, it's important to address it. Follow your doctor's directions and monitor your status regularly.

## Your financial capital

Most Canadians claim that they want to maintain their pre-retirement lifestyle once they retire. This is a very broad statement, so what does it really mean? To determine what it means for you, you'll need some detailed knowledge about your current lifestyle.

For example, do you know how much you spent on home maintenance last year? Do you understand how much you spend on gifts for friends and family? How about your transportation costs, such as car maintenance, gas and insurance? These details may not be exciting to discuss, but they are a necessary first step to taking control of your financial capital.

While it can be tempting to ignore the details and just deal with financial issues as they arise in retirement through lifestyle modifications, there are creative approaches to your financial capital that you may want to consider in advance of your retirement.

For example, for many people, retirement is no longer an all-or-nothing event. Instead, one or both spouses may continue working in some way during retirement. This additional money, plus investment growth, can add to your existing financial situation and reduce the need to modify your lifestyle if an unexpected financial need arises.

Just as there are three major aspects of your physical health that you can manage – your strength, endurance and flexibility – there are comparable aspects that relate to your

financial capital as well. Here's a quick overview of each.

- **Strength:** You need a solid financial foundation to help you manage in any circumstance. The basics of a solid financial foundation are a written financial plan, an up-to-date will, powers of attorney for personal care and for property, and a housing situation that is both enjoyable and practical to maintain.

- **Endurance:** You want your financial situation to hold up under almost any pressure. This requires you to have a clear vision of your priorities and values (the “non-negotiable” aspects of your retirement) and develop a financial buffer that allows you to maintain your life priorities even when challenges arise.

- **Flexibility:** Having a plan gives you the ability to readily assess how changing circumstances affect your life – and quickly modify your plan to best fit the new situation. Going through life without a plan to help you navigate the opportunities and challenges is risky, not only for yourself, but for those who depend on you for support – such as family members or, if you are a business owner, your employees.

## Health and wealth – a winning combination

While there will always be facets of life that lie beyond your control, making positive decisions and taking action on the aspects you can control can make a significant difference to your retirement. And this concept applies to both your physical and

financial capabilities. To keep both on track, follow these steps:

- › **Write down your plans.** Writing down your physical and financial goals helps you clarify them and gives you something to work towards.
- › **Assess your progress.** On a quarterly, semi-annual or annual basis, step back and see whether you have achieved the goals you set for yourself.

› **Make modifications, as needed.** The beauty of having a plan is that it can evolve as your needs change.

By balancing and synchronizing the physical and financial aspects of your life, you'll be well positioned to achieve a long, healthy and fulfilling retirement.

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