SELF INVESTED

DESIGNING A FINANCIAL LIFE THAT LOVES YOU BACK

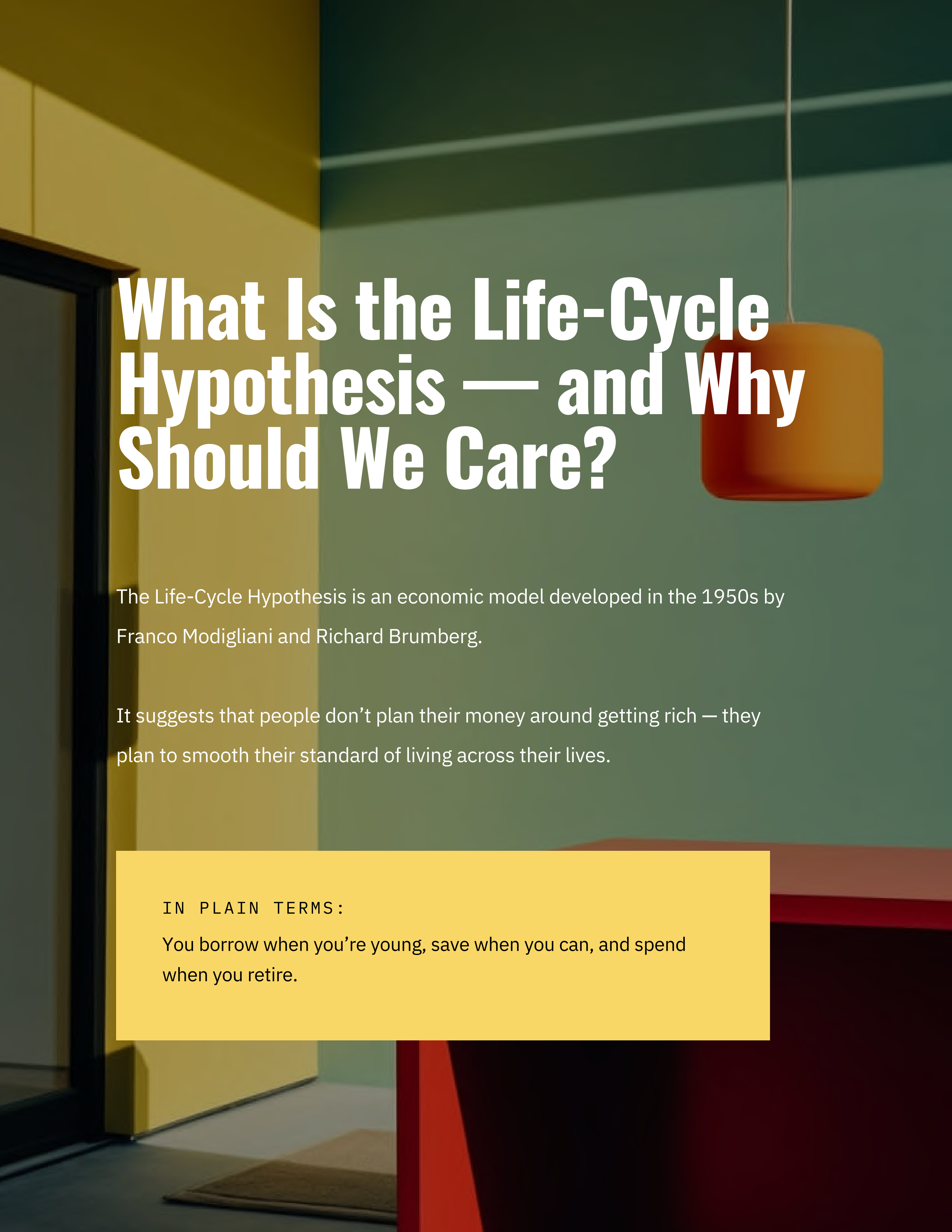
A behavioral + lifecycle-based way to think about money, safety, and power over time.

WELCOME!

You wouldn't build a wardrobe based on one season of your life

Why would you build your financial strategy that way?

LIFECYCLE FINANCE IS ABOUT
DESIGNING FOR ALL YOUR SEASONS.



What Is the Life-Cycle Hypothesis — and Why Should We Care?

The Life-Cycle Hypothesis is an economic model developed in the 1950s by Franco Modigliani and Richard Brumberg.

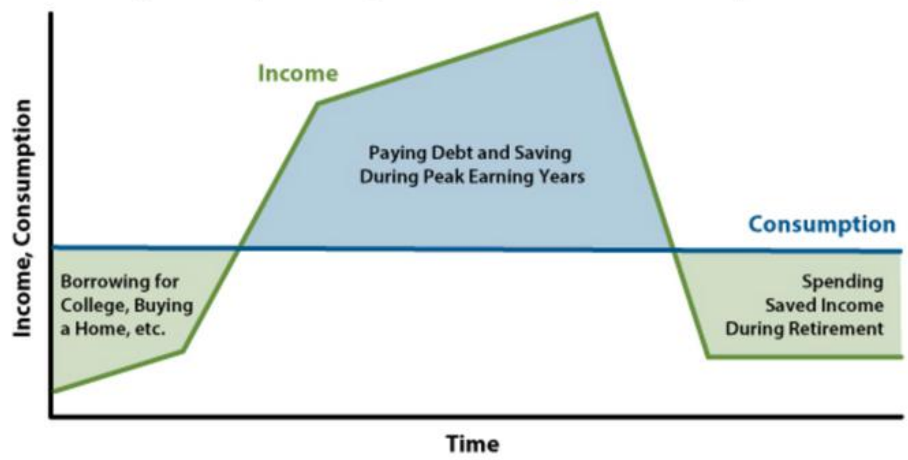
It suggests that people don't plan their money around getting rich — they plan to smooth their standard of living across their lives.

IN PLAIN TERMS:

You borrow when you're young, save when you can, and spend when you retire.

THE CLASSIC MODEL

Figure 1: A Model of Saving and Spending: The Life Cycle Theory of Consumption and Saving



NOTE: The life cycle theory of savings suggests that people prefer smooth consumption over their lifetime. Workers can smooth their consumption by borrowing while they are young, saving in middle age, and "dissaving" during retirement.

- EARLY LIFE: LOW INCOME, BORROWING (EDUCATION, STARTING OVER)
- MID LIFE: PEAK EARNINGS, SAVING
- LATER LIFE: RETIREMENT, SPENDING DOWN SAVINGS

THIS IS HOW ECONOMISTS DESCRIBE A FINANCIALLY HEALTHY LIFE. BUT FOR MANY OF US—ESPECIALLY SINGLE MOTHERS—THIS CURVE ISN'T A SMOOTH HUMP.

IT'S JAGGED. INTERRUPTED. SOMETIMES FLIPPED UPSIDE DOWN.

A LITTLE HISTORY (WHY THIS MATTERS NOW)

THE MODEL CAME FROM A TIME WHEN:

People worked one job for life

Retirement came with a guaranteed pension

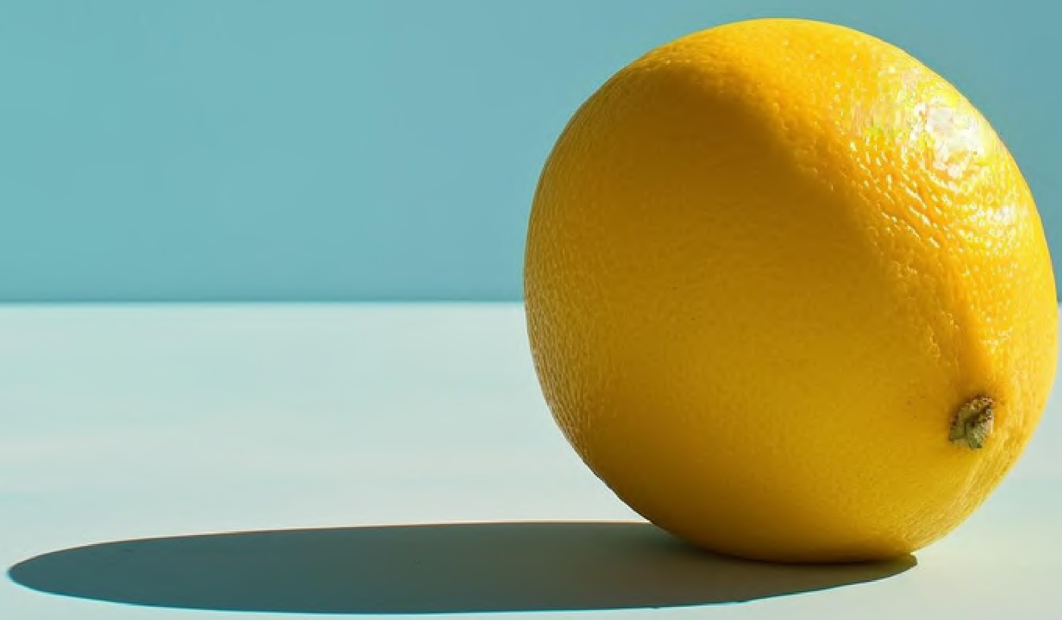
Financial lives were linear and predictable

But over the last 30 years:

- **Defined-benefit pension**s have disappeared
- Women became primary **breadwinners** and **caregivers**
- The risk was handed to the **individual**, especially to women

Financial advice didn't evolve to meet this new reality.

It still assumes life is **stable** and **uninterrupted**. But if you've raised kids alone, started over, navigated trauma — you know that's not how life goes.



That's why we need a new model.

One that sees your financial life in seasons — not spreadsheets.

The FINANCIAL SEASONS

01

SURVIVAL SEASON

Rebuilding, catching up, protecting peace

02

REGROWTH SEASON

Structuring income, rebuilding credit, investing bit by bit

03

EXPANSION SEASON

Max income, portfolio growth, overflow planning

04

LEGACY SEASON

Income drawdown, dignity, rest, giving

WHAT SEASON ARE YOU IN RIGHT NOW?

PART 1

THE RETIREMENT SHIFT THAT LEFT WOMEN BEHIND

FROM PROMISE TO PERSONAL RISK

For decades, most workers had something called a **Defined Benefit (DB) pension**. You didn't have to think about investing — you just worked your years and received a guaranteed retirement income, usually based on your salary and tenure.

BUT AFTER THE DOT-COM CRASH IN 2000, THINGS CHANGED.

STOCK MARKETS DROPPED, INTEREST RATES COLLAPSED, AND SUDDENLY COMPANIES COULDN'T AFFORD THOSE PROMISES ANYMORE.

What Changed?

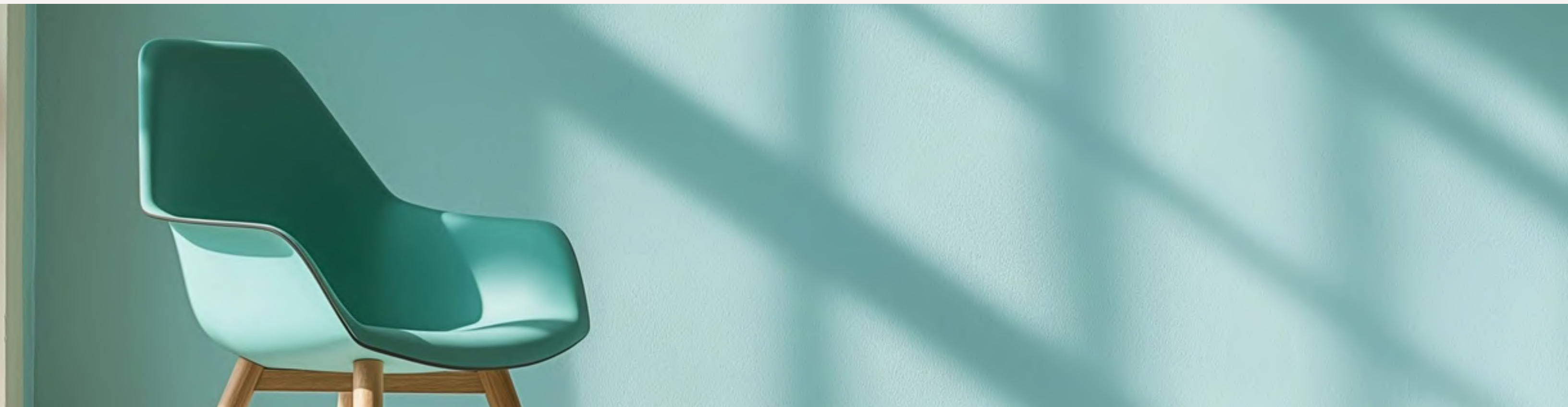
1. The Dot-Com Crash (2000) + Falling Interest Rates = Crisis for DB plans

2. **Stock prices fell** → pension plan investments lost value

3. **Interest rates dropped** → liabilities (what companies owed retirees) grew massively

4. Suddenly, big corporations had a **huge hole in their pension funding**. Some industries — like steel and airlines —literally went bankrupt because of these pension obligations.

5. To survive, **employers**:
   - Froze or closed DB plans
   - Shifted to Defined Contribution (DC) plans, like the 401(k) and RRSP



A SIDE NOTE:

Why Do Pension Liabilities Grow When Interest Rates Fall?

Defined benefit pensions promise to pay you a fixed monthly income for life when you retire — say, $2,000/month starting at age 65. To figure out how much money they need to set aside today to fund that promise, companies use a method called discounting.

Think of it like this:

If you know you'll have to pay someone $100,000 in 20 years, and interest rates are high, you only need to set aside a small amount today because it will grow more over time.

But if interest rates drop, you need to set aside more today to reach that same $100,000 in the future.

💡 **Example:**

If a pension expects to pay a retiree $1 million over 20 years:

- At **5% interest**, they may need to set aside ~$377,000 today.
- At **2% interest**, they may need to set aside ~$552,000 today.

That's a **nearly 50% increase in liabilities** just from rates falling.

DB V DC → WHAT'S THE DIFFERENCE?

Today, **most of us are in DC plans** — 401(k)s, RRSPs, TFSAs. And while they sound empowering, they come with one big problem:

You're now responsible for every investment decision — but no one taught you how to make them.

	Defined Benefit (DB)	Defined Contribution (DC)
Who takes the risk?	Employer	Employee
Who manages investments?	Pension Fund Professionals	You (or a default mutual fund)
What do you get?	A guaranteed lifetime income	A lump sum based on market performance
Stability	High (income-focused)	Low (market-focused, with no guarantees)

HARVARD BUSINESS REVIEW

Finance And Investing

The Crisis in Retirement Planning

by Robert C. Merton

From the Magazine (July–August 2014)

Summary. Reprint: R1407B Corporate America began to really take notice of the looming retirement crisis in the wake of the dot-com crash, when companies in major industries went bankrupt in large part because of their inability to meet their pension obligations. The result was an acceleration of America's shift away from employer-sponsored pension plans toward defined-contribution plans—epitomized by the ubiquitous 401(k)—which transfer the investment risk from the company to the employee. With that transfer has come a dangerous shift in investment focus, argues Nobel Laureate Robert C. Merton. Traditional pension plans were conceived and managed to provide members with a *guaranteed income.* And because that objective filtered right through the scheme, members thought of their benefits in those terms. Ask a member what her pension is worth and she'll reply with an income figure: "two-thirds of my final salary," for example. Most DC schemes, however, are designed and managed as investment accounts with the goal of accumulating the largest possible pot of savings. Communication with savers is framed entirely in terms of assets and returns. Ask a saver what his 401(k) is worth and you'll hear a cash amount and perhaps a lament to the value lost in the financial crisis. The trouble is that investment value and asset volatility are simply the wrong measures if your goal is to secure a particular future income. In this article, Merton explains a liability-driven investment strategy whose aim is to improve the probability of achieving a desired retirement income rather than to maximize the capital value of the savings. **close**

KEY INSIGHTS

PEOPLE DON'T THINK IN PORTFOLIO VALUES

they think in income: "Can I pay my bills when I'm 75?

DC PLANS DON'T REFLECT REAL RETIREMENT RISKS

like inflation, market drops, or outliving your savings

REGULATION FAVORS "SAFE" ASSET VALUES

but safe portfolios aren't always safe incomes

WOMEN ARE HIT HARDEST

especially those with interrupted careers, caregiving roles, or lower earnings

> "MOST FINANCIAL PLANNING TODAY FOCUSES ON ASSET VALUES AND INVESTMENT RETURNS — BUT WHAT REALLY MATTERS IS RETIREMENT INCOME. WE'VE REPLACED STABILITY WITH SPECULATION, AND IT'S NOT WORKING."
>
> ROBERT MERTON

The shift from Defined Benefit (DB) to Defined Contribution (DC) plans has **disproportionately affected women**. This isn't just theory—it's backed by data and studies. Here are some key findings:

Women are less likely to participate in workplace DC plans and salary sacrifice programs. In the UK, only **28% of women enroll in such schemes**, compared to 45% of men

Women are more likely to take **career breaks** for **caregiving**, work part-time, and earn less — **limiting both contributions and employer matching**

Women aged 65+ earn around 26% less in pension income than men. In the U.S., women are **80% more likely to be impoverished in retirement** compared to men

Women also face **longer lifespans**, meaning their retirement savings need to last longer—but DC structures aren't designed to ensure steady income over decades.

DB pensions provided **guaranteed income and longevity protection**, benefiting women who take career breaks or work part-time—something DC systems lack for most single moms

As municipality and government sectors (where DB plans remain) show, **those with pensions are significantly less likely to fall into poverty in retirement**—for women especially

Regulators focus on **protecting the value of your retirement portfolio,** but people care about having income in retirement.

BUT THOSE TWO THINGS — PORTFOLIO VALUE AND RETIREMENT INCOME — ARE NOT THE SAME. IN FACT, THEY CAN SOMETIMES MOVE IN OPPOSITE DIRECTIONS.

THE PROBLEM WITH REGULATING “SAFE ASSET VALUE”

✅ What regulators want:

They want to ensure your portfolio doesn’t “lose money” in a traditional sense. So they prefer:

- Stable market values
- Low-volatility assets like T-bills and money market funds

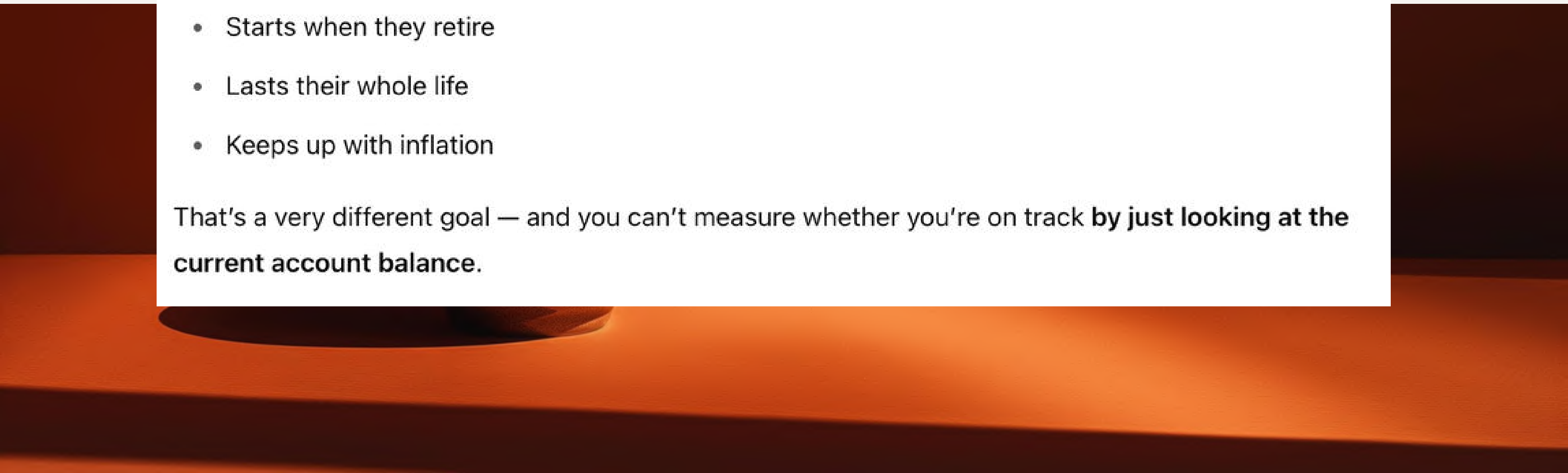
These assets look “safe” because their price doesn’t fluctuate much.

🚫 But what retirees actually need:

A **predictable stream of income** that:

- Starts when they retire
- Lasts their whole life
- Keeps up with inflation

That’s a very different goal — and you can’t measure whether you’re on track **by just looking at the current account balance**.



WHY "SAFE" ASSETS CAN BE DANGEROUS (FROM AN INCOME PERSPECTIVE)

Take T-bills (short-term government bonds):

- They don't lose value — so regulators love them
- But their interest rates are low and variable

Merton's example:

If you save $1 million in T-bills and interest rates drop from 5% to 0.5%, the income you get in retirement crashes:

- At 5%, you get $50,000/year
- At 0.5%, you get $5,000/year

📌 **Even though your account balance stayed safe and stable, your retirement income became wildly unstable.**

THE FLIP SIDE: "VOLATILE" ASSETS THAT CREATE STABLE INCOME

Now think about long-term Treasury bonds or inflation-protected annuities:

- Their market values go up and down with interest rates
- But they lock in a predictable income stream

✅ **These are the true "safe" assets for retirees who want income certainty**

🚫 **But they look risky under today's regulations because their prices fluctuate**

🎯 Merton's Core Argument

We've been measuring the wrong thing.

Instead of asking:

> "Is the account balance stable?"

We should be asking:

> "Can this portfolio reliably produce income in retirement?"

And regulations should protect **future income**, not just current portfolio value.

PART 2

LIFECYCLE FINANCE BECOMES A FRAMEWORK FOR LIVING IN ALIGNMENT WITH YOUR MONEY ACROSS TIME.

BUT HERE'S THE BIG QUESTION:

How do you actually design a financial plan that evolves with you — and supports you in each of those seasons?

That's where the concept of Lifecycle Finance comes in.

A system that mirrors how life actually unfolds:
messy, beautiful, unpredictable — and very much lived in seasons.

Instead of just chasing returns, it asks:

- How can I structure my money to **support the life I want — across time?**
- **It's about income,** not just net worth.
- **It's about designing stability,** not just saving blindly.

AND ONE OF THE SIMPLEST WAYS TO START THINKING THIS WAY IS THROUGH THE 3-BUCKET MODEL.

WHAT IS THE 3-BUCKET MODEL?

he 3-bucket model is a way of organizing your money based on **time**, **risk**, and **purpose**.

Instead of thinking ‘what’s the highest return?’ or ‘how much should I save?’

We start asking:

- When will I need this money?
- What will I need it for?
- How much peace do I need to feel safe today — while still building a future?

BUCKET 1: GUARANTEED INCOME

Think CPP, CCB, ODSP, annuities, predictable rent — your peace of mind money.

BUCKET 2: CONSERVATIVELY FLEXIBLE

Think RRSP drawdowns, bonds, GIC ladders — your bridge bucket.

BUCKET 3: GROWTH & OVERFLOW

Think ETFs, TFSAs, real estate — where long-term dreams and legacy begin to grow.

Traditionally, the 3-bucket model was created for retirement planning — to help people figure out how to generate income from their portfolio once they stop working.

But:

- Most of us are already navigating major life transitions long before retirement.
- Women post-divorce, single moms, caregivers — we're managing financial uncertainty right now.

So instead of waiting until 65 to organize your finances this way...

We bring the **wisdom of the 3-bucket system** into your life today.

Let’s go into more detail

BUCKET 1: GUARANTEED INCOME

✅ What goes here:

- Government benefits (CPP, OAS, CCB in Canada)
- Child support or spousal support
- Rental income
- Work income (if stable and predictable)
- Defined benefit pensions
- Annuities (if in retirement)

BUCKET 2: CONSERVATIVELY FLEXIBLE

✅ What goes here:

- Emergency fund (3–6 months of expenses)
- TFSA/High-interest savings
- Conservative investments (GICs, bonds, balanced ETFs)
- Short-term savings goals (car, dental, back-to-school, etc.)

BUCKET 3: GROWTH BUCKET

✅ What goes here:

- Stocks, ETFs, index funds (in TFSA, RRSP, FHSA)
- Real estate investments
- Business equity
- Long-term savings for future dreams or retirement

ALIGNING BUCKETS WITH LIFECYCLE STAGES

Lifecycle Phase	Lifecycle Goal	Bucket in Focus	Purpose
Early career / survival	Maintain basic consumption	🪙 Guaranteed Income + 🛡️ Flexible	Cover essentials, build emergency fund
Mid-career / regrowth	Accumulate savings & invest	🛡️ Flexible + 💹 Growth	Save and invest for long-term consumption
Peak earning / expansion	Maximize portfolio & prepare	💹 Growth + 🛡️ Flexible	Accelerate retirement contributions, invest big
Retirement / legacy	Sustain income post-work	🪙 Guaranteed + 🛡️ Flexible	Draw from pensions, annuities, RRSP, etc.

Now let's anchor this in a realistic, empowering story.

Here's how a **single mom post-divorce** can use the **3-bucket model** in alignment with the life cycle stages.

STAGE 1: “SURVIVAL”

Life phase: Just after divorce

Life Situation: She’s just divorced. Cash is tight. She's parenting through emotional and financial stress.

Mindset: "*How am I going to make it through the month?"*

Primary Bucket: 🪙 **Guaranteed Income**
- Government support (e.g., Canada Child Benefit, CPP survivor benefits if applicable)
- Any part-time work or spousal/child support
- Emergency fund (even $500 counts)

Focus:
- Secure housing, food, and **basic needs**
- Build a habit of separating survival money from everything else (*creates psychological boundaries.)*

✅ *DO:*
- *Set up **separate accounts for bills and variable spending***
- *Apply for all eligible support (CCB, child support, housing supplements)*
- *Track cashflow with compassion, not shame*
- *Save something, even $5/week, to start the habit of **holding wealth***

💡 ***BECOME:***
- *A boundary setter*
- *A woman who protects her peace*
- *A woman who asks for help without shame*

STAGE 2: REGROWTH

Life phase: Starting over — with intention

Life Situation: She's found her footing and is working part-time, returning to school, or building new skills. She's ready to rebuild.

Mindset: **"**I want to get ahead, but I still need to be careful."

Primary Bucket: 🛡️ Conservatively Flexible

- TFSA or RRSP drawdowns (if applicable)
- High-interest savings for tuition or debt payoff
- Small consistent investments (low-volatility ETFs, GICs)
- RESP or emergency rebuild

Focus:

- Create financial slack and short-term safety
- Rebuild credit and spending systems
- Begin to view money as a tool for opportunity — not just survival

✅ **DO:**

- Open a TFSA and start contributing automatically (even $25/month)
- Pay off high-interest debt first — credit score is capital
- Separate savings from day-to-day
- Begin tracking your net worth quarterly (even if it's negative)

💡 **BECOME:**

- A self-trusting woman
- A woman who makes aligned money decisions
- A woman who sees small investments as seeds for something big

STAGE 3: EXPANSION

Life phase: Career traction + consistent income

Life Situation: She's earning again, has momentum, and is ready to shift from fixing the past to building the future.

Mindset: "I want to build something lasting."

Primary Bucket: 📈 Growth/Overflow

- RRSPs, TFSAs — fully invested in equity ETFs
- Overflow into non-registered accounts or RESP
- Real estate or business ownership (if aligned)

Focus:

- Maximize income, minimize lifestyle creep
- Automate investing into diversified portfolios
- Design wealth systems that love her back

✅ DO:

- Increase auto-investing % with every raise (10–20%)
- Run a full investment audit (fees, allocations, risk exposure)
- Begin overflow planning: RESP, legacy, or future home
- Think in terms of future income, not just current savings

💡 BECOME:

- A wealth architect
- A woman who builds her portfolio like her dream home
- A woman who teaches her children what investing looks like

STAGE 4: LEGACY

Life phase: Income drawdown + dignity

Life Situation: She's approaching or in retirement. Her kids may be older, and her focus shifts toward meaning and peace.

Mindset: "How do I live well and give well with what I have?"

Primary Bucket: 🪙 + 🛡️ + 📈 All 3 Buckets in Action

- CPP, OAS, annuities (Guaranteed Income)
- TFSA or RRIF drawdowns for flexibility
- Remaining stock portfolio for growth, giving, or legacy

Focus:

- Transition from growth to income security
- Stay in alignment with values
- Create a plan for rest, generosity, and dignity

✅ **DO:**

- Review CPP/OAS timing and consider annuities
- Shift portfolio toward dividend income + low drawdown risk
- Get clear on wills, POA, and who needs to know what
- Revisit your financial plan annually

💡 **BECOME:**

- A legacy leaver
- A woman who lives in ease, not fear
- A woman who moves from success to significance

How The BUCKETS

Work Together Over Time

Now that you know what each bucket is, understand:

- These aren't silos — money flows **between them** as you move through seasons
- It's not about having all 3 full right now — it's about k**nowing their purpose**

- [ ] In **Survival**, your goal is just to **protect** the first bucket.
- [ ] In **Regrowth**, you begin **filling the second**.
- [ ] In **Expansion**, you prioritize the **third.**
- [ ] In **Legacy**, you **draw from all three in harmony.**

THE BUCKETS ARE DYNAMIC, NOT RIGID.

THE RECAP

1. WE LIVE IN A WORLD WHERE:

Women are raising families alone, retirement isn't guaranteed and traditional planning doesn't fit non-linear lives.

2. THE LIFE-CYCLE HYPOTHESIS

A model created in the 1950s that says you don't build wealth just to get rich. You build wealth to smooth your standard of living across time.

3. THE SHIFT FROM DB TO DC PLANS

This was a risk transfer to individuals and women were hit hardest. Why? Lower lifetime earnings, interrupted careers, longer life expectancy

4. THE SEASONS OF FINANCIAL LIFE

You are not in one constant phase of growth. You're in seasons: Survival – protect what matters most, Regrowth – rebuild with intention, Expansion – invest and multiply, Legacy – give and live in ease.

5. THE 3-BUCKET MODEL

Start asking: When will I need this money? What do I need it for? How can I feel peace now and build for later?

Bucket 1: Guaranteed Income
Bucket 2: Flexible & Conservative
Bucket 3: Growth & Legacy

the NEXT SESSION

- HOW TO MAP YOUR OWN LIFE SEASON — AND WHAT BUCKET TO FOCUS ON NOW
- HOW TO BUILD YOUR PERSONAL 3-BUCKET SYSTEM
- WHAT TO INVEST IN (AND WHEN) — DEPENDING ON YOUR STAGE
- HOW TO DESIGN A LONG-TERM WEALTH PLAN USING BEHAVIORAL FINANCE

BECAUSE YOU

don't need a *spreadsheet* to feel wealthy —

You need *clarity*, *calm*, and a *compass*.

I'll show you how to *build all three*.

SELF INVESTED

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