

FINANCIAL PLANNING WEEK

THE GLOBE AND MAIL

MONDAY, NOVEMBER 16, 2015

SECTION FPSC

Plan early and see it through

Canadians with solid financial plans feel better off emotionally and financially than those who don't, according to research



The biggest mistake many Canadians make when it comes to financial planning is avoiding it altogether, says Cary List, president and CEO of the Financial Planning Standards Council (FPSC).

"They have an aversion to sitting down and planning their financial future," he adds. "Quite often, the main reason is because they don't know where to turn for good advice. They know they need help, but are unsure of where to get it."

That's one of the reasons why the FPSC recently launched a new website financialplanningforcanadians.ca that provides information on how to go about selecting a suitable financial planner and starting the process.

"Most people need help to wade through a whole host of issues related to financial planning so that they can see the bigger picture," says Mr. List. "Financial planning involves short, medium and long-term goals, needs and priorities. Having an adviser who provides guidance on only one or two aspects of the bigger picture is far from ideal and is not what we mean by financial planning."

Cynthia Kett, principal at Stewart & Kett, an advice-only financial planning, investment consulting, and tax services firm in Toronto, says understanding the concept of financial planning can be a challenge for some people.

"It's much more than just budgeting, saving or having a good investment strategy," she says. "Financial planning is a long-term process towards achieving personal goals, needs and priorities through the proper management of your financial affairs."

She too believes the reluctance of many people to develop a financial plan is the biggest mistake they make.

"Some people don't even have an idea of how much money they spend

SURVEY

PLANNING AHEAD FOR FESTIVE SPENDING

Budgeting plays an important part in personal financial planning, so it's hardly surprising that many Canadians plan ahead and start saving early for special occasions, like the end of year festive season.

A telephone survey of 1,007 Canadian adults conducted in September by Harris Poll for Chartered Professional Accountants of Canada found that 35 per cent of respondents had already started saving for their 2015 holiday spending and another 18 per cent said they would be doing so. Forty-six per cent said they did not have a plan to save for the upcoming holiday season.

The survey found that roughly four in ten (38 per cent) of the respondents "always" or "usually" save money specifically for the holiday season, while 44 per cent "rarely" or "never" do so. Of the remaining 18 per cent, 16 per cent "sometimes" do so.

The survey also found that almost 60 per cent of respondents plan to do at least some of their holiday shopping online, with 32 per cent of them saying that they expected to spend 25 per cent or more of their holiday money online.

When it comes to actually spending money for the festive season, a third of respondents indicated that they find managing spending during this period stressful.



"Some people make the mistake of thinking that once they have a financial plan they are done, but that's not the case. You have to implement it, revisit it, follow the recommendations, and monitor progress."

Cynthia Kett
is principal at Stewart & Kett

each month, let alone what they need to do to manage their money effectively and plan for the future," says Ms. Kett. "It's like any other problem; if you don't know where you're at, how are you going to know if you are improving?"

Knowing how much we spend is a great place to start, she adds, because it tends to drive all the other aspects of financial planning.

"Once we know what we are spending it's easier to set both financial and life goals and to put strategies in place to achieve them."

FPSC research has shown that Canadians who engage in comprehensive financial planning report significantly higher levels of financial and emotional well-being than those who do limited planning or no planning at all.

People with comprehensive plans say they feel more on track with their financial goals and retirement plans,

have improved their ability to save, are more confident that they can deal with financial challenges in life, and feel better able to indulge in their discretionary spending goals.

To get the most out of a financial plan, the process should begin as early as possible and should be linked to broader financial literacy initiatives, says Mr. List.

"We would like to see the concept of planning being instilled in a meaningful way as early as grade school, but it certainly shouldn't be delayed once you are in the workforce," he adds. "That's the time to sit down and start developing a relationship with a financial planner that is going to last for the rest of your career and throughout your life."

Even people who believe they are careful with their money and are saving for retirement would probably benefit from professional advice, says Mr. List.

"Sometimes it's a case of we don't know what we don't know and we can develop a false sense of security about just how prepared we are for

the future. A financial planner can help expose potential weaknesses and get the plan on the right track."

Ms. Kett says choosing the right plan and the right planner go hand in hand.

"Good financial plans need to be designed for the specific needs and objectives of individuals," she says. "If a planner suggests a cookie cutter approach, it's probably not the right plan or the right planner."

What's important is to choose a path that you know you can follow for the long-term, she adds, but it's just as important to have a planner you can trust and with whom you can feel comfortable for the long run.

Helping Canadians select a planner that suits them is a priority for FPSC, says Mr. List who hopes that the new Financial Planning for Canadians website will go a long way to doing that.

"We list 10 questions for people to ask, such as what kind of service am I looking for, what kind of advice do I need, and what homework should I do before I look for a planner. This is important because if I don't know what help I'm looking for and need, then I don't know if I've made a good match when I select a planner," he adds.

But even after the match has been made and the plan written, work must go on, says Ms. Kett.

"Some people make the mistake of thinking that once they have a financial plan they are done, but that's not the case. You have to implement it, revisit it, follow the recommendations, and monitor progress. It's a living document and keeping it alive is crucial."

ABOUT

FINANCIAL PLANNING WEEK 2015

November 15 – 21 marks the seventh annual Financial Planning Week in Canada. Financial Planning Week is part of an ongoing effort by Financial Planning Standards Council (FPSC) and the Institut québécois de planification financière (IQPF) to raise awareness of financial planning as fundamental to the financial well-being of Canadians and to encourage Canadians to take positive planning action by engaging with a qualified financial planner.

Online? Visit specialfeature.financialplanningforcanadians.ca for more information.

OPINION

Life happens



By Cary List, CPA, CA, CFP
President and CEO, Financial Planning Standards Council

Get more exercise. Cut out trans fats. Floss daily. Spend more time with family. We all know what we need to do to create more wellness in our lives. We've all got a mental list of "shoulds" and "one days" – all the things we know are good for us, but we don't always do.

Financial planning usually falls somewhere on that list. We know it's good for us, but it can feel overwhelming or even scary. Some are held back by common misconceptions about financial planning – that it's just about budgeting and cutting back, or that it's just about investing. Others figure they're generally moving in the right direction and hope their financial goals will take care of themselves, or that financial planning is something for people who are

younger, older or wealthier.

The fact is, most Canadians can benefit from financial planning, regardless of life stage or situation.

When you have the right financial plan for your circumstances – covering every area of your financial life, from investments to tax planning, insurance needs and retirement planning – you can balance what you need and want today with the personal goals you have for the future.

These are important decisions, and you shouldn't have to go it alone. An appropriately qualified financial planner can guide you through what you need to know. New global research from the International Financial Planning Standards Board, in association with Financial Planning Standards Council in Canada, shows that just one in five Canadians feel they have the know-how to create a financial strategy or have strong confidence that they will achieve their financial life goals.

Comprehensive planning with a qualified financial planner not only helps proactively navigate your financial future, but also helps deal with the inevitable financial surprises along the way. In fact, it's often these unexpected life events that first make

people think seriously about financial planning. Life happens – unexpected job loss, the death of a spouse or partner, divorce or the birth of a child with special needs. In these moments of great stress, we often find ourselves needing to make critical decisions that could have significant financial impact on the quality of our lives down the road.

Last year, Financial Planning Standards Council released research that showed that money is the number one stress factor for Canadians, and nine out of ten wish they had made better decisions earlier in their lives. Today's Boomers are living longer, fuller lives, but many are joining the ranks of the "working retired" because they can't afford not to work. Not only will their savings need to last longer, but they'll likely face

rising costs in health and long-term care. According to a recent HSBC study, 45 per cent of working-age Canadians expect some period of semi-retirement before fully packing it in, while another 15 per cent expect they'll never be able to fully retire.

Many Boomers also find themselves sandwiched between two generations with their own unforeseen financial issues. Their own parents are living longer with insufficient savings; their kids are entering adulthood at a time of great economic uncertainty, and often haven't been taught responsibility for their own financial well-being. This is a big cohort – by 2020, the Millennial generation will make up the largest percentage of the Canadian workforce. But today, they have high student loans and consumer debt, leaving less for sav-

ings. Younger Canadians have the best opportunity to build a solid financial future, but for the rest of us, it's never too late.

The results of a three-year longitudinal study of 15,000 Canadians, conducted on behalf of Financial Planning Standards Council, provides important insight into the potentially life-changing impact of financial planning. *The Value of Financial Planning* study revealed that those who engaged in comprehensive financial planning report significantly higher levels of financial and emotional well-being. Those with comprehensive plans say they're more on track with their financial goals and retirement plans, have improved their ability to save in the past five years and feel more confident that they can deal with financial challenges in life. Clearly, a solid financial plan can also help overcome some of today's biggest financial fears – dependence on government or family in retirement, needing to join the ranks of the "working retired", or simply the fear of never being able to realize life's goals.

Financial Planning Standards Council declared Financial Planning Week seven years ago to start this very conversation. It's not easy to talk about our finances, particularly if we feel ill-informed, overwhelmed or embarrassed by our past choices or current circumstances. Confronting these issues today can make a world of difference in the quality of our lives tomorrow.

INSIDE

SEE PAGES 4 & 5 FOR MORE FROM THE FINANCIAL PLANNING STANDARDS COUNCIL (FPSC).

FPSC is a not-for-profit organization which develops, promotes and enforces professional standards in financial planning for the public interest. As a standards-setting and certification body, FPSC's purpose is to instill confidence in the financial planning profession. FPSC ensures those it certifies (CFP professionals and FPSC Level 1 Certificants in Financial Planning) meet appropriate standards of competence and professionalism through rigorous requirements of education, examination, experience and ethics.

