THE GLOBE AND MAIL
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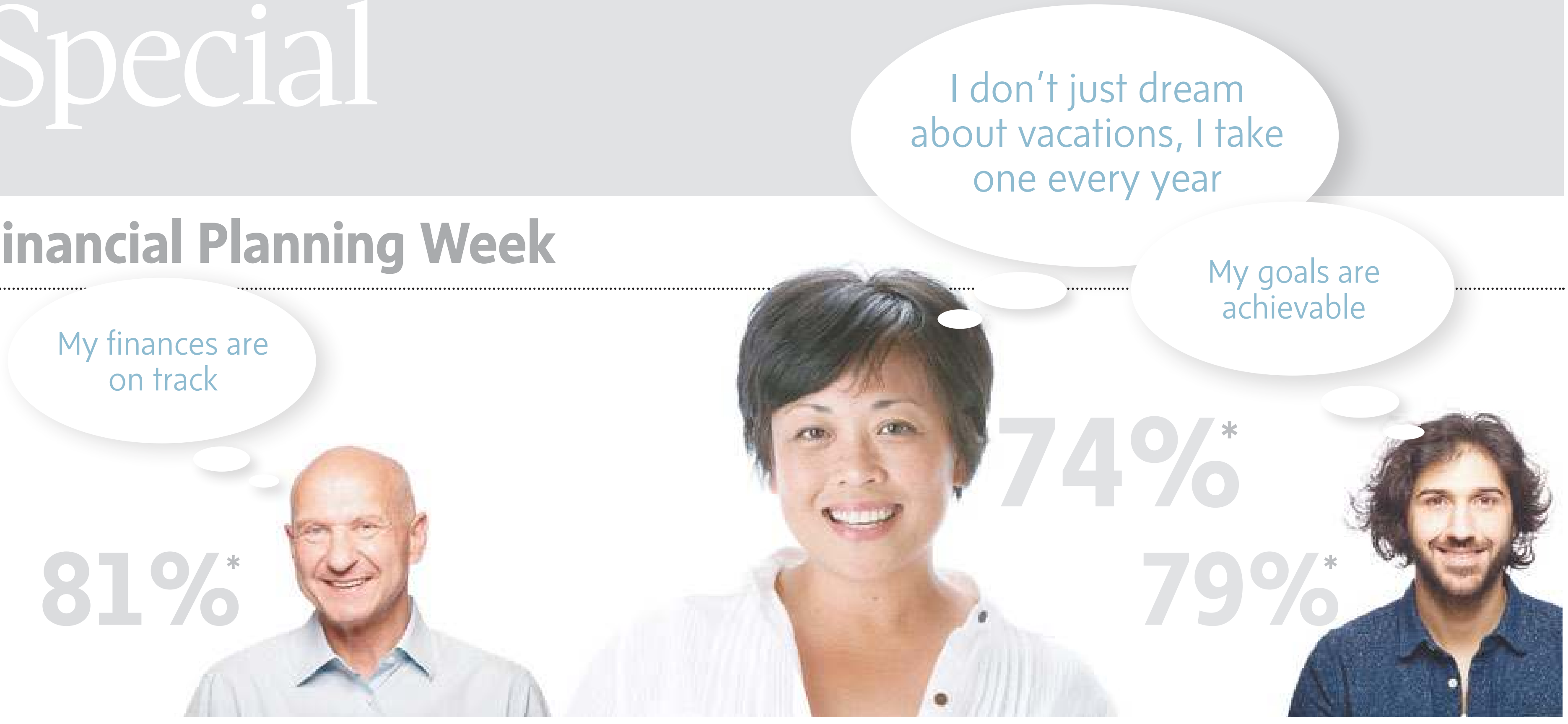
Special

Financial Planning Week



Value of Financial Planning study results comparing mindsets of those who undertake comprehensive planning (CP) versus no planning (NP). See full study highlights on page 6. ISTOCKPHOTO.COM

Financial planning brings proven peace of mind and sense of control

For the third year in a row, the *Value of Financial Planning* study has shown compelling evidence that Canadians who engage in comprehensive financial planning feel better about their finances and do better at meeting their financial goals. Commissioned by Financial Planning Standards Council (FPSC) and independently conducted by The Strategic Counsel, the study found that nearly twice as many people with a comprehensive financial plan feel on track with their financial affairs than those who don't plan, and nearly three times as many said they were "very on track."

That isn't surprising news to Canada's Certified Financial Planner professionals (CFP). "Financial planning provides a roadmap that outlines a path from where you are today to where you want to be in the future," says Marlena Pospiech, CFP, a senior manager of BMO's Retirement Institute. "It's personalized to your specific situation, and it is designed to work with your life, balancing your short-term goals with your long-term goals."

The result, she adds, is a sense of comfort and control over your financial future. In fact, the FPSC study found that Canadians who engage in comprehensive financial planning are more than twice as likely to report feeling peace of mind, and feel significantly more contented with their financial well-being, ability to reach life goals, their lifestyle and even their personal relationships.

There is a common misconception that financial planning is only for the wealthy, or for those about to retire. But financial planning is beneficial for all ages and income levels, says Ms. Pospiech.

For example, higher housing prices, tuition costs and youth unemployment mean that the odds are stacked against young Canadians in a way that wasn't generally true for their parents.

"These unique challenges make it even more important to have a financial plan that addresses those issues and reflects the particular situation younger people are facing," she stresses.

The stakes are even higher for women than for men, says Crystal Wong, CFP, a senior regional manager with TD Waterhouse Financial Planning. "The average boomer widow in Canada will outlive her husband by 16 years, and many women have had interrupted careers due to family responsibilities."

While that makes preparing for retirement even more challenging, many women report that they don't know where to begin, she says. Taking the time to interview financial planners in order to find the right emotional fit, as well as the right credentials, can help women get on track to meet their goals, says Ms. Wong.

Women and men, young and old, are facing a more uncertain future. Even as the shift from defined benefit to defined contribution pension plans transfers risk from employers to employees, the recent Old Age Security reform is also sending the message that Canadians are increasingly on their own when it comes to saving for retirement, says Ms. Pospiech.

While it's natural to try to ignore that reality, comprehensive financial planning is the key to creating a secure future, says Al Nagy, CFP, regional director at Investors Group. "Taking the time to lay out a roadmap for your future provides clarity, and clarity is motivating. Creating a financial plan is the step that clears the primary hurdle – procrastination."

The world has become far more complex: tax rules are complicated and constantly changing, people's lives are busier than ever and there are more products and services out there than ever before, he adds. "Sorting it out is confusing for anyone, but having a financial plan in place establishes that clarity that people need in order to achieve their goals."

Conversely, says Mr. Nagy, trying to do it on your own can lead to costly and sometimes irreversible mistakes.

Until three years ago, when FPSC released the first year's results of the five-year longitudinal *Value of Financial Planning* study, there had been very little research done on the correlation between financial and emotional well-being and engagement in comprehensive financial planning, says Cary List, president and CEO of FPSC.

While this year's data is still being compiled, early indicators reinforce substantive evidence that Canadians with a comprehensive financial plan meet the goals they set for themselves, whether those goals are retiring with the lifestyle they want or taking an annual vacation, he notes.

"In some cases, people procrastinate on financial planning, because they're afraid of what they'll find out," says Mr. List. "The results of this study tell us that the opposite is true: knowing is the first step toward achieving."

ABOUT

Financial Planning Week

Now in its fourth year, Financial Planning Standards Council (FPSC) and the Institut québécois de planification financière (IQPF) have jointly declared November 19-25, 2012, as Canada's Financial Planning Week. During the week, each organization will be spearheading industry events and public outreach activities in their respective markets. Financial Planning Week is part of an ongoing effort by both organizations to make financial planning a cornerstone of Canadians' sound financial management. This year, Financial Planning Week is a dedicated week within Financial Literacy Month. Stay up-to-date at *www.financialplanningweek.ca*, Twitter *@FPWeek*, and on LinkedIn and Facebook.

ONLINE?

For more information, visit www.fpsc.ca.

GENERATION Y

Challenging times spur Millennials to look ahead

Heather Mills's transition from student life to full-fledged working adulthood has been a bumpy ride, with a few detours along the way. Unable to find a job after earning her English degree from Queen's University in Kingston, Ont., Ms. Mills subsequently taught English in China for six months before going back to school in Toronto to learn public relations.

"It was harder than I'd thought to find work in my field after I finished university," says Ms. Mills, now associate director of sponsorships at an international charity called Free the Children. "It took longer than I had expected to get my career started."

Ms. Mills, 30, is part of a demographic known as the Millennial Generation. Born between 1981 and 2000, and also referred to as Generation Y, the Echo Boom and the Net Generation, Canada's roughly nine million Millennials are now in the early stages of building their careers and living as independent, self-sufficient adults. And like Ms. Mills, they face a host of financial challenges.

Millennials, Page FP 8

INSIDE

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FINANCIAL PLANNING

TRENDS

Common misconceptions can stand in the way of personal well-being

As comedian Steve Martin introduced actor Gael Garcia Bernal at the 2003 Academy Awards, he said, "I'd do anything to look like this guy – except exercise and eat right."

It's a philosophy that too many Canadians adopt when it comes to their financial well-being as well as their health. "We understand that financial planning is good for us, in the same way we know we should eat more vegetables and exercise – but we are busy, balancing lots of different commitments," says Tamara Smith, vice president of marketing and consumer affairs at Financial Planning Standards Council (FPSC).

But a number of common myths and misunderstandings about financial planning also contribute to its low place on our priority lists. "Many people think financial planning is just about investing or just about retirement," she explains. "But it's so much more than that – we know from our research that individuals who are engaged in financial planning feel significantly more optimistic about their personal well-being."

Another myth that contributes to financial planning procrastination is the idea that financial planning is only for the wealthy or for retirement. But according to Kurt Rosentreter, CFP, a senior financial advisor at Manulife Securities, financial planning may be even more valuable for those who haven't yet been able to accumulate significant wealth. "Financial planning is goal-driven," says Mr. Rosentreter, who is also a chartered accountant and the best-selling author of *Wealthbuilding: Lifelong Financial Strategies for Success with Your Money*. "If you

"If you want to retire some day, put your kids through school, be debt-free, have a nice car or save for a vacation, that's the starting point. If you have income, bills to pay and goals or dreams, you could benefit from some counselling from an objective expert."

Kurt Rosentreter, *is a CFP professional and a senior financial advisor at Manulife Securities*

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See

ancial planning is important for the wealthy as well as those approaching retirement, it is not more valuable for those who are just embarking on their adults lives. ISTOCKPHOTO.COM

retire some t your kids h school, t-free, have ar or save on, that's point. If you have income, bills to pay and goals or dreams, you could benefit from some counselling from an objective expert."

It can be difficult to share personal financial information, which may lead to procrastination, he says. "We're going to talk about how much money they make, how they spend it, how much they have in debt. It can be intimidating."

That's why it is important to interview as many financial planners as necessary to find one you're completely comfortable with, says Crystal Wong, CFP, a senior regional manager with TD Waterhouse Financial Planning. "There has to be a personality fit. They have to work with you, understand what your goals are, not make you feel intimidated, make you feel part of that planning process, listen to you and understand you."

Regardless of your current financial situation or how much money you expect to have, there will always be a financial planner willing to concentrate on ensuring that you succeed in reaching your financial goals, she adds.

When tempted to procrastinate, consider the payoff for acting now, urges Ms. Smith. The FPSC study found that even if two families had an equal amount of assets, the one engaged in financial planning was almost twice as likely to say they feel prepared to manage through tough economic times and significantly more likely to feel that their goals and aspirations are achievable.

"Those who don't have a financial plan, even with considerable assets, don't know if they're going to be okay. They don't know if they'll get through tough times, or through retirement, because they haven't done the homework to evaluate their needs," she notes. "When you can identify a lot of those unknowns, life just gets a lot easier."

RECOGNITION

FELLOW OF FPSC

Financial Planning Standards Council proudly announces the 2012 recipients of the FELLOW OF FPSC distinction. These individuals are recognized for their outstanding contribution to furthering FPSC's vision and for advancing the financial planning profession:

Sterling Rempel, Alberta
David Salloum, Alberta
George Athanassakos, Ontario
Steven Bang, Ontario
Gerry Bissett, Ontario
Coleen Clark, Ontario
Tina Di Vito, Ontario
Heather Holjevac, Ontario
Deborah Kraft, Ontario
James Kraft, Ontario
Marc Lamontagne, Ontario
D. Tony Mahabir, Ontario
David Nicholson, Ontario
Susan Stefura, Ontario
Frank Wiginton, Ontario

EXPERT OPINION

Services of credentialed financial planners critical to Canadian families – and the country

By Cary List
President and CEO of the Financial Planning Standards Council

Independent research commissioned by the Financial Planning Standards Council, a five-year longitudinal study now in its third year, provides substantive, convincing evidence of the value of comprehensive financial planning.

Canadians who engage in financial planning are more than twice as likely to report peace of mind about their financial affairs, compared with those who have comparable assets but no financial plan. They are significantly more likely to reach both short-term goals, such as saving for their children's education and paying off debt, and long-term goals, such as being prepared for retirement.

Contrary to the common misapprehension that financial planning is only for the wealthy, this research reveals that the real and perceived benefits identified by Canadians are perhaps even greater for people who are not affluent. In terms of successfully meeting their financial objectives throughout life, charting a path through a comprehensive financial planning process makes a dramatic difference. Conversely, the average Canadian who is not undertaking financial planning reports extreme financial pressure and uncertainty.

Given the widespread concern about record-high household debt and low levels of retirement savings in Canada, it is clear that the services of Certified Financial Planner professionals have never been more important to the overall well-being of Canadian families, as well as to our collective prosperity as a country.

It is perhaps understandable, then, that our research also indicates that Canadians believe that financial planning in Canada is a regulated profession. A study independently conducted for FPSC found that about 70 per cent of Canadians believe that you must be licensed in order to call yourself a financial planner in Canada.

Regrettably, with rare exception, this is simply not true. Quebec is in fact the only province that regulates the use of the term "financial planner."

Given this misconception, Canadians are less likely to do their own due diligence to ensure that the "financial planner" they're seeing has appropriate qualifications, such as Certified Financial Planner (CFP) certification. Yet they have no assurance whatsoever, outside of Quebec, that they are receiving advice from an individual who has any financial planning training, experience, education, ethical standards or legitimate credentials.

Our organization continues to advocate for the adoption of higher regulatory standards, including minimum certification requirements for those who purport to be financial planners. In the meantime, we work to educate Canadians about their first line of defence in an unregulated environment: ensuring that the individual who is providing financial planning advice has met an appropriately high standard, by checking his or her professional credentials.

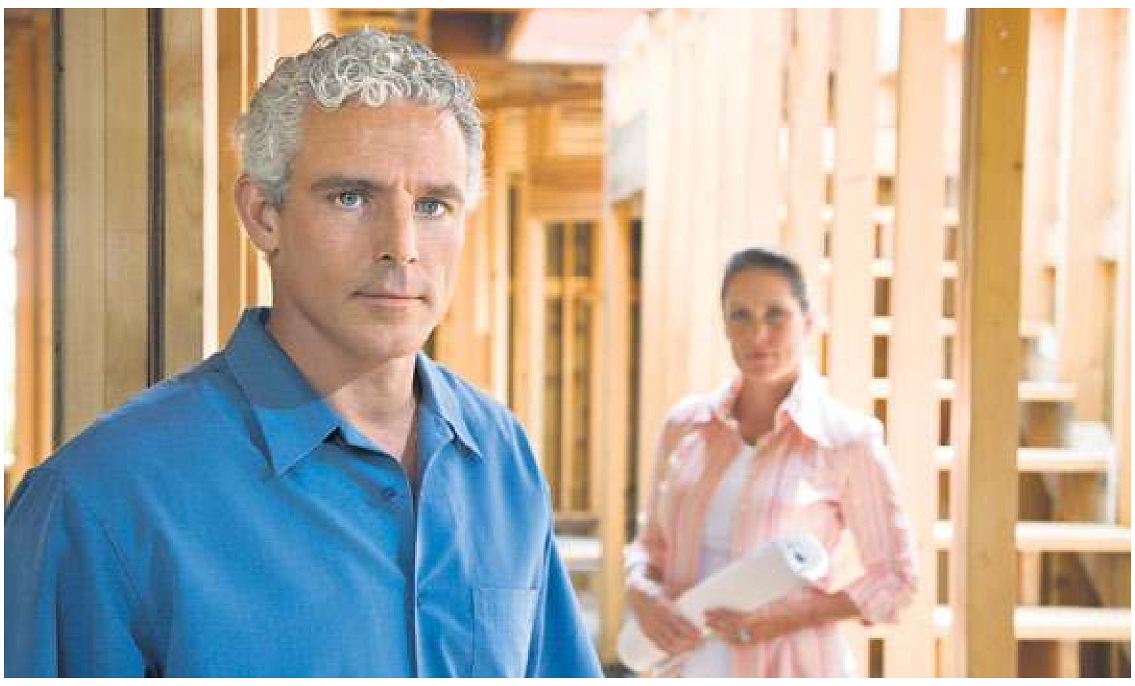
Does the planner, for example, have CFP certification? If so, Canadians can be confident that he or she has successfully completed a rigorous certification process, which includes an extensive educational training program with two levels of examinations. On an annual basis, CFP professionals are required to attest to the fact that they meet ongoing professional obligations, including putting their clients' interests ahead of their own and acting with care, diligence and good judgment. If complaints are levied against them, they must subject themselves to investigation, review and professional oversight. Maintaining CFP certification also requires a commitment to continuing education and professional development.

"Canadians who engage in financial planning are more than twice as likely to report peace of mind about their financial affairs, compared with those who have comparable assets but no financial plan."

Canadians are facing an uncertain future. Baby boomers, tasked with saving for looming retirement in an environment of low returns and fewer guaranteed pension benefits, are increasingly squeezed between pressure to assist aging parents and support adult children.

With many competing demands on our time and income, it is tempting to take a piecemeal, reactive approach to these and other decisions. Take, for example, the many Canadians who rush to make or top up their RRSP contributions each year on February 28. Only a comprehensive approach to financial planning can effectively answer the many questions that should be addressed before making such a contribution. Should I be making an RRSP contribution at all, or paying off debts first? Is it better for me to maximize my TFSA contribution or my RRSP contribution? If I'm saving for my children's education, how does this enter in to my RRSP decision?

A CFP professional will look at the entirety of your financial needs and goals, and help you make the most effective and appropriate use of your resources. As our research proves, only a holistic financial planning approach will ensure that you are on track to meeting your unique personal objectives.



The importance of services provided by Certified Financial Planners is rising as Canadians awaken to widespread concerns about record-high household debt and low levels of retirement savings in Canada. ISTOCKPHOTO.COM

Special

How to achieve financial success

Creating a financial plan with the help of a qualified planner helps balance short-term wishes against long-term aspirations

The key to financial success is not that there's one way to achieve it - but several important steps that require some work, says Lee Bennett, Senior Vice-President, TD Waterhouse Financial Planning. It's creating a financial plan with the help of a qualified financial planner, and reviewing and adjusting it through all life stages.

"I don't think there's one secret to financial success," Ms. Bennett says. "There are a number of different steps you should take. One, start sooner than later. Two, look for a financial planner to help you. Three, really push yourself to think about what is important to you and what you need to save to be successful in the long term."

The biggest financial regret many people have is that they didn't start early enough, she says. "When you ask retired people what would be the one thing they'd change, many say, 'I wish I had started sooner.' It's easier if you've got time on your side to save and there's less pressure to try to meet your retirement needs."

Choosing a qualified financial planner who is right for you is critical. "Take the time to interview a few planners. Make sure you choose somebody who you feel comfortable with. The more information you share about your financial life, the better your financial plan can be."

"Choosing a qualified financial planner who is right for you is critical"

A financial planner, usually available free of charge through banks and financial institutions, begins by having a conversation with a new client about that individual's goals. "The first stage is getting to know you and to understand your situation and what you're planning to do in the next five, 10 and 15 years," Ms. Bennett says.

Lee Bennett, Senior Vice-President, TD Waterhouse Financial Planning: There are several key steps on the road to financial success.

The planner would develop a proposed plan for saving, spending and investing in the short-, medium- and long-term that could include how to save for children's education, for a house, for travel or for retirement, she says. Another meeting with the client follows to discuss each element in the proposed plan.

"Does the plan feel realistic? Do you think you can put that kind of money away? Are your goals achievable based on your situation?" From there, your planner will have a third meeting with you to finalize the plan and decide what investments are appropriate to meet your financial goals.

Plans should be considered flexible, as needs, circumstances and goals change through different life stages. "One of the mistakes we see is from people who don't follow through and monitor their plan on an annual basis. A financial planner will be there to periodically review and adjust the plan. That's the great thing about a financial plan. It's very flexible to adjust to what you're looking for and what your needs are."

"The more information you share about your financial life, the better your financial plan can be"

Each life stage has its own challenges and opportunities, she says. For 18- to 35-year-olds, one of the keys is just to begin saving. The financial plan allows you to start thinking about when you're ready to buy a house, get married, travel, or even return to school, she says. It allows you to make informed decisions about your life as you're moving through the different age categories.

For those between 36 and 54, "life gets a lot more complicated," Ms. Bennett says. "You probably are working full-time. You may be married and have a family. You may have a house. The plan becomes more robust, because now you're not only planning for your future but you're dealing with debt and mortgages. You have a number of different people in your life you need to think about." Planners spend a fair bit of time on how to save for your children's education, she says. As people reach 45, the discussion turns to retirement needs. The financial planner plays a crucial part to keep you on track and adjust the plan as you get older and your needs change.

"A frequent question is 'will I outlive my money?'"

For those 55 and over, a key issue is how to manage debt as they move toward retirement. "What we know is that a number of Canadians go into retirement with debt. How do they continue to manage the debt and pay down the debt in retirement? This is where managing cash flow becomes the key component of our conversation – how they're going to get income from their investments and from the government and match it to their lifestyle. We help them manage that in a tax-efficient manner."

A frequent question from people at this age, is "will I outlive my money?" With longer life expectancy today, people in or nearing retirement should consider working with certified financial planners to ensure that their money lasts as long as they need it to, Ms. Bennett says.

STRATEGY

Translating financial literacy into sound decisions

In the 2009 Canadian Financial Capability Survey by Human Resources and Skills Development Canada, Canadians achieved an overall score of almost 70 per cent, providing the correct answer to about nine out of 14 questions.

But according to the latest financial statistics, even a 70 per cent score in financial literacy may not translate into financial well-being. According to the latest figures from Statistics Canada, Canadians' household debt is now at a record level, representing more than 163 per cent of their disposable income. And many Canadians continue to be burdened with debt after they retire; StatsCan says that one in three retirees holds some form of debt, amounting to $60,000 on average.

"Financially literacy is very important," says Gary Rabbior, president of the Canadian Foundation for Economic Education, a Toronto-based non-profit organization that works to improve the financial capabilities of Canadians. "But what history has shown us is that simply educating people about finances does not necessarily change their behaviour."

While having a sound understanding of finances can help people make better decisions, it doesn't always translate into money-wise actions, says Mr. Rabbior. For example, knowing the implications of excessive credit card debt doesn't stop people from pulling out the plastic to make a purchase when they haven't taken the time to figure out how much debt they can afford.

"And how many Canadians work with a budget?" says Mr. Rabbior. "Having a personal or household budget is widely considered as a sound financial practice, yet a lot of Canadians don't have a budget, or even know where their money is going."

To transform Canadians from being financially literate to financially capable, governments, organizations and individuals need to work together to change the way we engage Canadians to teach them money skills, says Mr. Rabbior. Connecting Canadians with resources such as budget templates, applications that track spending and educational simulation programs can help reshape thinking and improve poor money habits and decisions.

"There's also a need for programs that reward and inspire good financial behaviour," he says. "People are motivated by incentives, and through the creative use of incentives, you can start to impact behaviour."

Stephen Rotstein, vice-president of policy and enforcement as well as general counsel at Financial Planning Standards Council, says that one of the best ways to instill healthy financial habits is to teach them at a young age.

"As early as possible," he says, noting that the council has urged the federal and provincial governments to integrate financial literacy into school curricula. "It's one of those life skills, like reading and writing, that you want to form at a young age, so it stays with you for life."

Mr. Rotstein says financial planners also have an important role to play in improving Canadians' financial capabilities.

"A Certified Financial Planner professional can help you examine your financial decisions and work with you to develop a plan for your future," he adds. "We know through research that people who engage in financial planning feel happier and ultimately more comfortable about their financial affairs."

> *"A Certified Financial Planner professional can help you examine your financial decisions and work with you to develop a plan for your future. We know through research that people who engage in financial planning feel happier and ultimately more comfortable about their financial affairs."*
>
> **Stephen Rotstein,** *is vice-president of policy and enforcement as well as general counsel at Financial Planning Standards Council*

Helping a child earn money and save for a prized possession is one way to incent him or her to embrace financial literacy. ISTOCKPHOTO.COM

LESSONS

"Teachable moments" help next generation achieve financial well-being

Those who are taught the value of a dollar at a young age tend to maintain healthy personal finance habits. CFP professionals from across Canada share some teachable moments for various stages of children's lives:

Elementary school age and younger:

- Set up piggy banks or jars and have them allocate savings toward different categories: "neat stuff," longer-term goals like new toys, charitable giving, etc.
- Take kids grocery shopping and comparison shop to evaluate price and value.

High school years:

- Have teenagers share responsibility for some regular costs like gas, cell phone bills and "extras" like music downloads.
- Encourage them to think ahead by saving to pay at least part for long-term purchases: a car, going away to school, a trip, etc.

Post-secondary:

- Teach young adults various forms of credit, how to use it responsibly and what to avoid. Make sure they're accountable for credit card bills and loans.
- Ensure they know to cover priorities like tuition, books, shelter and food before buying discretionary items.

Be an example to your child and model everything you teach them. Find more than 40 teachable moments at *www.financialplanningweek.ca.*

FINANCIAL PLANNING

ADVICE

Saving doesn't just happen, it has to be planned

You finally sit down and map out where you've spent your money and it hits you like a slap on the forehead.

"It's the epiphany moment, and everyone has one," says Dave Salloum, CFP, a portfolio manager and vice-president at RBC Dominion Securities in Edmonton. "You discover something small – the cappuccino or latté you get each morning on the way into work – actually costs you over $100 per month. Suddenly, it's not such a little thing. It's money you could have saved or spent on something more important."

Canadians were once a society of savers. Now, we've become a nation of debtors. The average Canadian household has just 63 cents of disposable income for every dollar of debt, according to figures released in October by Statistics Canada. That debt-to-income ratio is the highest ever recorded in Canada and is comparable to levels in the United States before housing markets there collapsed four years ago.

"Everybody would like to put money aside for savings, but many people don't think it's possible," says Tamara Smith, vice-president of marketing and consumer affairs for Financial Planning Standards Council. "That's because they aren't in control of their finances. Instead, they reluctantly live from one paycheque to the next, not really understanding where the money has gone."

Gaining control of your finances often isn't difficult, says Mr. Salloum. "What it takes is discipline. You need to make a plan and stick to it."

The first step, he says, is to figure out exactly where you're spending your money. Review your credit card and bank statements, cash register receipts and other financial records to make a detailed list of your monthly purchases. (This is when your epiphany moment may occur.)

The next step is to figure out which expenditures are essential things you can't do without and which are wants, luxuries that are fun to have but not vital.

"Money you save by not spending on wants can be banked instead," Mr. Salloum says.

Using this information, you can build a plan that outlines what you'll spend your money on, and how much, and what can be saved for a future purchase, such as your retirement, a vacation, a new car or something else.

"Your plan needs two key elements – an amount and a deadline," says Mr. Salloum. "If you're saving for a car, for example, you need to know how much you need to have saved up by the date you'll make the purchase. That, in turn, will tell you how much you have to put aside each month to reach that goal."

Making a financial plan that sets out your life goals is often just as important as actually putting the money aside to reach that goal, according to Ms. Smith.

"Planning and budgeting takes discipline to learn, but they are skills that benefit you throughout your lifetime," she adds.

SURVEY HIGHLIGHTS

In a five-year longitudinal study commissioned by the Financial Planning Standards Council (FPSC), The Strategic Council began interviewing Canadians for the *Value of Financial Planning* study in 2009. The third-year results of the study are now available, with 8,546 Canadians surveyed in 2012. Some of the highlights are below.

The study compares financial and emotional well-being of Canadians who engage in comprehensive financial planning to the financial and emotional well-being of those who do not. For more information, visit www.fpsc.ca.

ON TRACK WITH FINANCIAL AFFAIRS:
Nearly twice as many people with CP feel on track with their financial affairs than those who don't plan. And nearly three times said 'very on track.'

81% (CP – comprehensive planning) feel on track with their financial affairs vs. only 44% (NP – no planning)
- True for all net worth groups
- "Very on track" for 32% CP vs. only 12% NP

MORE CONTENTED VS. 5 YEARS AGO:
Those who have comprehensive plans feel significantly more contented with their financial well-being, ability to reach life goals, their lifestyle and even their personal relationships (in some instances almost twice as much).

Financial well-being
- 63% CP vs. 37% NP

Ability to achieve life goals
- 63% CP vs. 36% NP

Lifestyle
- 66% CP vs. 45% NP

Personal relationships
- 64% CP vs. 47% NP

LONG-TERM FINANCIAL WELL-BEING:

Over last 5 years I have improved my ability to save:
- 62% CP vs. only 40% NP

If anything should happen to me the people I care about would be financially looked after:
- 73% of those with comprehensive plans vs. only 41% who do no planning

I am on track to reach my desired lifestyle in retirement:
- 55% CP vs. 21% NP

I feel prepared in the event of an unexpected financial emergency:
- 60% CP vs. 28% NP

I feel prepared to manage through tough economic times:
- 65% CP vs. 36% NP

I feel my goals and aspirations are achievable:
- 79% CP vs. 51% NP

I am content with the way my life is going:
- 67% CP vs 40% NP

I have peace of mind:
- 64% CP vs. 39% NP

EXPERT OPINION

Creating your retirement paycheque

Most Canadians receive a regularly timed paycheque throughout their working lives, but that can change after retirement. **Jason Round**, a Certified Financial Planner professional and head of financial planning support at RBC, answers questions about how financial planning can maximize the value of your income in retirement.

What is a retirement income plan, and how does it relate to other financial planning?
Financial planning is a process that looks at all aspects of a person's financial situation, as well as their life goals and priorities. It's much more than an investment plan or an insurance plan, which tells you what kind of coverage you need to protect yourself and your family. It incorporates all of that and much more, to ensure that your planner understands your goals from a "life priority" perspective, and then works with you to put plans in place to help you achieve them.

Retirement income planning is the next phase of an all-encompassing process. It requires itemizing the non-negotiable expenses that you'll have in retirement, and the expenses that are more lifestyle-oriented and may be more negotiable, as required.

The next step is putting assets and income streams in place to cover those needs. It's a continuation of the financial planning concept: you're no longer figuring out how to best accumulate assets towards retirement, but how to make the best use of all of your retirement resources and maximize your income to ensure your goals are achieved during retirement.

"You should think of longevity and the stages of retirement. Based on your family history and your health, how long do you think you need to plan for? If you expect to be living in retirement for 20 or 30 years, it's likely that your needs are not going to remain the same for that entire period."

How does one go about creating a retirement income plan?
Think about your goals, and then have the conversations with your financial planner that are necessary to make sure that both you and he or she understand what those goals mean to you. That requires taking the discussion beyond the numbers. How do you envision spending your time? How important is it for you to, for example, travel across the country to visit family on a regular basis? The financial implications flow from those goals.

Most Canadians have secure types of income, such as employer pension benefits, Canada Pension Plan and Old Age Security benefits, payments that will be consistent throughout retirement. Your planner will help you align those to the greatest possible extent with your non-negotiable needs, and then put financial planning strategies and solutions in place to help close any gaps.

Are there other issues Canadians should consider when creating their retirement income plan?
You should think of longevity and the stages of retirement. Based on your family history and your health, how long do you think you need to plan for? If you expect to be living in retirement for 20 or 30 years, it's likely that your needs are not going to remain the same for that entire period.

It's important to think about the various phases: the early, more active and therefore more expensive phase; middle retirement, when you will likely slow down and spend less money; and then the later phase, when the expenses may go back up again as a result of increased health-care costs. What might it mean to you and your spouse if you require additional levels of care at some point down the road? Those potential expenses should be incorporated into your retirement income plan.

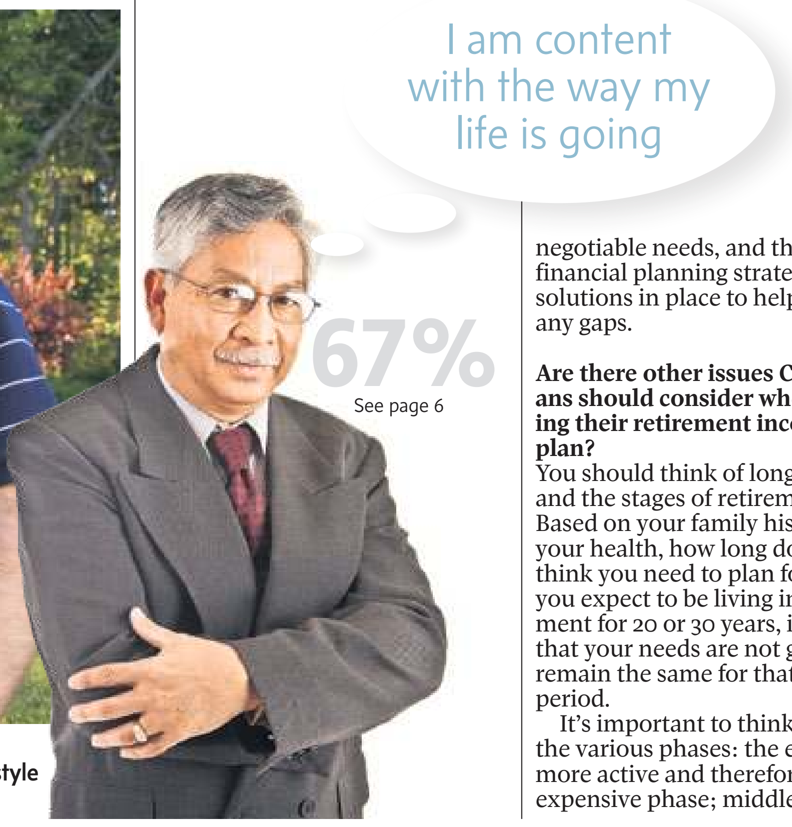
Inflation is another important consideration. The income that you receive now may be more than enough, or at least sufficient to cover all of your needs. But if you're receiving the same income 10 years from now, you may not be as comfortable. It's important to protect the purchasing power of the assets you've accumulated through appropriate investment decisions.

Finally, there's your home. In the back of their minds, a lot of people feel that they could use their home as a source of income, because there is equity built up in it and the property value is increasing. It seems an easy answer sometimes, but when you think about social networks, proximity to family and friends, it may not be a realistic option for you.

What are the benefits of planning early for your retirement income?
Many of the traditional rules of thumb for retirement don't apply anymore. Planning early helps ensure you don't fall into the common hazards: not saving enough; spending too much early in retirement, or too little to enjoy life; or becoming too conservative with assets that need to last you through perhaps 30 years of retirement.

The plan itself gives you some certainty, an idea of what things will look like throughout the course of your retirement. And every year or two, you can revisit the plan to see what's changed and what might need to be adjusted. You'll continuously have a greater level of comfort about where you're at and where you're going to be in the future.

As first step in retirement planning, individuals and couples should consider future income needs and sources as well as lifestyle goals. ISTOCKPHOTO.COM



FINANCIAL PLANNING

TIMING

Life's milestones sharpen focus on financial goals – and how to achieve them

When is the right time in life to think about financial planning?

"Any time is a good time, but the earlier the better," says Biljana Manojlovic, a CFP professional with RBC Wealth Management in Vancouver. Nevertheless, more often than not it is "life events" that encourage Canadians to get some help when it comes to setting financial goals and putting in place plans to achieve them. Major milestones include marriage, the birth of a child, divorce, death, illness, sabbaticals, a home purchase and a career change, to name a few.

"The birth of a child is a big one," says Ms. Manojlovic. "When you become responsible for another human being, perspectives change."

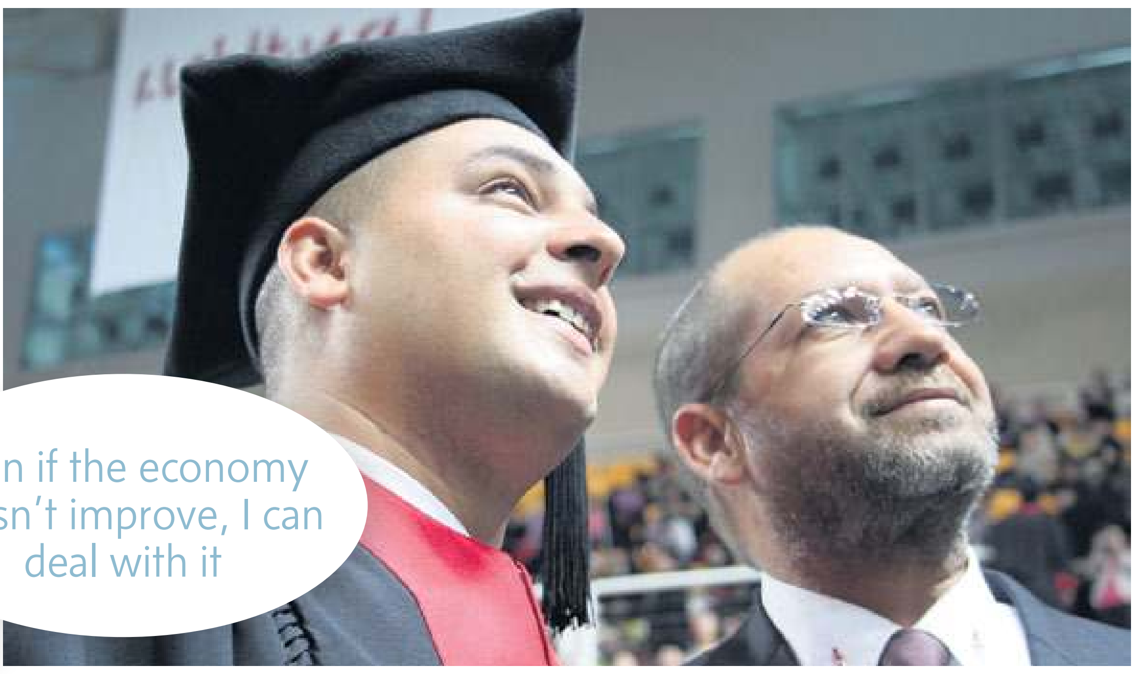
She says a lot of Canadians are apprehensive about financial planning, because they have difficulty identifying their core values. "People tend to put their money where their values are; identifying what is most important to them is the first task," she says. "Is it lifestyle, is it relationships, is it work? This is the key going forward; starting with the 'soft side' and then moving on to the numbers."

She adds that it's not necessary to envisage your entire life arc in order to get the ball rolling. "I like to start with three to five years from now; it's easier to focus on that than to try and look 15 or 20 years down the road."

Jason Casagrande, a CFP professional with Bank of Montreal in Toronto, says sooner is better when it comes to financial planning. But he agrees that life events are very often the catalysts that bring new clients through his door.

"Financial planning is a bit like having children. It seems like a huge commitment, and if you wait for the right time it may never happen. But if you jump in and start, you realize it's wonderful."

Tamara Smith,
is vice-president of marketing and consumer affairs for the Financial Planning Standards Council



Setting up an RESP early in life will help ensure that parents can support their children's future educational pursuits and life goals. ISTOCKPHOTO.COM

65%
See page 6

"Marriage is a big one, and here financial planning can really help," says Mr. Casagrande. "I try to tell my clients that they have to work together and treat their household like a business, always ensuring that the budget actually balances, and includes everything, including the things a lot of people often leave out, like Christmas gifting, vacations or even gym memberships."

The financial plan needs to be revisited with additional life events, such as the arrival of children, he adds. "There's both pre- and post-childbirth planning," he says. "Make sure you pay off your debt, because unexpected expenses are going to come up. Review your insurance needs, and maybe consider bundling life, house, car and disability insurance together." He strongly encourages clients to set up Registered Education Savings Plans for their children.

"It's one of the best programs out there; the government of Canada contributes 20 per cent of the first $2,500 in annual contributions," he explains.

But it's also never too late to benefit from financial planning, says Mr. Casagrande. "We have a number of strategies designed to release money from client portfolios in a tax-efficient manner, which can significantly reduce the clawback of Old Age Security."

John Moakler, a CFP professional and chartered life underwriter with Investors Group in Brampton, who specializes in small businesses and complex estate planning, says he likes to see clients begin financial planning as soon as they start working. But sometimes it is impending retirement that brings in first-timers.

"There are a lot of discussions around estate planning," says Mr. Moakler. "Baby boomers are about to inherit a trillion dollars. A good financial planner can help them protect their inheritance from creditors, and in the case of heirs already in higher income tax brackets, keep them from getting hit with a lot of taxes."

Mr. Moakler often helps clients set up trusts to leave money to the next generation, but with strings attached in cases where heirs may have a tendency toward financial mismanagement. "I do a lot of trusts, because while a lot of financial planning is about assets, it's also about putting bumper guards around wealth to both preserve and protect it," he says.

Regardless of the milestone that motivates people to engage in financial planning, it's clear that those who are more optimistic about their financial future and can better articulate their goals, says Tamara Smith, vice-president of marketing and consumer affairs for the Financial Planning Standards Council.

"Financial planning is a bit like having children," she says. "It seems like a huge commitment, and if you wait for the right time it may never happen. But if you jump in and start, you realize it's wonderful."

Combined with their technology smarts, collaborative nature and global awareness, Millennials who add financial planning to their strengths are even better equipped to handle challenges ahead of them. ISTOCKPHOTO.COM

FROM FP 1

Millennials: insurance assessment is critical

"They're graduating from school or starting their careers in rather difficult situations," says Seth Mattison, an expert on generational dynamics based in Los Angeles. "Many are carrying huge student loans and are having problems getting work in their field, or any work at all."

Born and raised in decades marked by economic prosperity, Millennials are now coming of age in times of financial uncertainty, says Mr. Mattison, who is speaking today at the Financial Planning Vision 2020 Symposium, a one-day event in Toronto that brings together representatives of government, financial planners and other stakeholders in the financial planning industry.

A still-shaky economy, inflated housing prices and a tight job market are preventing many Millennials from achieving their career, financial and personal goals, says Mr. Mattison.

"All the milestones of adulthood – getting a good job, starting a family, buying a home – all that is getting pushed back because of current economic conditions," he says. "It can be easy for this generation to feel negative about their situation."

Still, Millennials are hardly a lost generation. With their technology smarts, collaborative nature and greater global awareness, they're well equipped to handle the challenges ahead of them. In fact, almost 60 per cent of financial experts surveyed earlier this year by PerkStreet Financial, a U.S. online bank, said that Millennials are better prepared than the generation before them to successfully manage their finances, in large part because of the tough lessons they're learning now.

"It may not be something they want to think about now, but they do need to start putting money away for retirement, even if it's the smallest amount each month."

Anthony Tadros,
is a Certified Financial Planner professional with Raymond James Ltd.

Anthony Tadros, a Certified Financial Planner professional with Raymond James Ltd. in Surrey, B.C., says it's important for Millennials to have a financial strategy, even if they don't have much extra money.

"It may not be something they want to think about now, but they do need to start putting money away for retirement, even if it's the smallest amount each month," he says. "Doing this will help them get used to the idea of saving."

An insurance assessment is also critical for Millennials, especially those with young families and new mortgages, says Mr. Tadros. "You're looking at a group that's just starting their lives, so they should be thinking about creating a financial plan, a roadmap for their future."

That's exactly what Ms. Mills is doing. With plans to get married and buy a house, she's frequently on the phone with her financial planner.

"Some of my friends make fun of me because of that; they think there's no point to working with a financial planner when you don't really have that much money right now," she says. "But I feel so much better, because I have someone helping me plan for my future."

2012 FPW CHALLENGE WINNERS

In 2011, FPSC initiated the Financial Planning Week Challenge, which encourages CFP professionals across Canada to promote financial planning in their communities. The following 12 individuals from across Canada are the winners for 2012. Financial planning events (including these) are held across Canada during Financial Planning Week. For more information on these events and others, please visit *www.financialplanningweek.ca.*

ALBERTA

Kelley Doerksen, CFP
"Family Financial Wellness Event"
November 20, 7:00 pm – 9:00 pm
Fantasyland Hotel,
Edmonton, AB

ATLANTIC CANADA

Deborah Jean Young, CFP
"The Retirement Rules Have Changed, What Now?"
November 22, 7:00 pm
Deer Lake Express Hotel,
Deer Lake, NL

Redge Deg, CFP
"Planning Your Financial Future"
November 20, 7:30 pm
Enfield Volunteer Fire Department, Halifax, NS

BRITISH COLUMBIA

Alexandra Gilgunn, CFP
"Financial Planning for Young Families"
November 19, 10:15 am – 11:45 am
Young Parents Support Network,
Victoria, BC

Stephanie Dean, CFP
"Financial Planning for All Abilities"
November 24, 10:00 am
Elizabeth Buckley School,
Victoria, BC

Tom Markham, CFP, and Dave Petrie, CFP
"Business Succession Planning"
November 19, 5:00 pm – 7:00 pm
City Centre Library, Surrey, BC
"Understanding Money Matters and Having Fun With It"
November 20, 9:00 am – 3:00 pm
Delview Secondary School,
Delta, BC

MANITOBA

Jewel Reimer, CFP
"The Fuss about Fees"
November 21, 7:00 pm – 8:00 pm
Headingley Library,
Headingley, MB

ONTARIO

Nancy Edmison, CFP
"Financial Strategies for Caring for a Loved One with a Disability"
November 20, 7:15 pm
November 23, 10:15 am
Milton Sports Centre,
Milton, ON

Paul Beck, CFP
"It's About Your Financial Life"
November 21, 7:00 pm – 9:00 pm
Royal Canadian Legion,
Hamilton, ON

Roger Touw, CFP
"Students: Plan for Your Succe$$"
November 21, 3:45 pm – 5:30 pm
Marc Garneau Collegiate Institute,
Toronto, ON
November 24, 9:30 am – 11:45 am
Thorncliffe Neighbourhood Office, Toronto, ON

Vanessa Chan, CFP
"Parents Helping Kids Help Themselves"
November 21, 6:30 pm
Sir John A. Macdonald Public School, Markham, ON

SASKATCHEWAN

Jay Stark, CFP; Stuart Sutton, CFP; Tim Hansen, CFP; and Andrea Hansen, CFP
CONNECT 2012: Workforce Finances to Personal Family Finances"
November 20, 6:30 pm - 9:00 pm
November 23, 9:30 AM - 12:00 pm
Global Gathering Place,
Saskatoon, SK