

Special

Financial Planning 2011



When it comes to your financial future, professionals say

take action now

In the face of global economic uncertainty, explosively volatile markets, and rising unemployment and debt loads, many Canadians are understandably concerned about their financial security.

But in this anxiety-laden environment, studies show those individuals who are sleeping best at night are those with a comprehensive financial plan. "Financial planning provides Canadians with greater confidence in their own financial future," says Cary List, CEO of the Financial Planning Standards Council (FPSC). "Undertaking a comprehensive, life-goals approach to your financial needs is very strongly correlated with a sense of personal well-being, ability to build wealth and lower levels of stress."

In fact, according to a 2009 study from FPSC, those who have a comprehensive financial plan are twice as likely to feel that they are

prepared to manage through tough economic times as compared to those with no plan, and three times as likely to feel prepared in the event of an unexpected financial emergency. The study also revealed that Canadians with a comprehensive financial plan are twice as likely to feel they have peace of mind compared to those without.

As Diane Koven, a certified financial planner (CFP) with Sun Life Financial Canada, describes it, "financial planning is a way to get your finances and your whole life organized; to set goals and benchmark your progress against those goals."

That's true, she says, even for people who are just starting out or who have limited means. "It can be adapted for anyone, in any situation."

A qualified financial planner is your personal expert on your life's

journey, says Ms. Koven. "Financial planning takes time and knowledge."

Just as we go to our doctor for medical advice and our mechanic to get our cars fixed, she says, qualified financial planners are the source for competent, ethical financial advice.

To get the most value from the relationship, it's essential to choose a planner who has the right qualifications and with whom you enjoy working, says Ms. Koven. "Finances are very personal. A financial planner has to know an awful lot about you – about your life, hopes, dreams, what you have now, what you are hoping to achieve – in order to properly advise you. And it is an ongoing relationship, because a plan must be monitored and adapted over time."

In good times and bad, financial planning involves managing risk as well as achieving goals. "Even when your investments are doing extremely well, if you are hit by an unexpected and catastrophic illness or injury, or if you lose your job, your prospects for the future may be different."

"Considering insurance products that protect against those risks is part of the planning process as well – rather than contributing \$500 each month to your RRSP, you may be better off investing \$400 in your RRSP and \$100 in insurance."

Financial planning takes the uncertain and makes it more certain, says Scott Plaskett, a CFP with Ironshield Financial Planning. "When you recalibrate a financial

"Finances are very personal. A financial planner has to know an awful lot about you – about your life, hopes, dreams, what you have now, what you are hoping to achieve – in order to properly advise you."

Diane Koven, CFP
Certified financial planner,
Sun Life Financial Canada

plan based on current conditions, it enables you to see what the impact will be on your financial goals. When you've mapped that out, you can make good decisions even in very uncertain environments."

For investors, a comprehensive financial plan enables them to focus on achieving their goals rather than just on rate of return. "The process gives individuals a great degree of confidence, and it's a much more constructive conversation than just trying to figure out how we are going to get ourselves out of this down market," he says.

It's common to believe that financial planning only works for those who have already accumulated wealth, but that is "looking at things backward," he says. "Financial planning enables you to make better decisions and get on track to accumulate wealth. Not putting a plan in place is likely to keep you where you are today, which may not be where you want to be."

A comprehensive financial plan also helps ensure that your investments are aligned with your goals. "A common theme among most new clients when they come to us is that they have been taking on more market risk than they should be," says Peter Andreana, CFP. "We recommend what we call a pension-style of investing, and it serves our clients very well. While the economic and market news may be disheartening, when they look at their statements, they feel much better."

The financial plan provides a way to know what changes in the market value of investments means in terms of retirement income, he says. "It usually results in feeling much better about the future."

ABOUT FINANCIAL PLANNING WEEK

Now in its third year, Financial Planning Standards Council (FPSC) and the Institut québécois de planification financière (IQPF) have jointly declared October 17-23, 2011, 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 more a part of Canadians' lives.

Stay up-to-date at:
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ONLINE?

For more information, visit www.fpssc.ca.

ACTION

Don't let financial planning myths hinder you

Has one of these myths been keeping you from taking control of your financial future and achieving your dreams?

Myth 1: It's too late to start now

"You often hear people saying it's too late to start planning," says Al Nagy, CFP, senior executive, financial consultant with Investors Group, Edmonton, "But I often find that the real reason they aren't saving is that they've been procrastinating."

To which the obvious response is: if not now, when?

"The sooner you break the procrastination logjam, the sooner you can develop good financial planning habits and start saving for your retirement," he says.

Individuals approaching retirement have a unique and critical set of financial planning needs that should be addressed to ensure that they don't outlast their income or pay more tax than they have to.

Conversely, younger individuals may fall into the trap of believing they have lots of time to get started, but it's important to remember that, at any age, time is an asset: the sooner you start, the

"How would you like to be able to take off one year for every four years you work? That's exactly what you can do by investing 18 per cent of your gross income."

Cynthia Kett,
Certified financial planner,
Stewart & Kett Financial
Advisors Inc.

harder time works for you.

Myth 2: I don't have any spare cash to stash

Mr. Nagy says cash-flow analyses invariably unearth "hidden money" that can be redirected into savings.

It's all about priorities, adds Cynthia Kett, CFP, of Stewart & Kett Financial Advisors Inc. in Toronto.

"Take a hard look at where the money is going," she says. "Most of us tend to over-consume, buying things we don't need instead of investing in our future. How would you like to be able to take off one year for every four years you work? That's exactly what you can do by investing 18 per cent of your gross income."

Myth 3: I already have a pension from work

As for relying on a work-based pension, don't do it – there are too many "if's," says Ms. Kett. What if the company fails, benefits are cut, the plan changes from defined benefits to defined contributions, you leave the employer or you

get a divorce and have to split the proceeds with your ex? Having a pension is nice, but it's a bet worth hedging.

Myth 4: Good financial planning advice is too expensive

Whatever your income level or life stage, there are many different advice offerings that could fit into your budget. The reality is good advice from a qualified professional will often pay for itself over the long term.

Myth 5: I can do it myself

Looking after your finances effectively requires a great deal of knowledge about a wide variety of financial topics, as well as a lot of time and attention to detail – all things that, in today's fast-paced world, most people don't have. But this is something that you can easily get help with. "You can walk off the street into most banks and receive financial advice at no charge," says Scott Ellison, CFP, portfolio manager and investment advisor, TD Waterhouse in Halifax.

Whether faced with a big decision about your mortgage, making

changes to your will, or converting your RRSPs to RIFs, it is good to have someone on your side to discuss implications with. "An advisor can also help eliminate emotional reactions to the market and rebalance portfolios when necessary," he says. "We're the place of sober second thought."

So ... if not now, when?

INSIDE

Financial Planning Week is October 17 to 23. For events across Canada, see [Page 2](#).

Your own worst enemy? Behavioural finance reveals the key to making better decisions. [Page 3](#).

Hire right: FPSC CEO writes about the need for regulation of financial planning in Canada. [Page 4](#).

FINANCIAL PLANNING WEEK

EDUCATION

Building awareness of financial planning across Canada

Only one in five Canadians has a personal financial plan, according to the Financial Planning Standards Council. To promote what financial planning is and why – and how – people can start, a series of events will be held cross Canada during Financial Planning Week to raise awareness among the other 80 per cent of the population.

Below are just a few of the many Financial Planning Week events that are being held for the public across Canada from October 17 to 23.

Visit www.financialplanningweek.ca for the full map of activities and to find an event in your community today!

GET FINANCIALLY FIT AND GET MORE OUT OF LIFE

Yoga teaches sound mind, body and soul, and with the assistance of Yorkton Saskatchewan financial planners, also sound finances.

“We’re partnering with a certified yoga teacher and a professional fitness trainer to raise awareness of personal financial planning,” says Delores Moskal, CFP, with Cornerstone Credit Union in Yorkton. “It demonstrates that physical and mental fitness are linked to financial fitness since money problems often cause the stress that undermines people’s mental and physical well-being.”

In addition to opportunities to shape up physically and financially, Yorkton planners are participating in a food drive and offering a retirement dimensions planning session to illustrate the risks of not planning personal finances as well as two sessions entitled “financial fitness matters and so do your dreams.”

“Our goal is to demonstrate how being financially fit is integral to getting more out of life,” says Ms. Moskal.

STUDENTS LEND STUDENTS ADVICE ON MANAGING LOANS

Every day during Financial Planning Week, financial planning students at Fanshawe College in London, Ontario, are offering their fellow students advice to help them better manage their student loans.

Tools such as student-oriented budget forms will help students set their goals and anticipate expenses that will arise during the year, enabling them to better manage their loans.

“Many students arrive at college having never been responsible for their own budgets,” says Lynn Okanski, CFP, professor of financial services. “They receive their student loans as a lump sum early in the year and are faced with all of the responsibilities and temptations that come with that. Often, that leads to problems. It’s exciting to see our financial planning students using their skills to help other students.”

“FINANCIAL PHOTOGRAPH” HELPS PREVENT MONEY HURTS

Keeping finances on track over the course of a lifetime isn’t easy, as people’s financial and personal situations are always changing. When things get out of sync, that’s when money hurts.

“Most people don’t have a comprehensive strategic financial plan directed towards where they want to go in life,” says Richard Hobbs, a senior financial consultant at Investors Group in Victoria, B.C. “It’s hard to manage the different financial pieces – expenses, insurance, retirement plans and so on – without a big-picture view to provide context.”

Mr. Hobbs will lead four sessions at Victoria’s Camosun College to help people better manage their personal finances. An evening session is offered to high school students and their parents, which will cover the basics of debt management, including student loans and creating a financial



roadmap early in life. There will also be an evening for business students who have interest in the financial planning profession and a series of “brown bag lunches” for the faculty and staff at Camosun College, which will cover financial literacy topics.

MORE WAYS TO CELEBRATE FINANCIAL PLANNING WEEK

Nova Scotia: Guest speaker Greg Giffin will help clarify the idea of a “Personal Pension Plan” with guaranteed income for life and will show you how to invest today and create an income you cannot outlive.

Ontario: In Brampton, Heather Holjevac, CFP, will conduct

Take action today and learn more about financial planning! Visit financialplanningweek.ca for dates and details on these events or to find out what’s going on in your community during Financial Planning Week.

Lunchtime Financial Information Check Ups.

Alberta: Kelley Doerksen, CFP, will present a financial planning workshop for University of Alberta students. The event will introduce financial fundamentals to students in a practical way so that they can apply these methods in their everyday lives.

British Columbia: During Financial Planning Week, Prospera Credit Union is extending its complimentary Roadmap financial planning service, usually available just to its members, to all members of the public, with no obligation.



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It’s the value of professional advice.

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TAKE ACTION NOW

BEHAVIOURAL FINANCE

Stop being your own worst enemy!

Knowing the tricks your mind plays when it comes to money may not turn you into the next Warren Buffett, but it may save you from expensive blunders, warn researchers in the area of behavioural finance.

Behavioural finance is the scientific study of behaviour: what people actually do when they change jobs, choose a house, buy stocks and make other real-life decisions. More often, people relate behavioural finance to investments decisions. However, most of what we can learn from behavioural psychologists can be applied to everyday decisions like budgeting and cash flow. (It's not called "impulse" shopping or "retail therapy" for nothing.)

The overriding conclusion: Left to their own devices, consumers are prone to engage in all kinds of goal-sabotaging behaviour.

"Often, we become our own worst enemy," says Sucheta Ra-

jagopal, a financial advisor with Hampton Securities in Toronto. "It's important that you not let your financial decisions be driven by the size of today's headlines or a bad day, for instance."

It's all about understanding our emotions, Ms. Rajagopal explains. For example, overconfidence makes us misjudge our skills, misread market moves, make riskier bets and lose money as a result. Similarly, depression and unhappiness make us overcompensate in other areas such as spending on things we cannot afford or need. Fear of the unknown may make us reluctant to prepare a will or power of attorney.

We are also very good at fooling ourselves, searching for evidence that confirms our intuition while overlooking facts that might refute our feelings.

To work against this, you need a solid framework to help you meet your financial goals, says Tamara

"Financial planners are going to ask you the right questions and help you concentrate on the items and goals that matter. Often, we don't know what really drives our thinking, and that can lead to trouble."

Tamara Smith,
Vice President, Marketing and Consumer Affairs, Financial Planning Standards Council



Achieving your financial goals begins with understanding your emotions, says expert. PHOTO: ISTOCKPHOTO.COM

Smith, vice president of Marketing and Consumer Affairs for the Financial Planning Standards Council. "Identifying the right personal financial advisor is an important first step in this process," she emphasizes.

The FPSC recommends that you work with a Certified Financial Planner professional to help focus your attention on core issues and help you stay on track. "They're going to ask you the right questions and help you concentrate on the items and goals that matter," Ms. Smith says. "Often, we don't know what really drives our thinking, and that can lead to trouble."

Figuring out your life goals is an essential element here, suggests

Ms. Rajagopal, who has been a CFP professional for a number of years.

The truth is that most consumers have no idea what their goals in life are and how to manage their financial resources to get there, says Ms. Smith.

They also have conflicting emotions that encourage them to make bad decisions, Ms. Rajagopal concludes. "Establishing clarity and helping a client understand their relationship with money is what financial planning is really all about," she says. "We try to set up guardrails, distinguish wants from needs, and develop strategies to deal with these sorts of challenges when they do arrive."

ADVICE

10 questions to ask when hiring a planner

Think of interviewing a potential planner as similar to interviewing a person who is applying for a job you've posted. In a way, they are – they want to be your personal money manager! And you need to ask the right questions to see if this person is ethical and competent to handle the responsibility of managing your financial future.

Don't be afraid to ask these and any other questions you feel need a full and open answer. Any professional will welcome them.

1. What are your qualifications?
2. What experience do you have?
3. What services do you offer?
4. What is your approach to financial planning?
5. Will you be the only person working with me?
6. How will I pay for your services?
7. How much do you typically charge?
8. Could anyone besides me benefit from your recommendations?
9. Are you regulated by any organization?
10. Can I have it in writing?

For more information, visit www.fpsc.ca.

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Learn
Smile
Succeed
Invest
Nurture
Leave to others

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TAKE ACTION NOW

VISION 2020

Ensuring your financial planner is qualified and compatible with your needs



Q&A with Cary List, President and CEO, Financial Planning Standards Council

Why is it essential that consumers understand financial planning designations?

Financial planning is a process of determining how you can best meet your life goals through effective management of your financial affairs. It is common to view investment portfolio management as equivalent to financial planning, but investing is just one element. Financial planning includes paying off your bills, making sure you're putting the right amount of money away for the right needs over your lifetime and that you've protected yourself against unforeseen circumstances such as personal risks, injuries, disabilities and loss of employment.

It's not so much about what particular mutual funds or investments you choose, it's about getting the right advice for your specific needs.

Your organization is hosting a symposium to address this evolution. What are the most important questions you'll be addressing?

Consumers are looking for the right advice from the right individual. As an industry, we have a responsibility to clearly define titles and the role: how is a certified financial planner different from an investment advisor or a mutual fund representative? How does the consumer really know the difference?

In other professions, titles are clearly defined – everyone knows an architect is an architect, an interior designer is an interior designer, and a lawyer is a lawyer. What is the right solution for the financial

“Financial planning includes paying off your bills, making sure you're putting the right amount of money away for the right needs over your lifetime and that you've protected yourself against unforeseen circumstances such as personal risks, injuries, disabilities and loss of employment.”

services industry?

At the symposium, we're asking what we can do to consolidate and clarify all the various designations – which don't currently mean a lot to consumers – in order to achieve one designation that clearly signals to consumers that the individual bearing the designation is qualified to do comprehensive financial planning.

We know that quality financial planning is fundamentally important to the well-being of Canadians. We believe that we can eliminate confusion and enhance consumer protection.

What is The Coalition for Professional Standards for Financial Planners?

Our mandate is working toward the establishment of a common set of national standards that would provide Canadians with clarity and better protection when engaging financial planners.

Coalition members include our organization, the Canadian Institute of Financial Planners (CIFPs), The Financial Advisors Association of Canada (Advocis), the Institute of Advanced Financial Planners (IAFP) and the Institut québécois de planification financière (IQPF).

In the current environment, what are some of the ways that Canadians can ensure they are getting the right advice from a qualified professional?

Do some research. The vast majority of Canadians use the services of a financial planner to help them wade through complex and inter-related financial issues. If you're considering an RRSP loan, for example, there is much more to it than whether the interest costs more than the amount you'll gain through the tax refund. Should you be paying credit card debt first? Are you trying to save money for a home? There are so many ways that individuals and families can benefit from the services of a qualified financial planner.

But it is important to choose your planner wisely. The CFP designation is a rigorous, internationally recognized designation that requires the completion of a comprehensive education curriculum, conferred by colleges, universities and other educators across the country, two separate exams administered by our organization, an integrated financial planning capstone course before certification, along with annual education requirements.

At the moment, it is incumbent upon Canadians to make sure their financial planner is qualified through certification. Do your homework – check our website to ensure that anyone who uses the designation is a member in good standing. Interview him or her. Ask about their approach to financial planning, their team and how they

are compensated.

Our work at the coalition supports the recommendation from the Federal Task Force on Financial Literacy, which highlighted the need to help consumers become better informed when choosing a financial practitioner. We are working toward a day when all Canadians who engage financial planners can be assured that there are national standards in place.

Now into its third year, the popular *Financial Planning Vision 2020 Symposium* will be held on October 19, 2011, at the Old Mill in Toronto, Ontario. The symposium is attended by industry leaders, regulators, government officials and financial planners, producing lively discussion on current and emerging issues in the financial planning industry. For more information, visit www.FPSC.ca.

ADVICE

In the absence of comprehensive regulation, it's buyer beware

It is important that Canadians be aware that there is currently no overarching provincial or national rule restricting the use of the term “financial planner,” says Stephen Rotstein, vice president, Policy & Enforcement & General Counsel, Financial Planning Standards Council (FPSC).

“Unfortunately, people often come to see us after the fact, when they've seen someone who is not a Certified Financial Planner and have had problems. We strongly believe that we must work toward a mandatory, comprehensive approach to the regulation of financial planning with the goal of better consumer protection.”

Until then, through Financial Planning Week and other initiatives, FPSC works to educate Canadians that the CFP designation identifies qualified individuals. “Individuals who call themselves CFP professionals are subject to a code of ethics and practice standards, and there is a rigorous enforcement system in place.”



FINANCIAL PLANNING STANDARDS COUNCIL

More CFP® professionals for Canadians to count on

Financial Planning Standards Council (FPSC) is proud to recognize the following 188 individuals who have obtained CFP® certification between Oct. 1, 2010 and Sept. 30, 2011. CFP certification is a demanding process requiring the completion of a thorough education in financial planning, successful completion of two rigorous standardized examinations, financial planning-related work experience and an ethical commitment to putting the client's interest first.

Numbering almost 18,000, CERTIFIED FINANCIAL PLANNER® professionals represent the largest identifiable body of financial planners in Canada. CFP certification provides assurance that the planner is committed to internationally-recognized professional standards of competence, ethics and practice as set and enforced in Canada by FPSC.

<p>ALBERTA Barr, Ryan Bilyk, Adam Chen, Guo Hua Chong, Hildy DeRosa, Darren Forrest, Christopher Garde, Salma Gilani, Naheed Howell, Preston Inglis, Evan Kakkar, Pragya Kam, Wei Tao Kew, Scott Kwok, Jeremy Lowry, Clark Lum, Calvert Macdonald, Kurtis Nadeau, Wanda Okrainetz, Shaun Parhar, Danesh Rupprecht, Joel Senkiw, Alex Spevakow, Aaron Stauffer, Carla Taimuri, Roxana Tucker, Joseph Tucker, Susan Tupman, Julie Twerdochlib, Clayton Wagner, Joseph White, Kevin Wunder, Christopher</p> <p>BRITISH COLUMBIA Andersen, Shane Avram, Laura Aziz, Omar Bensimhon, Mike Castonguay, Tom Chakraborti, Moni Chen, David</p>	<p>Chin, Chi Chung Chou, Phillip Diep, James Evans, Jonathan Fung, Kenny George, Christopher Green, Abbie Hall, Geoff Hong, Jeehoon Hu, Fred Hunt, Rory Jelic, Johnny Kelsh, Jeff Latimer, Rochelle Leach, Bobbie Lethbridge, Quentin Li, Meng Li, Nan Lin, Ko John Lockhart, Jake Long, Buhai MacLean, Daniel McClaren, Sandhya Murray, Scott Page, Lee-Ann Paquette, Garrett Parikh, Madhuri (Margie) Pather, Kelly Russell, Joyce Schmidt-Weinmar, Johannes Schultheiss, Philippe Sidhu, Dalwinder Sinclair, Angus Stafford, Campbell Talabis, Girlie Grace Wan, Janet Siu Ying Wang, Wei Wong, Crystal Xu, Meng Zou, Shang</p>	<p>MANITOBA Bergen, Corwin Campbell, Matthew Hamilton, Lesley McDonald, Olive Paterson, Carolyn Rodrigue, Christophe Sahota, Kuldeep</p> <p>NEW BRUNSWICK Dupuis, Marlene Fearn Gallant, Julie Shanks, Greg</p> <p>NEWFOUNDLAND & LABRADOR Cormier, Dean</p> <p>NOVA SCOTIA Eaton, Steven Jenkins, Daniel</p> <p>ONTARIO Arora, Varinder Ashton, Lisa Aujla, Ranjit Blake, Ryan Brown, Aaron Brutto, Massimo Campbell, Spencer Chan, Vivian Ping Ching Chan, Wilton Chehlawi, Jad Chiu, Charles Chowdhary, Rupinder Chwaf, Ramez Colbourne, Brad Cornacchia, Michael Cruz, Raymond D'Alimonte, Robert Dias, Denny Duggal, Sanjeev</p>	<p>Dupree, Adam Durst, Jonathan Dusting, Patricia Feigin-Lubomirski, Eric Fowler, Stephanie George, Shauna Gerrie, Gale Glover, William Gomes, Michael Hooper, Chris Hooton, David Hou, Hai Pei Jackson, Atiba Khan, Hammad Klisouras, Magdalene Lawson, Leslie Lin, Jonathan Mammoliti, Michael Mansour, Khaled Maple, Sean McLeod, Lee Moon, Hyon Chung Morris, Charlene Morrissey, Paul Joseph Murray, David Nablo, Krista Nagy, Ryan Newman, Dean O'Leary-Brunton, K. Michelle Osborne, Chris Padhya, Mukul Paley, Dean Piras, Elissa Playford, Christopher Pollock, Greg Rawlings, Anne Marie Reynolds, Timothy Richard, Adam Richmond, Daniel Rowe, Mark Searle, Nick</p>	<p>Shanderuk, Michael Sharma, Naresh Silva, Ravini Simoes, Jorge Sleegers, Robert Spencer, Marjorie St. Germain, Val Stephenson, Edward Sun, Cuinan Tran, Mai Ly Traversa, Anthony Tsang, Annie Turcan, Veaceslav Vacher, Sonya VanGassen, Eric Vermeulen, Elizabeth Vu, Quyen Wang, Xukun Warrington, Vaughn Waters, James Whitehead, Stewart Wynter, Alice Xu, Jia Long Yang, Xiaohu Ye, Junsheng Yi, Shawn (Seung) Zetu, Catalin Zulkiewicz, Laura</p>
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Financial Planning Standards Council proudly announces the first 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.

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Driving without a map

Many Canadians are missing out on the benefits of a financial plan, even as they near retirement, the TD Waterhouse Financial Planning Poll finds

The majority of Canadians (61 per cent) between the ages of 45 and 64 don't have a written financial plan, according to the TD Waterhouse Financial Planning Poll. This can leave them more vulnerable to volatile markets and possibly less able to reach their personal goals in retirement.

Of those who don't have a plan, almost one-quarter (23 per cent) said they don't think it's necessary. Fifty per cent said they know they should have one but have not got around to it yet.

"They haven't seen the benefits of having a plan," Lee Bennett, senior vice-president, TD Waterhouse Financial Planning, says of Canadians who want a plan but procrastinate. "The professionals within the financial planning community can outline the many benefits of having a plan and work with you to put a plan in place that will help you reach your long-term financial goals."

Those benefits are huge, she says. "A plan gives people options to make decisions. Without a plan, you may not have as many options. It's about taking control of your life, and understanding what you can do in the future."

When Canadians with a financial plan were asked what the benefits were, 53 per cent said they feel more confident about their financial future, 48 per cent said they have steps in place to reach their goals, and 34 per cent said they have a formal plan to reference. Only four per cent said they don't see the benefits.

Having a plan offers protection during periods of market volatility, Ms. Bennett says. It helps keep investors focused on their long-term strategy rather than react-

ing emotionally to the worries of the moment. Financial advisers consider volatility in the markets, interest rates and inflation, when creating a financial plan, she says, and people who have a well-balanced plan find that market swings have a minimal impact on their ability to reach their goals.

The TD Waterhouse Financial Planning Poll found that among Canadians who worked with a financial planner to develop their written plan, three in every four said that they worry less about market fluctuations. Three in four also feel at least somewhat confident in their investments, in spite of recent market unpredictability.

A key to that confidence is the ongoing communication between the investor and adviser, Ms. Bennett says. "You can't avoid watching what's in the media, and so there is definitely heightened concern about the market volatility. Financial advisers are very proactive in reaching out to their clients to talk to them about what is happening in the market today and what that means to them and their plan. That's why those who have a plan are feeling more confident that they will weather the market volatility – because they have the ability to talk to somebody about what is happening in the short period and what that means to them, long-term."

Among those who have a plan, 47 per cent said they don't feel they need to change anything, in spite of the up-and-down market activity, and 36 per cent said they believe that their financial plan can weather the market storms.

A financial professional helps clients work through their lifestyle goals and their risk toler-



Lee Bennett, senior vice president, TD Waterhouse Financial Planning

One key question people ask is, "Will I outlive my savings?"

ance, while considering their income, expenses and taxes and asking, "What are you trying to achieve in the next year, the next five years, and the next 10, and even further out?" Ms. Bennett explains. "And then highlighting the steps to achieving those goals."

One key question people ask is, "Will I outlive my savings?" "We help people to understand that maybe there are some expenses they need to cut back on, or maybe they actually have more money than they realize. The plan will help them see where they will be in 20 to 30 years and whether they're going to have enough saved to meet their needs."

A plan doesn't necessarily tell people when they can retire, Ms. Bennett says. "That's a personal decision. I think that's part of determining what your goals are. Many people are working longer because they want to, not because they have to. And people are investing differently, and have different sources of income. Some people have rental income or income from investments. Others just have income from work. A plan brings everything together into one document, so it can be clearly seen and people can make better decisions as they move forward."

A plan is not set in stone, Ms. Bennett says.

"A plan isn't just a document that you create and put away. It should be something you continually revisit. It will evolve as you evolve and your needs change. It's almost like a living document. It helps you achieve your goals through your different life stages – and adapts along with your wants, needs and priorities."

Canadians who have a financial plan mention these benefits:

Feeling more confident about their financial future (53 per cent)

Having steps in place to reach their goals (48 per cent)

Having a formal plan to reference (34 per cent)

Source: The TD Waterhouse Financial Planning Poll shares results from an online survey conducted from September 28 to October 3, 2011, among a sample of 1,207 Canadians aged 45-64.

Expect the unexpected

How to plan for the best, and worst, life can throw at you

Many Canadians are living beyond their means, leaving them vulnerable to unexpected events, such as the death of a spouse, the loss of a job or the need for major home repairs, says Crystal Wong, senior regional manager, TD Waterhouse Financial Planning. A comprehensive financial plan created with the help of a financial planner should include a realistic budget, and measures to protect people against the unexpected, she says.

Q: How does one plan for the unexpected?

A: We can't predict the future. The best way to prepare is to have a written, comprehensive financial plan that works toward a financially secure future, and which includes a plan for retirement. A written comprehensive financial plan is an extremely valuable asset.

Q: Why is it such a valuable asset?

A: It will embed all of your life events, expected and not expected, to ensure you're financially prepared to handle whatever life throws your way.

Q: What are some measures in a financial plan that protect against the unexpected?

A: Life insurance can provide an income for your family, provide funding for children's education or pay your final expenses. Let's not forget about critical illness and accident insurance. Another idea is to consider pre-qualifying for a line of credit or a home equity line of credit. Then you have access to credit when you need it and there is no cost if you don't use it. A line of credit would give you the confidence that you would be able to support your family for a number of months if something happened and you did not have a regular income coming into the household. And you will hear every financial planner talk about having an emergency fund that provides you with about six months worth of living expenses should something unexpected happen.

Q: How does one create an emergency fund? Many Canadians are living week to week.

A: The best way is to set aside money each week or pay cheque, whether it be \$25, \$50 or \$100 – whatever your budget allows you to do. A financial plan should have a very solid budget. You would be surprised what you can actually carve out and put toward savings. Then we can assign those savings to different life goals such as retirement, saving for your children's education, home reno-



Crystal Wong, senior regional manager, TD Waterhouse Financial Planning

vation or a vacation property. Making sure you're not living beyond your means and spending more than you're making is probably one of the biggest challenges we have.

Q: To what extent do you see people living beyond their means and unprepared for the unexpected as a result?

A: On average, Canadians have a very high level of debt compared to their disposable income. When you find that you are not accumulating savings every month, it's time to swing back to your financial planner. A financial plan can help clients understand their entire financial picture as it considers their investment goals, risk tolerance, income, expenses and taxes.

Q: Do Canadians have to give up their frills to prepare for the unexpected? Some of those frills may feel very important, like summer camps or private schools.

A: Every family situation is different and that's why every family needs to determine what are needs and what are wants. Individuals should look at the big picture and set priorities. Often they won't understand what those priorities are until they list them and they've got them in front of their financial planner.

Q: What particular challenges do women face in preparing for unexpected events such as divorce or the loss of a spouse?

A: Often they lack confidence when it comes to taking over everything all at once. We encourage women to educate themselves, be involved, talk to a financial planner so they can understand what an emergency fund is, what their financial situation is and what investments they have. The more involved they are, the more likely they will be prepared in the event of divorce or death.

Q: What if the unexpected comes and there's no plan? Is it too late to develop one?

A: It's never too late.



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FINANCIAL PLANNING WEEK

PERSONAL ASSESSMENT

Are you packed for life's financial "hike"?

Are you one of the millions of Canadians who have trouble meeting increasing costs and financial demands? If so, you aren't alone. One of the reasons could be that you lack a clear understanding of your personal financial situation. The good news? This can change!

"Companies have reduced pensions [for employees], education costs have tripled in the last decade and rising real estate prices have doubled the size of mortgages – but salaries haven't grown that much," notes Kurt Rosentreter, a CA and CFP with Manulife Securities in Toronto. "No wonder families face a money crunch."

While financial problems are commonplace, few people take steps to address them. Bradley Roulston, CFP and partner with Healthcare Financial Group in Vancouver, says that's because many people find financial planning complicated and confusing.

"Financial planning will only be as good as people's understanding of the process," he says. "I describe it as a financial hike, which is easier for many

"Financial planning will only be as good as people's understanding of the process. I describe it as a financial hike, which is easier for many people to picture."

Bradley Roulston,
Certified financial planner,
Partner, Healthcare Financial
Group, Vancouver

people to picture."

Step one on that hike is deciding where to go – in other words, writing down your financial goals.

"Simply writing down your goals and sharing them with others makes it much more likely you'll achieve them," Mr. Roulston says.

A written financial plan also helps people prioritize where to spend money.

"Pay down the mortgage, buy Retirement and Education Savings Plans, increase your life insurance – you should do them all, but few Canadians have the financial resources to do everything at once," Mr. Rosentreter says. "A financial plan identifies the most important places to put your money at each stage of your life."

The next step on the hike is to understand your cash flow, which Mr. Roulston calls staying financially hydrated.

"There are financial faucets: your paycheck, investment income and other sources of money," he says. "There are also financial drains: taxes, debt charges and the things you buy from day to day. Unfortunately, most people have only a vague idea of where their money goes."

Many financial planners require their clients to track every dollar they spend. At the end of the month, the purchases are totalled and categorized – automobile, home, meals and entertainment, etc. – to create a spending picture.

It may not be the most exciting activity, Mr. Rosentreter admits, but he emphasizes that it can be empowering. "Once you know where your money is going, then you can control it."

Setting goals and understanding and monitoring cash flow also helps identify other required financial planning components, including risk management (insurance, lines of credit and other resources to draw on when things go wrong), short-term investments, longer-term retirement savings and estate planning.

Mr. Rosentreter recommends getting a written financial plan



Clients should expect a professional advisor to provide a written financial plan that sets out the client's goals and the strategies to achieve them, as well as an engagement letter that clearly describes the advisor's services.

PHOTO: ISTOCKPHOTO.COM

from an advisor that sets out the client's goals and the strategies to achieve them, as well as an engagement letter that describes the services the advisor will provide.

Also important is a dashboard that clearly reports progress to-

wards each financial goal. "Interest rates change, investments may increase or decrease in value. You can't track all of that in your head. You need a clear report to know your financial position," Mr. Roulston says.

NOVEMBER IS FINANCIAL LITERACY MONTH

Fall is always a great time to get your house in order to prepare for the coming winter. And there is no better time for Canadians to get their finances in shape and strengthen their financial literacy. To help Canadians find the resources they need, the Financial Literacy Action Group (FLAG), in collaboration with the Financial Consumer Agency of Canada (FCAC), has announced that this November will be Financial Literacy Month. Financial Literacy Month will raise awareness of the need for financial literacy and encourage Canadians to seek information, programs and services to help strengthen their financial knowledge.

To support Financial Literacy Month, a website has been developed to help inform Canadians about the multiple programs, events and services offered by many organizations across the country:
www.financialliteracymonth.ca



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