Whether in robust or turbulent markets, and throughout life's inevitable transitions, Canada's financial advisors and planners are an essential source of professional advice, expertise, information and coaching. Hint: If you're not putting an advisor to work for you, it might be time to start.

The value of advice

Over the past few decades, the role of the Canadian advisor has evolved from transaction-based to life-based, accommodating the growing complexities of longer life spans, declining pension availability and non-traditional families. While these trusted individuals might not be able to control market swings, qualified advisors continue to prove their mettle in more ways than one and in spite of the economy.

"The analogy that I use," says Robert Fleischacker, financial advisor and former chair of Advocis, The Financial Advisors Association of Canada, "is that I can work out alone: I can do a lot of the same weight repetitions, the same crunches – but when I work with a trainer, she makes suggestions that produce a far better result.

"Our tax and financial system is very complex, and it's irrational to expect people to manage that on their own."

Judith Cane, financial advisor and Advocis board member, says she began her career as a life insurance agent, "similar to someone who started out as an investment advisor. Over the years, it became more and more evident that, in order to advise people on the types and amount of insurance that they needed, some life planning was needed.

"We weren't looking at the whole picture, and that's really what financial planning is all about these days: looking at someone's whole life picture and managing the potential risks. A perfect example is the economic crisis we're going through right now – there are so many people who were unprepared."

As the financial needs of Canadians have become more complex, there is also an increasingly sophisticated set of products available to meet those needs, says Kevin Strain, senior vice-president, Individual Insurance and Investments, Sun Life Financial Canada. "The role of the advisor is to understand the client's changing needs, create a financial plan for them, and then find the right product solutions that align with that plan."

According to a recent survey conducted for Sun Life, Canadians who have an advisor have increased confidence in their financial security. "Eighty-seven per cent (of respondents) said that they made better decisions about their finances when they had an advisor," says Mr. Strain.

But according to the same survey, almost two-thirds of Canadians don't have a written financial plan for retirement. Without a plan and the product tools necessary to fulfill it, he says, Canadians are unprotected from the life events that can derail quality of life and retirement. "The role of the advisor is to create that awareness; to help the client achieve lifetime financial security. Holistic planning and advice are critical: If you're not looking at all three categories of product solutions – life insurance, health insurance and wealth management – you can't achieve lifetime financial security."

Financial planning has evolved from transaction based to life-based as advisors help clients achieve their financial goals and manage a lifetime of risks. PHOTO: ISTOCKPHOTO.COM

Not every advisor is prepared to do a comprehensive financial plan, and a comprehensive financial plan may not be the objective of every advisor relationship.

"There is still advice that is dispensed in a silo fashion," says Mr. Fleischacker. "If an integrated, comprehensive approach is needed, people need to seek out advisors or planners who have credentials and meet expertise standards. That's where designations like Chartered Life Underwriter (CLU) and the Certified Financial Planner (CFP) become a very important part of a consumer's analysis of who can do the job for them."

A comfortable, secure retirement is the ultimate financial planning objective, but the planning process is equally valuable in achieving life's shorter-term ambitions. "I've had young people, just married, who have student loans and really want to buy a house; people in their 40s who want to buy a cottage, and people in their 50s and 60s in second marriages who are trying to figure out what to do with their estate," says Ms. Cane.

"They're all looking for an unbiased professional who can provide a plan that enables them to achieve their goals. Once that plan is on paper and they've been shown how it can work, they're completely enthusiastic and are so excited when they achieve their milestones."

One of Ms. Cane's clients wanted to pay cash for a car, she says. "About a year later, I e-mailed her with the value of her accounts, and the next day, she sent me a thank you e-mail with a photo of her standing beside the new car."

A recent Ipsos study found that Canadians are reducing the number of advisors they use through consolidation, says Mr. Strain. "Canadians are demanding that their advisors be able to deal competently with their full financial security requirements, because they see the interaction of those needs. The financial strength of the companies they're dealing with is really important as well, because the product solutions may have to last a lifetime." ■

Look beyond personality when choosing an advisor

When looking for an advisor or planner, says Terry Zavitz, vice chair of Advocis, The Financial Advisors Association of Canada, personal and professional recommendations are a good place to start, but shouldn't be considered the endpoint. "Use the same discernment you'd apply when looking for an accountant or a lawyer. Most importantly, find someone you feel you can work with."

That means being able to communicate comfortably, she says. "Are they listening carefully to you? And after they've listened, do they respond to you in ways that address your needs, as opposed to then telling you what they offer? If you say you don't understand (a particular point), are they able to re-address the subject at a level that's comfortable for you?"

An advisor can serve as both an accountability partner and information centre, says former Advocis chair Teresa Black Hughes, noting the foundation of that relationship is a comprehensive understanding of the client's situation and objectives. "Whether an advisor actually prepares a holistic, fully comprehensive financial plan or modular planning focused on solutions to specific needs, it is incumbent upon them to gather all the information. Not all information may be required immediately, but without it, plans can be derailed."

Choosing an advisor who belongs to a professional association allows the client to benefit from the experience of other advisors and firms. "That's where the best practices are created. I belong (to Advocis) because I want to gain knowledge, to participate in industry events that help me think outside of the box, and find the very best ways to help my clients," says Ms. Black Hughes.

Designations and credentials demonstrate expertise in specific aspects of finance. "The CFP (Certified Financial Planner) designation is very widely recognized and valued; the CLU (Chartered Life Underwriter) designation indicates someone who can address issues related to estate and retirement planning, risk management and tax planning. Likewise, the RHU (Registered Health Underwriter) indicates that the advisor has taken special courses on living benefits, such as disability, long-term care and critical illness insurance," says Ms. Zavitz.

"Designations also demonstrate the fact that the advisor is committed to ongoing education, because most designations require that to keep the designation current," says Ms. Black Hughes.

Most importantly, be aware that if a potential advisor or planner is making promises that sound too good to be true, they probably are, says Ms. Zavitz. "There is no magic wand in financial planning. There are very effective strategies that can optimize cash flow, tax efficiency and estate planning – but if someone offers you a GIC with an interest rate of 10 per cent in today's environment, that's a danger signal. Your common sense will tell you when something sounds too good to be true; when that happens, or when you're uncomfortable with the degree of aggressiveness, move on." ■

Looking for an advisor? Consider the following:

- Does the advisor/planner have designations that align with your needs, such as CLU (Chartered Life Underwriter), RHU (Registered Health Underwriter) or CFP (Certified Financial Planner)?
- Does the advisor/planner have appropriate professional liability insurance coverage to protect the consumer?
- Does the advisor/planner belong to a national body that mandates ethics for its members through a code of conduct? Does that organization provide best practices guidance to its members?
- Is the advisor/planner advancing his/her knowledge in financial services by engaging in professional development and lifelong learning?
- Is the advisor/planner equipped to prepare a holistic financial plan?

Source: Advocis, The Financial Advisors Association of Canada

Financial planning essential to managing risks and balancing a lifetime of goals

As an advisor who has been helping clients achieve their financial objectives for 26 years, Teresa Black Hughes has witnessed an evolution in the scope of the financial planning relationship. In many cases, she says, as clients age, "You become more engaged with their adult children, as well. The web of contact is broader; there's a greater onus on the advisor to be sure that they have an expanded knowledge base to keep up to the life changes that clients are experiencing."

From an advisor perspective, says Ms. Black Hughes, "It's a much broader relationship than might have been the case 20 years ago. Clients have questions about how assets can be passed on to the next generation and about potential tax advantages. It's important to engage both generations."

Joanne Trueman, a Sun Life Financial Centre manager, says, "We know the demographics are changing quickly, and we gear our advice toward the challenges baby boomers are facing as they grow older: outliving their money; dying too soon, when elderly parents or children still need financial support; the risk of becoming ill or disabled with all of these financial burdens still on their plate."

Financial planning can help achieve a balance between conflicting financial goals and mitigate risks to a retirement plan. "We call it holistic financial planning: partnering with the client to identify their challenges today and in future, and find solutions. With planning, they have options," says Ms. Trueman.

A multigenerational approach can pay surprising dividends. "If there is a need for long-term care insurance, for example – so that in later years the parents don't have to go into an institution, but instead can have care at home – but the parents can't afford the premiums, the children may pay the premiums. That way, they don't end up having to be the sole caregivers, and the parents get the care they need," says Ms. Trueman.

To implement these strategies, she says, it's critical to work with an advisor or planner sooner rather than later. "As baby boomers age, illnesses become apparent, and that makes them uninsurable. There are a lot of things advisors can do for boomers planning their estates to make it easier for the executor, to help people protect their income – even to help clients who are caring for disabled family members put income protection in place for them – but it is important to begin as soon as possible." ■

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Lessons learned

When it comes to finances, teach your children well

By Kristan K. Birchard,
Chair, Board of Directors, Advocis, The Financial Advisors Association of Canada

Annus horribilis – Latin for "horrible year." Indeed, the world is going through a financial crisis the likes of which has not been seen in generations.

The TSX has declined by 35 to 40 per cent from its June 2008 peak, and consumer confidence has declined significantly. In addition, many Canadians have hit a debt wall. According to the Vanier Institute of the Family, the average level of household debt in Canada is $90,000. The Office of the Superintendent of Bankruptcy reported that 8,299 individuals went bankrupt in December 2008, a 47 per cent increase over December, 2007.

How did all this happen? There are a number of root causes; however, one reality is clear: many consumers need to elevate their knowledge of financial planning, products and services.

For those who are drowning in consumer debt, the immediate need is take care of urgent financial pressures. Once those bills are addressed, consumers need to get serious about a long-term financial strategy. To do this, they could seek advice from a licensed and designated financial advisor or planner, and they could also become better acquainted with financial products and services available to them.

PHOTO: JOHN HRYNIUK

Unfortunately, in recent years many consumers have been spending without a financial plan. Moreover, many Canadians have also purchased investments on an assumption of perpetual market growth. It is in the context of this annus horribilis that Canadians need to reflect on their knowledge of financial planning, goals and objectives, and also consider what their children know about this subject and how they too could benefit from this valuable education.

Some of the most successful business and investment leaders, including Warren Buffett, established some degree of financial knowledge and literacy at an early age. While few people eventually match Mr. Buffett's success, his background is a good example of how developing financial knowledge in childhood can lead to future financial success.

A recent survey by Credit Canada noted 97 per cent of teens are interested in learning about money management, yet 13 per cent say they know a lot about the subject. This process can start with basic financial planning transactions like opening and managing a savings account. Here are some other suggestions for parents interested in teaching their children well:

Use an RESP as an educational tool
Parents can use a Registered Education Savings Plan not only to save for their children's future, but also to teach them the importance of establishing financial objectives and strategies to meet them. Depending on a child's age, parents can explain the creation and management of an RESP and involve the child in the decision-making surrounding those investments.

How to use a credit card
Sadly, young people often accumulate high-interest credit card debt just as they begin their adult lives. Parents who don't carry a credit card balance from one month to the next should use the example they've set as a demonstration of how to properly manage this financial resource. Once children are old enough to have their own credit cards, they will be better prepared to use them responsibly.

Student debt
With post-secondary education costs rising, many students will carry debt as they enter the workforce. Students should establish a strategy early on for reducing or eliminating this financial burden and ultimately achieving other financial goals.

Increasing the awareness of financial matters among the next generation of Canadians might just help mitigate or even prevent financial meltdowns like the one we are experiencing now. ■

Advocis, The Financial Advisors Association of Canada, recommends parents and children alike invest in money management education, so they will be better prepared to achieve their financial goals and avoid the sorts of issues now plaguing people across North America. PHOTO: ISTOCKPHOTO.COM

Sound advice equals peace of mind

Across Canada, millions of time-challenged, independent business owners fulfill numerous roles within their organizations. Whether the economy is hot or cold, for Canadian entrepreneurs access to quality advice can mean the difference between success and failure.

"Advisors and planners can help simplify a very complex field, integrating a business owner's personal and financial affairs," says financial advisor Robert Fleischacker, president of Stonehaven Financial Group in Markham, Ontario. "There is usually significant overlap – and for the small business owner, the business is probably the most flexible planning vehicle that exists within the Income Tax Act, so there is tremendous opportunity for tax optimization."

A financial planner can contribute overarching, forward-looking expertise to the business owner's advisory team, he says. "It's important to have an advisor or planner who can work co-operatively with existing key advisors: lawyers, bankers and accountants."

Creditor protection and estate planning strategies are particularly critical for small business owners, who face much greater risks to their retirement assets than do the traditionally employed.

One of those risks is ineffective succession planning, says Mr. Fleischacker. "Most Canadian small businesses are totally dependent on one or two key people. If a business owner dies, the business usually ceases. If he gets sick, the business usually fails. If he gets too old without a succession plan in place, he doesn't realize the business's value. Those are problems and opportunities that a good advisor or planner can help anticipate and work through." ■