Plans of Distinction

According to a Sun Life survey released earlier this year, just 22 per cent of Canadians have written financial plans. Dismal as this number may be, I believe the percentage is actually much lower.

Many who believe they have financial plans actually have no such thing. They mistake their quarterly investment statement, insurance policy, will or even a personal list of their goals as a comprehensive financial plan.

I write an occasional newspaper column that provides a financial makeover for a consumer. As people get closer to circling their retirement date on the calendar, for example, they want to ensure their plan of attack is sound. I connect consumers with respected financial planners who will then provide them with a second opinion on their situation.

In the last 18 months, I can recall just one instance where the consumer actually had a financial plan that follows the six-step process outlined by the Financial Planning Standards Council (FPSC).

Some consumers are shocked at what actually goes into developing a comprehensive financial plan. To their surprise it’s not as simple as crunching a few numbers and knowing your risk tolerance level. Clients are taken aback when financial planners ask for T4s, pay stubs, pension statements and information to support what they spend versus what they save. Some shy away from the process, saying the information is too personal. But as you know, they need to provide that data and more to truly determine whether they’ll be OK financially.

Once developed, a plan’s success will come down to two components: the quality of the advice that has been given and the client’s ability to comprehend and actually follow through on that advice.

Plans with a detailed synopsis will invariably stand out. And sure enough, such plans tended to have a higher follow-through rate among the consumers we have helped. Robyn Thompson, CFP, of Castlemark Wealth Management in Toronto, explains it this way: “Summary notes break down a larger financial picture into concise actionable recommendations.”

Once consumers see a real financial plan, they truly appreciate the process and finished product. They recognize that plans are ongoing and need to be monitored as life needs change. That’s why Thompson likes to provide prospects with an example of a financial plan she’s completed for other clients (names and confidential information changed, of course). She’s demonstrating her value and the quality of her work. It also doesn’t hurt to throw in a dramatic statistic. A FPSC study found that 81 per cent of people who had a written financial plan were on track with their finances; of those who didn’t have a plan, just 44 per cent were meeting their financial goals.

CORRECTION

In the article “Cross-Border Control” (page 34 of the October 2014 issue of FORUM), incorrect information appeared about the formula for the substantial presence test for snowbirds. The correct formula is: all days in the preceding calendar year, plus one-third of the days in the preceding calendar year, plus one-sixth of the days in the second preceding calendar year.

FORUM apologizes for the error.