

# CHOO'S FINANCIAL INSIGHTS

July 7, 2014

Volume 1, Issue 2

HollisWealth™



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## ***Opening Words***

*I hope you are enjoying some of the wonderful weather we've had. It's certainly been a cold & long winter, but we've endured it!*

*In this quarter's newsletter, I will be discussing the importance of a Financial Plan. You may or may not already have one put in place, but it's good to know why this "road map" is an integral part of your financial well-being.*

## **The Importance of Financial Planning**

A recent study commissioned by the Financial Planning Standards Council in conjunction with the Financial Planning Foundation reveals that Canadians with financial plans feel they are saving more, living well, and experiencing higher levels of overall contentment in their lives.

A BMO Financial Group survey shows 85% of those polled are confident their financial plans will help them achieve their financial goals. Most believe it is essential for being prepared for major milestones.

## ***So What is Financial Planning?***

Financial Planning is an ongoing process to help you make sensible decisions about money that can help you achieve your goals in life; it's not just about buying investment products for your RRSP or RRIF or TFSA or RESP.

It might involve putting appropriate wills in place to protect your family, thinking about how your family will manage without your income should you fall ill or die prematurely, will long term care devastate your life savings or will you outlive your retirement savings; it involves thinking about all of these things together i.e. your 'plan'. You can build a plan on your own, or if your needs are more complex you might want the help of a **CERTIFIED FINANCIAL PLANNER (CFP®)**.

## *Creating a sound financial plan involves a six step process (adhered to by CFPs):*

1. Define the Terms of the Engagement
2. Determine your goals, needs and priorities
3. Analyze the information with respect to your goals, needs and priorities
4. Identify and evaluate the financial planning strategies
5. Agree on Implementation action, responsibilities and time frames
6. Agree on responsibilities and time frames for the review and re-evaluation of your financial plan

Start by working out your goals in life, in the short, medium and long term. Prioritize them, and think about the likely cost of those goals and when you will need the money, so you can start to plan your finances to work out how to achieve them. Don't forget you also have to plan for some of the hurdles you may have to overcome too. It's about getting organized; being in control of your finances rather than letting your finances control you.

**Can Deal with Bumps in Life**

**“Those who have comprehensive financial plans are more confident that they are prepared to deal with the challenges and bumps in life, such as unexpected financial emergencies, tough economic times, and ensuring loved ones are financially looked after if something should happen to them.”<sup>1</sup>**

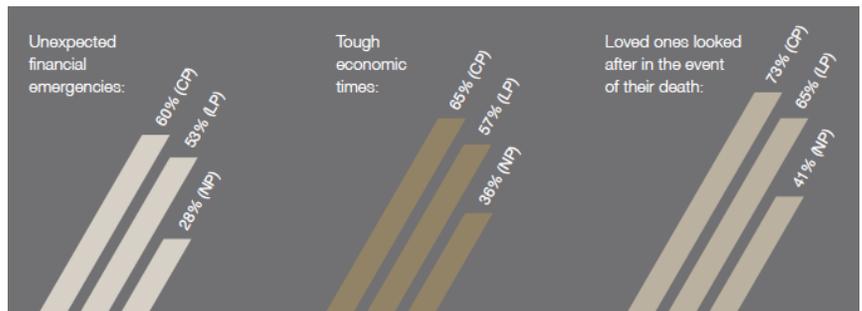


Figure A. <sup>2</sup>

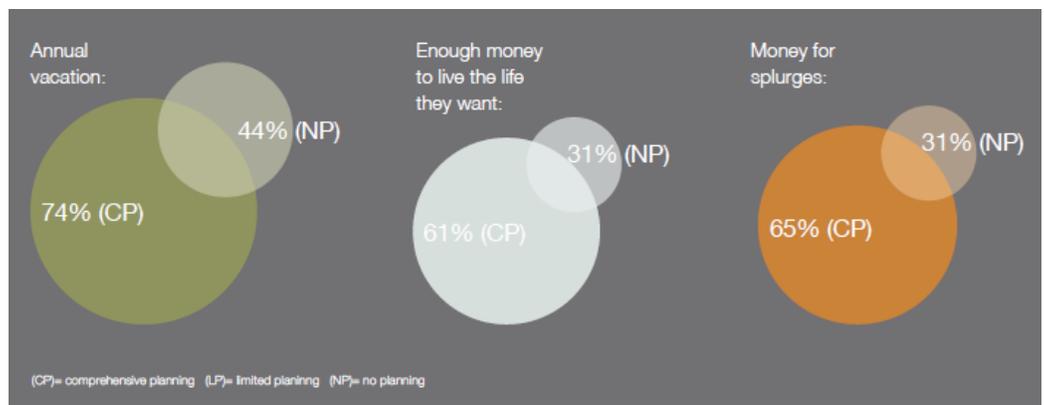


Figure B. <sup>3</sup>

*By having the right financial plan to meet your goals, you will:*

- Have a much greater confidence of where you are going in life.
- Reduce your stress levels and start to enjoy life more.
- Gain control and peace of mind through knowing whether you're on track for the future you want for you and your family.
- You won't wonder whether you will outlive your retirement savings or whether long term care will devastate your nest egg.
- **Most importantly, a good plan will help you live the life you want with the resources you already have!**

*Topics that are generally covered in Financial Planning include the following:*

- Estate Planning – Wills, Powers of Attorneys, Trusts, Legacies, Pre-paid funerals
- Tax planning – Trusts, Structuring of investments, Minimization and/or deferral strategies
- Philanthropy – Planned giving through charitable or life insurance trusts
- Retirement planning
- Retirement Income Planning – what is/are the immediate efficient income sources to tap into; designing income strategies to guarantee an income for life
- Business succession planning
- Comprehensive insurance audit and analysis
- Major Purchase goals

#### Can Live Life Today

**"While saving for the future is critical, it's also necessary to consider today's needs and desires. Compared to those who have not engaged in planning, those who do engage in comprehensive planning feel more confident in reaching the discretionary goals they identified as important."**<sup>4</sup>

*Some of the questions a CERTIFIED FINANCIAL PLANNER (CFP®) can answer include but not limited to:*

- When can I retire?
- Will I have enough to retire on?
- When I need long term care, will it decimate my nest egg?
- Will my retirement income be guaranteed for the rest of my life?
- What is the impact of marriage or divorce on my financial situation?
- What is the best way to save for my children's post secondary education?
- How much do I need to be saving to achieve my various short and long term financial goals?
- When I die, how do I make sure that my assets are distributed to my surviving beneficiaries equitably and tax efficiently?
- I own a business, what happens to it when I die? Will the government tax a large portion of it? Can I save on probate fees on my business?
- Are my investments appropriate for me and am I diversified? Does my asset allocation reflect my risk tolerance?
- What types of insurance do I need?

**One BIG Misconception:**

**Financial Planning IS  
NOT only budgeting  
and cutting back**

*A Few Misconceptions of Financial Planning:*

- ***My Financial Planner made me money.*** Too many people equate financial planning with investment management. Investment management is a part of the financial planning equation NOT the whole! We cannot control investment performance, but we will always follow the principles and processes outlined in your investment policy statement. (It is important to note that more than 91.5% of a portfolio's **return** is attributable to its mix of asset classes. Another widely cited study of pension plan managers said that 91.5% of the **difference** between one portfolio's performance and another's are explained by asset allocation.)
- ***A Financial Planner is someone who handles my RRSP/ RRIF and taxes.***
- ***Financial planning is for people who are wealthier, older or younger than I am.***
- ***Financial planning is all about budgeting and cutting back***
- ***My financial or investment or insurance or bank branch advisor does my financial planning.*** Unfortunately, the frequently used title of Financial Planner is clearly a smoke screen for a mutual fund/ stock/ insurance sales person. Unless the advisor is a CFP, calling oneself a financial planner is a misrepresentation.

## *Are you part of the Statistics that don't have a financial plan?*

Despite proven advantages of financial planning for retirement, the majority of Canadians don't have a financial plan for their future, according to an HSBC survey.

The sixth edition of the Future of Retirement study, a global survey from HSBC, revealed that those who have a financial plan in place enjoy a clear 'planning premium' with hard financial benefits, yet 65% percent of Canadian respondents, far more than the global figure of 50%, lack a financial plan.

### ***Why is that?***

People generally spend more time planning their next vacation than they do planning their financial future. This is incredible, but true!

They look after their health by going regularly to their doctors for their annual checkups and follow their doctor's advice on health. They are also diligent in maintaining the health of their cars by having regular oil changes and routine maintenance.

People want to plan for their financial well being too, but don't know how. They confuse financial planning with investment management; the constant media messages get them all confused! They don't understand the benefits and think that it is too time consuming and arduous. Because of that, they just throw in the towel and forget about it. They rather concentrate on their next vacation.



**Financial Planning is  
NOT Investment  
Management**

## *Seek a Qualified Professional Financial Planner (CFP®)*

In summary, there may be an abundance of financial advice available from various sources, but only an appropriately qualified professional financial planner (CFP) has the experience and expertise to skilfully navigate all aspects of your financial future. While you might be able to do this yourself, the reality is that you might lack the necessary time to devote to this and you don't have the third party perspective to objectively look at your situation.

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*Specialized in the Wealth  
Management of High Networth  
Individuals, Executives and  
Business Owners*

## *Establish Your Financial Plan*

### *Now!*

A Financial Plan will provide you with a clear path towards your goals. It will help you make informed choices when faced with life's inevitable changes.

For some, having a financial plan in place also gives them confidence in their plans to retire.

Let's not waste any more time. I can assist you in designing a plan to take you from where you are today to where you would like to be. The plan will give you more time to focus on what matters most to YOU! The initial step is to give me a call to arrange this planning meeting.

*So let's put a plan in place so you can feel on track with your financial affairs!*

**Is it your priority in “making other plans” as opposed to your Financial Plan? Maybe it's time to reprioritize.**



*Did you know?*



- **1/3 of Canadians admit that their financial plan include counting on winning the lottery and receiving a large inheritance**
- **“Those Canadians who engage in comprehensive financial planning with a CFP professional confirm significantly high levels of financial and emotional well-being than those who do no planning or limited planning.”<sup>5</sup>**

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