

# Nobody actually plans to fail

By PETER MERRICK

Nobody actually plans to fail financially; it's just that most people fail to plan. In 1997, 49.1 per cent of unattached elderly females were living in poverty, compared to 33.3 per cent of elderly males in this country.

Our government-administered retirement benefit programs were only designed to provide one third of an individual's total retirement income. The remainder is to be generated from both employer pension plans and the retiree's own savings.

In 2005, the maximum combination that Old Age Security and the Canadian Pension Plan benefits provide for people who retire at 65 years old is \$1,302 per month (OAS \$473.65 plus CPP \$828.75). During my years in the financial planning profession, I have yet to meet anyone who received a full government pension. The average monthly CPP benefit in 2004 was \$448 according to Social Development Canada.

For those Canadians who plan to rely on the government to provide for themselves in retirement, they



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should think again. In the next 20 years, as baby boomers retire and birth rates continue to decline, many economists predict that 30 per cent of Canada's GDP will be spent on both healthcare and pensions.

With these impending realities, governments, corporations and individual Canadians alike are grappling with the possibility that our social security system may not be maintainable or sustainable under our current demographic, social and retirement state of affairs.

None of us has control of what happens in the world or for that

matter what our governments will do or won't do, but what we do have is the ability to direct what we do personally and how we choose to react to forces outside our control. The best place to start to be a proactive agent in each of our lives is to have in place a comprehensive financial plan.

Most people do not have the time or expertise to create a financial plan for themselves and that is their motivation for working with a certified financial planner.

If you have engaged the right CFP to help you create your comprehensive financial/investment/estate plan, after you get up from the table and shake hands over the completed plan, what may be true about your salutation that was not true before are:

If the breadwinner in your family dies prematurely, gets sick or disabled, your family's lifestyle will not be fatally compromised. Your family will stay in their home, education plans will remain financially on track.

The family will remain financially on track. If there is a family

business, it will not have to be sold at the wrong time and wrong price.

Your children or grandchildren will be able to afford the best education they qualify for based only on their academic merits not financial, without being saddled with student loans.

You will be able to retire on your own terms and time, with a high degree of certainty that you will never outlive your money. That your dignity and independence will not be compromised by 20 or more years of your retirement and inflation.

You will be able to contribute meaningfully to the support of your parents and you will never become a burden to your own children even if you need to reside in a senior long-term care facility. Even as your retirement income needs rise to support your lifestyle during retirement, your capital will continue to grow. Leaving a meaningful legacy to your children, grand children and perhaps some charities.

Lastly, taxes triggered by your death won't force a fire sale of family assets. These liabilities will

be funded from the proper insurance proceeds. These are the real things that real people really desire to accomplish but in most cases don't know how. Working with accountants, lawyers and certified financial planners provides one with sound information and effective advice to ensure financial health.

Life is too short to find the right financial way through trial and error. Most people do not notice the symptoms of their financial illness until it is too late for them to affect their financial health.

As the old adage goes: Those that fail to plan, plan to fail. The first step toward success is to seek the right financial advice.

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## Family needs usually top the list of financial challenges

By PAUL TYERS

Do you appreciate the underlying concerns that lurk beneath your clients' financial affairs? As their accountant, you have the opportunity to help bring these concerns to the surface and be a catalyst in providing a peace-of-mind and value-added solution.

As is often the case, the biggest underlying concern often has to do with family dynamics. Issues such as planning the succession of a business, the disbursement of an estate, or even the more difficult issues, such as the attitude of entitlement that many children of wealthy parents may develop, are all central to many of your clients' financial objectives.

Differences of opinion are bound to occur when handling financial issues among family members with different life experiences and views on wealth, especially when more than one generation may be involved.

The reality is that family financial issues will almost inevitably arise at some point in most of your clients' lives. As advisors, you need to be prepared to help resolve them. You have the opportunity to act as a coach who understands your clients' financial objectives and can help them achieve the ideal solution.

It is easy to lend a helping hand when one of your long-standing clients comes to you with an issue and directly asks for your advice, but should you actively seek out those core issues where you may be able to offer help?

The short answer is yes, absolutely. Clients expect you to be proactive about bettering their

financial health much the same way they'd expect a doctor to be proactive about their physical health. Many of us go in for our annual checkup at the doctor's office wanting a thorough analysis and honest feedback about our physical condition.

While your clients may not go to your office once a year for a financial check-up, perhaps they should. A check-up can help them maintain their financial health; much in the same way it does their physical health.

The biggest fear most accountants have with this approach is they feel that they are prying into their clients' personal lives. The truth, however, is that both clients and accountants benefit from a regular financial check-up. You can choose to provide a one-stop-shop for taxes, investments, insurance and the like, or you can choose to build relationships with your clients and introduce the services as needed.

At the end of the day, your clients will genuinely appreciate the help you've offered them if you choose to expand your services above and beyond tax and financial statement preparation.

What type of help am I suggesting that you offer your clients? There are two primary tools that most accountants already have at their disposal, and simply need to put to use: knowledge and communication. Knowledge really breaks down into two key aspects: foresight and awareness.

As accountants, you are exposed to a wide array of financial issues that clients come across during their lives. With this experience, it is much easier for you to identify potential problem areas in the future



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than it is for our clients to do so themselves. Helping to identify and resolve these issues in advance will give your clients a sense of security that they otherwise would not have had without your proactive advice, thus strengthening the client relationship to the benefit of all parties.

Accountants also have the advantage of being aware of the many options available to clients to make the situation better for everyone. Using insurance to cover the rising tax bills on cottages, as discussed in one of my previous articles, is just one example of this. By offering these alternatives, you are once again providing your client with solutions they may have never thought possible, increasing your value to them as an advisor.

The ability to open up the channels of communication is the other primary tool that accountants have due to the nature of their role. Family issues are often left in the dark because nobody wants to talk about who gets what when your client passes away, or which child is or isn't capable of running the business upon your client's retirement.

The reality is that the sooner these issues are laid out in the open,

the better it is in the long run for the client. As a neutral third party, you have the opportunity to act as a catalyst to a solution in these situations. Bring the issues out onto the table, and help your client to resolve them in the most financially efficient way that satisfies their personal desires as well.

Of course, this all inevitably leads to the question 'what about my bottom line?' Is offering all of this to your clients profitable? It can be if you commit to making it a part of your business. By aiding your clients with these family issues, you will provide them with the advice that they value.

You will be able to provide financial advice and get paid for investment, retirement, estate planning matters and more either directly or through a strategic affili-

ation. However, this is secondary in terms of what this approach means to your clients and their financial affairs.

Plus, by helping them to the fullest of your ability, they will naturally want their friends and relatives to have the same help available to them. These positive referrals from clients you already have are the absolute best way to expand your client base.

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