Financial Planning

Step by Step

Take the
next step.

With every baby born,

mortgage mulled over

and education anticipated.

With every retirement dreamed of,

with every eventuality – hopefully –

accounted for.

With every one of

the countless steps that

make up a life,

there are choices.

This guide is designed to help you better understand the financial planning process and what you should expect of financial planning professionals.

It has been prepared by Financial Planners Standards Council (FPSC), the not-for-profit organization committed to benefiting the consumer of financial planning advice and the financial planning profession in Canada.

FPSC administers the certification process for the Certified Financial Planner™ (CFP™) designation currently held by more than 13,000 financial planners in Canada.

CFP™

Financial planning is the process of meeting your life goals through the proper management of your finances

With every one of the countless steps that make up a life, there are choices. Choices that often lead to new goals. Buying a home, saving for a child's education or planning for retirement, are all good examples.

Financial planning is a step-by-step process that helps you reach your goals by gaining perspective on where you are now and defining where you may want or need to be in the future. It provides direction and meaning to all your financial decisions, defining each in context with the other, how they are all part of a whole. In this way, financial planning should help you adapt more easily to life changes and keep you on track.

Once the process is understood, it is a simple matter to see how just about anyone can benefit from some level of financial planning.

When in doubt about your finances, it is a good idea to ask for professional advice

Financial matters can seem, and often are, complicated. If you are in doubt as to your ability to make the most of what you have, or will have, for your future and for those you love, it may be time to consult a professional. Risk evaluation, retirement plan maximization, financial emergencies, estate planning, inheritance : these are a few of the many areas in which the guidance of a professional financial planner could be beneficial, and, at times, crucial to your long-term well being. Even if you haven’t any doubts about your own financial planning expertise, you may simply feel that you do not have the time to devote to looking after your financial matters.

There are many reasons to consult a professional, all of them valid. When it comes to your financial affairs, it’s usually worthwhile to take the view: when in doubt, ask an expert.

Financial Planners

versus

Financial Advisors

Financial planners are individuals who know how to use the financial planning process, the big-picture approach, to help you figure out how to meet your life goals.

They examine and explore *all* your needs and can help you with budgeting and saving; and tax, investment, insurance, retirement and estate planning. While they may work with you on a single financial issue, it is always within the context of your overall situation.

As well as offering qualified financial planning, many planners are also registered as investment advisors, or hold insurance or securities licences that allow them to buy or sell products to help you put your plan into action.

Some planners may guide you to or use more specialized financial advisors to help you implement their recommendations.

It is this big-picture approach to your financial goals that sets financial planners apart from all other financial advisors who may have been trained to focus only on one aspect of your finances.

The Financial Planning Process

Financial planning consists of the following six distinct steps. When it is comprehensive financial planning guidance you want, these are the steps that should guide your planner. Be familiar with them. They'll help you get the most out of the process.

1 Establish the client/planner engagement

Your planner should

: Explain issues and concepts related to the overall financial planning process that are appropriate to you
: Explain the services he will provide, the process of planning and documentation
: Clarify your responsibilities as a client
: Clarify her responsibilities as your planner. This should include a discussion about how and by whom she will be compensated.

You and your planner should

: Discuss the scope of the client/planner engagement
: Agree on how decisions will be made.

2 Gather data and determine your goals and expectations

Your planner should

: Obtain information about your financial resources and obligations through interviews or questionnaires
: Gather all the necessary documents before giving you the advice you need.

You and your planner should

: Mutually define your personal and financial goals, needs and priorities
: Investigate your values, preferences, financial outlook and desired results as they pertain to your financial goals, needs and priorities.

3 Clarify your present financial status and identify any problem areas and opportunities

Your planner should

: Analyze your information to assess your current situation (cash flow, net worth, tax projections, etc.)
: Identify any problem areas or opportunities with respect to your:

Capital needs	Risk management needs and coverage	
Investments	Taxation	Estate planning
Employee benefits	Retirement planning	

Special needs: (adult dependant needs, education needs, etc.)

4 Develop and present the financial plan

Your planner should

: Develop and prepare a financial plan tailored to meet your goals and objectives, values, temperament and risk tolerance, while providing projections and recommendations
: Present the plan to you and establish an appropriate review cycle.

You and your planner should

: Work together to ensure that the plan meets your goals and objectives.

5 Implement your financial plan

Your planner should

: Assist you in implementing the recommendations discussed if you want. This may involve coordinating contacts with other professionals such as investment fund sales representatives, accountants, insurance agents and lawyers.

6 Monitor the financial plan

You and your planner should

: Agree on who will monitor and evaluate whether your plan is helping you progress toward your goals.

If your planner is in charge of the process, your planner should

: Contact you to review the progress of the plan periodically and make adjustments to the recommendations required to help you progress toward your goals.

This review should include

: A discussion about changes in your personal circumstances and how they might affect your goals
: A review and evaluation of the impact of changing tax laws and economic circumstances
: A review of your life circumstances and an adjustment of the recommendations if needed as those circumstances change through life events such as birth, illness, marriage, retirement, etc.

Pull out this section and keep it as a handy checksheet ········►

Mistakes & Misconceptions

When seeking professional financial planning advice, expectations often vary. Here are some common client mistakes and misconceptions:

Planners come across clients who…

- Confuse financial planning with investing
- Neglect to set measurable financial goals
- Neglect to evaluate their financial plan periodically
- Think financial planning is the same as retirement planning
- Expect unrealistic returns on investments
- Don't understand how advisors are compensated
- Are looking for a quick financial fix instead of a long term strategy
- Don't understand that good professional planning advice is largely-dependent on good information from clients
- Believe financial planning is primarily tax planning
- Think they'll lose control over their decisions if they use a planner

Making financial planning work for you

You are the focus of the financial planning process. The results you get from working with a financial planner are as much your responsibility as the planner's. To achieve the best results, you will need to be prepared to avoid common mistakes. Consider the following advice:

Understand the big-picture approach to financial planning

Each financial decision you make may affect several other areas of your life. An investment decision can have tax consequences harmful to estate plans; a decision about a child's education may affect when and how you meet your retirement goals.

Financial planning is an ongoing process that takes all your objectives into account.

Remember that all of your financial decisions are interrelated.

Re-evaluate your financial situation periodically

Financial planning is a dynamic process. Your aims may change over the years due to changes in your lifestyle or circumstances, such as a birth, an inheritance, marriage, house purchase or change of job status. Revisit and revise your financial plan to reflect these changes so that you stay on track.

Set measurable financial goals

Set specific targets that will help you achieve what you want when you want it. For example, you need to quantify terms such as “comfortable retirement” or "good education for your children” so that you’ll know their real implications.

Know what to ask your planner and what to expect from your engagement

When working with a financial planner, be sure you understand the process and what the planner should be doing. Ask how the planner is being compensated. Provide the planner with all of the relevant information on your financial situation. Ask about the recommendations offered to you and play an active role in the decision-making. Remember, you are in charge.

Be realistic in your expectations

Financial planning is a common sense approach to managing your finances to reach your long-term goals. It cannot change your situation overnight. It is a lifelong process. Remember that factors beyond your control such as the stock market, inflation or interest rates will affect your planning results.

Remember the bottom line is achieving your goals

Life is hectic, and all too often we get sidetracked from reaching our life goals. But proper planning that includes a relationship with a financial planner who helps you articulate your goals and then prepares a plan that will help you meet them, will greatly increase your chances of being financially prepared to handle both the expected and unexpected.

Investing in a plan is investing in your future. And a professional financial planner can help you increase your chances of making that plan a reality.

Seeking out a Professional Planner

In your search for help, you need to be able to recognize who you can trust. Implicitly.

This is not always easy considering the confusing mix of acronyms and designations for a variety of financial advisors who may, or may not, be qualified or committed to give you comprehensive and unbiased planning advice.

In November 1995, representatives of the Canadian financial services industry set out to help consumers clearly identify financial planning professionals by creating Financial Planners Standards Council (FPSC), the not-for-profit, standard-setting, professional regulatory organization that licenses qualified individuals to use the Certified Financial Planner™ (CFP™) certification marks.

To earn the CFP, an individual must meet rigorous standards in Education, Examination, Experience and Ethics.

To write the exam, candidates must complete an education program registered with FPSC. Or they must hold specific degrees or professional credentials and three years experience in a field related to financial planning. Additionally, all candidates must have at least two years financial planning experience; three for those fulfilling the education requirement through degrees or professional credentials.

The 6-hour exam is based on a syllabus regularly updated through research and in-depth reviews of topics. FPSC conducts surveys of the practice in consultation with financial planners to ensure job-relevance and content validity of the topics covered.

CFP professionals must also fulfill annual licensing and continuing education requirements – at least 30 hours a year – keeping technical skills and theoretical knowledge current.

The CFP qualifiying and licensing program ensures an unbroken commitment to professional and ethical behaviour that always puts the clients' interests first.

In fact, the CFP is globally recognized as representing financial planning's highest standards.

Ten tips on choosing a Financial Planner

1. ***Know what you want:*** Determine your general financial goals and specific needs (insurance policy, estate planning, investments, education, etc.).

2. ***Be prepared:*** Read the newspapers and finance publications to maximize your familiarity with financial planning strategies and terminology.

3. ***Talk to others:*** Get referrals from advisors you trust, from colleagues and friends. Or contact FPSC for a referral to a professional financial planner.

4. ***Look for competence:*** Many degrees and designations are held by individuals working in the financial planning and investment services. Choose a professional. Choose a Certified Financial Planner licensee who has met high standards of financial planning professionalism and abides by a Code of Ethics.

5. ***Interview more than one planner:*** Ask them to outline their education, experience and specialties, the size and duration of their practices, how often they communicate with clients, and whether assistants handle client matters. Make sure you feel comfortable discussing your finances with the individual you select.

6. ***Check the planner's background:*** Depending on his background, call his professional associations to check on his complaint record and call FPSC to see if he is a CFP licensee in good standing.

7. ***Ask for references:*** Find out if the financial planner works with any other professionals such as accountants, insurance agents or legal advisors. Request references from these individuals.

8. ***Know what to expect:*** Ask for a registration or disclosure document detailing method of compensation, conflicts of interest, business affiliations and personal qualifications.

9. ***Get it in writing:*** Request a written advisory contract or engagement letter to document the nature and scope of services the planner will provide. You should also understand how the planner will be compensated.

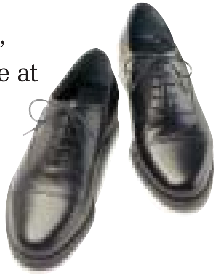
10. ***Re-assess the relationship regularly:*** Financial planning relationships are quite often long-term. Review your relationship on a regular basis, making sure your planner understands your needs as they change and develop over time.

Where to find a CFP Licensee

Today there are more than 13,000 CFP licensees in Canada, and over 60,000 in fourteen countries around the world.

CFP licensees work in every segment of the financial services industry – in banks, credit unions, the securities industry, insurance companies, full-service financial groups, accounting firms and private practices.

For more information on how to find a CFP licensee, consult the FIND A FINANCIAL PLANNER database at **www.cfp-ca.org** or contact FPSC at **416.593.8587**



CFP™

Partner Organizations

Certified General Accountants Association of Canada

Certified Management Accountants of Canada

Canadian Association of Insurance and Financial Advisors

Credit Union Institute of Canada

The Canadian Association of Financial Planners

The Canadian Institute of Chartered Accountants

The Canadian Institute of Financial Planning

CGA Certified General Accountants Comptables généraux accrédités

CMA CANADA

THE CANADIAN INSTITUTE OF FINANCIAL PLANNING™

CUIC CREDIT UNION INSTITUTE OF CANADA

The Canadian Association of Financial Planners

CA Chartered Accountants of Canada

Canadian Association of Insurance and Financial Advisors CAIFA®

Certified Financial Planner.™ Take the next step.

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