

The Seven Stages of Planning *A Financial Tale*

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**I dedicate this book to all the hard-working
advisors who help to provide financial security
to Canadians.**

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About the Author

With well over 40 years of experience in the field of financial planning, Kam Chari has provided personal planning advice for many Canadian clients of a major insurance company.

Kam started as an advisor after obtaining his Master of Business Administration degree. He moved on to provide estate-planning recommendations to clients of the firm's financial advisors. Later, he spent eight years at the company's head office providing tax support to advisors. He also assisted in the development and support of financial planning programs for advisors and financial planners of the institution and for a number of years was involved in writing comprehensive financial plans for clients of advisors. After retirement, he acted as a consultant to a multi-advisor corporation dealing with personal financial planning.

Kam is a Certified Professional Accountant and has a Certified Financial Planner designation. He is a member of the Society of Trust and Estate Practitioners and has the Trust and Estate Practitioner designation. He is also a Registered Financial Planner and has completed the Canadian Securities Course and Registered Health Underwriter course.

Preface

In my 40+ years of financial planning work, I have provided recommendations for many and varied family financial situations.

Numerous books on financial planning are available, with even more information available on the internet on the various aspects of a financial plan. The problem with all this information is the need to wade through it and determine what applies to your situation. There's no easy way to do that. In this book, I bring together the various aspects of a financial plan and arrange the information according to different stages of life, inspired by Shakespeare's *As You Like It*.

It is, however, always prudent to use the services of a trusted financial advisor to guide you and your family for long-term financial planning and implementation.

Introduction

The term *financial planning* elicits diverse reactions. Some people get a glazed look in their eyes because they associate the term with complex figures and baffling statistics. Others become indifferent because they think financial planning is only for people with pots of money. Nothing could be further from the truth. Financial planning is for all. People with a wealth of assets have professionals working out the necessary plans for them. Average Canadians who do not have that kind of help must take care of their own financial lives. In this book, I highlight the need for effective planning by using the story of a fictitious family to illustrate the kind of planning you may have to do at various stages of life.

Debt, education, retirement, taxes, and estates are some of the aspects of financial planning. I have analyzed these and many other aspects using client situations I have encountered in my financial planning practice, so the circumstances I describe here provide a practical, real-life view. In each situation, I have provided my recommendations through the lens of a planner.

Financial planning is not like arithmetic, where there is only one right solution. In financial planning, often several solutions may work – that's part of what makes it complex. In Part I of the book I've described what I feel is a good course of action, using

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straightforward examples and illustrations for easy understanding. (Note that everything is presented using today's purchasing power.)

To keep the solutions in Part I simple, I have expanded the details of various financial solutions in Part II. Because the particulars of these financial solutions – both financial “buckets” and strategies – change from time to time as a result of legislation and other factors, I have provided directions for finding up-to-date details and unbiased information on the internet, where applicable. I've also included a list of books on financial planning and related topics at the end of the book for those who want to pursue this further.

Depending on your goals and your circumstances, the details you may need to take care of may be numerous and confusing. Often, people seek a professional such as an accountant or a lawyer to help them with these details. These people are very well qualified to implement a plan. These days, financial planning is such a specialized field that the use of a trusted financial advisor who is able to look at the complete financial picture is not just prudent, it's virtually required. A good advisor is like a coach. They will talk with you to understand your objectives or goals, motivate you to reach them, help you navigate the various stages of the planning cycle, and optimize your finances.

Choosing a Financial Advisor or Planner

Choosing the right financial advisor is a very important step in achieving financial security. In addition to managing your money, a good advisor should provide comprehensive planning advice. The Government of Canada provides some guidelines – search for “choosing a financial advisor” at Canada.ca. That page identifies the four steps a good advisor should take:

- Assess your current situation
- Determine your current and future goals and needs
- Advise on the financial products and strategies that are right for you
- Review and update your investments periodically

Some people contend that they can do their own planning and purchase the investments and other products they need, and indeed some can. It's great when they succeed! But most of us, even if we have the knowledge, may not have the time.

Generally, we don't act as our own doctors or lawyers, but when it comes to investments and financial planning, many people don't hesitate to do it on their own. The expression “Someone who acts as their own lawyer has a fool for a client” may seem harsh but the idea is valid. Choose an advisor who is trustworthy and who has the right qualifications.

So who qualifies as a financial advisor? Again, the Government of Canada website provides some guidance, stating that in provinces other than Quebec, there are few clear, specific rules, and anyone can call themselves a “financial advisor” or

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“financial planner.” So consumers must rely on education, training, experience, and certifications to determine whether someone is qualified. The government states that financial planners, a type of financial advisor, may have three common designations: Certified Financial Planner, Personal Financial Planner, and Registered Financial Planner; each designation has different requirements. In 2020 , FP Canada (formerly the Financial Planning Standards Council) introduced a new certification program to help Canadians to access suitable advice. So don't be afraid to ask prospective financial advisors about their education.

In addition to the qualifications listed above, individuals with designation such as Chartered Life Underwriter (CLU) and Chartered Financial Analyst (CFA) have an extensive planning background and could qualify as financial advisors.

Many financial and investment companies provide their advisors with financial planning software, along with extensive training. Some companies require advisors to complete a plan before offering a solution to a client.

The best way to choose a planner is often through word of mouth or a reference from a friend or family member.

Part One

Prologue

In Shakespeare's comedy *As You Like It*, the character Jaques delivers the famous monologue beginning "All the world's a stage." In it, he describes the seven stages of life:

All the world's a stage,
And all the men and women merely players;
They have their exits and their entrances,
And one man in his time plays many parts,
His acts being seven ages. At first, the infant,
Mewling and puking in the nurse's arms.
Then the whining schoolboy, with his satchel
And shining morning face, creeping like snail
Unwillingly to school. And then the lover,
Sighing like furnace, with a woeful ballad
Made to his mistress' eyebrow. Then a soldier,
Full of strange oaths and bearded like the pard,
Jealous in honour, sudden and quick in quarrel,
Seeking the bubble reputation
Even in the cannon's mouth. And then the justice,
In fair round belly with good capon lined,
With eyes severe and beard of formal cut,
Full of wise saws and modern instances;
And so he plays his part. The sixth age shifts
Into the lean and slippered pantaloon,
With spectacles on nose and pouch on side;
His youthful hose, well saved, a world too wide