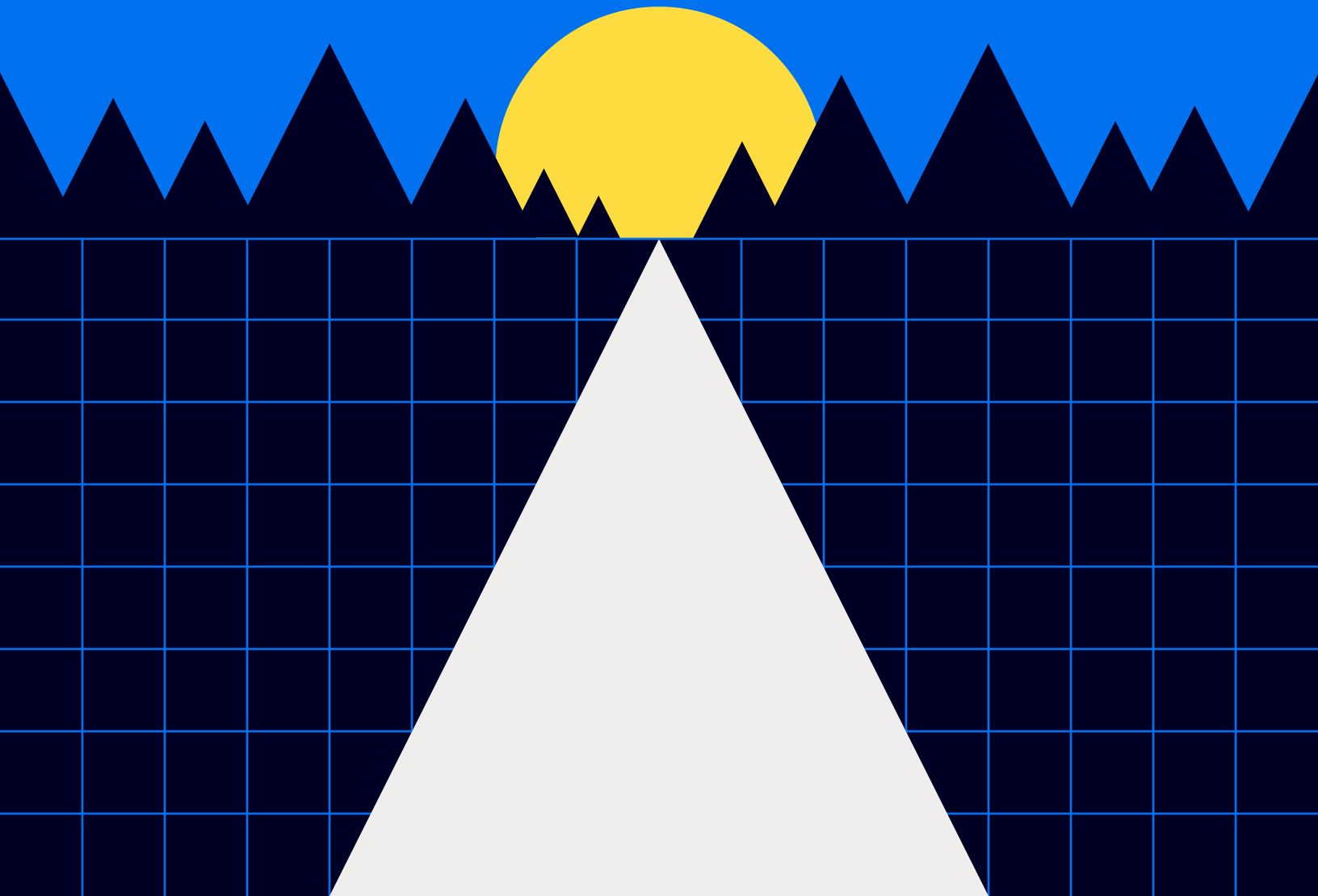




# A FINANCIAL PLAN, YOUR ROADMAP TO FINANCIAL FREEDOM

2023 Reference Guide





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# WHAT IS A FINANCIAL PLAN?

In its most basic form, a financial plan is firstly an analysis of your current financial situation, including net worth and cash flow today. Secondly, it contains a synopsis of your short-, medium- and long-term financial goals, plus strategies and recommendations on how to achieve those goals. Financial plans are never a one-size fits all template. It should be customized to reflect your unique circumstances.

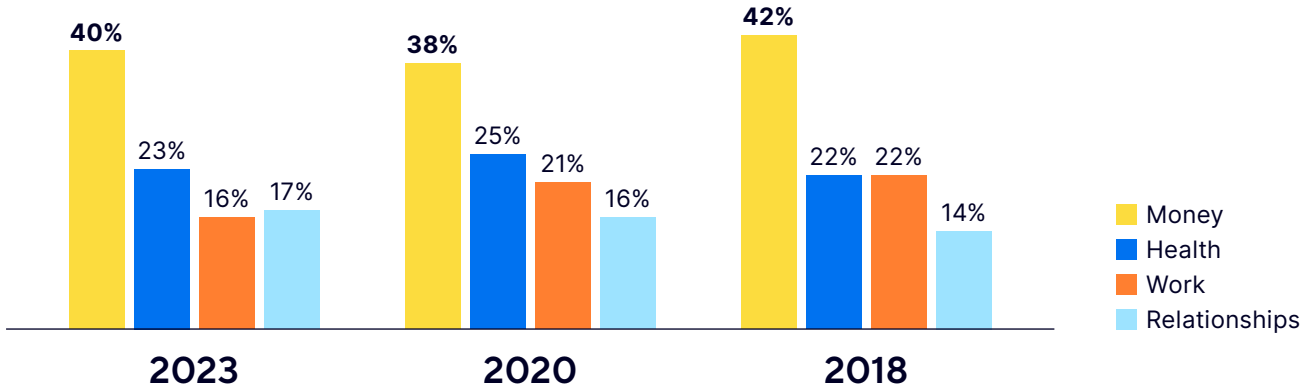
At your discretion, an in-depth financial plan can encompass the following:

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|--|---|
|  <b>Personal financial management</b> | This is the start of your financial planning journey. It involves general financial goal setting, understanding your cash flows, budgeting and credit management.   |
|  <b>Retirement strategy</b>           | This is your roadmap to accumulating sufficient assets to support your planned retirement lifestyle spending needs.   |
|  <b>Major purchase strategy</b>       | Items such as vehicle replacements, home renovations/repairs, or recreational property purchases represent a significant lump sum use of cash and need to be budgeted for, in addition to lifestyle spending.   |
|  <b>Education planning</b>          | Are you assisting a child or grandchild with post secondary education? You need to forecast the expected expense and accumulate assets to fund it.  |
|  <b>Risk management</b>             | Can you afford to self insure the risk of a loss of income to your household in the event of disability or death? A comprehensive needs assessment will analyze your disability income, survivor income and lump sum needs in order to estimate an appropriate level of insurance coverage. |
|  <b>Investment planning</b>         | An investment plan assesses the suitability of investments given the time horizon of specific goals and your risk tolerance.  |
|  <b>Tax planning</b>                | Includes strategies on minimizing and deferring personal and corporate taxes to the extent allowed under the Income Tax Act.  |
|  <b>Estate plan</b>                 | Addresses how you want your assets to be managed during your lifetime and how you want them dispersed upon your death. A properly executed estate plan can make the distribution of assets more efficient with less cost and potentially reduce income taxes on death.                      |
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# THE BENEFITS OF A FINANCIAL PLAN



Surveys completed by Leger, on behalf of FP Canada,<sup>1</sup> have consistently found that money is the number one cause of stress amongst Canadians.<sup>2</sup>



Source: FP Canada, Financial Stress Index

So what can be done to lower your financial stress? The Financial Stress Index survey found that those working with a financial planner are less likely to rank money as their main worry.



Source: FP Canada, Financial Stress Index

<sup>1</sup>FP Canada is the certifying body for the Certified Financial Planner® or CFP® designation in Canada

<sup>2</sup>FP Canada. Financial Stress Index. Retrieved from: [fpcanada.ca/planners/2023-financial-stress-index](https://fpcanada.ca/planners/2023-financial-stress-index)

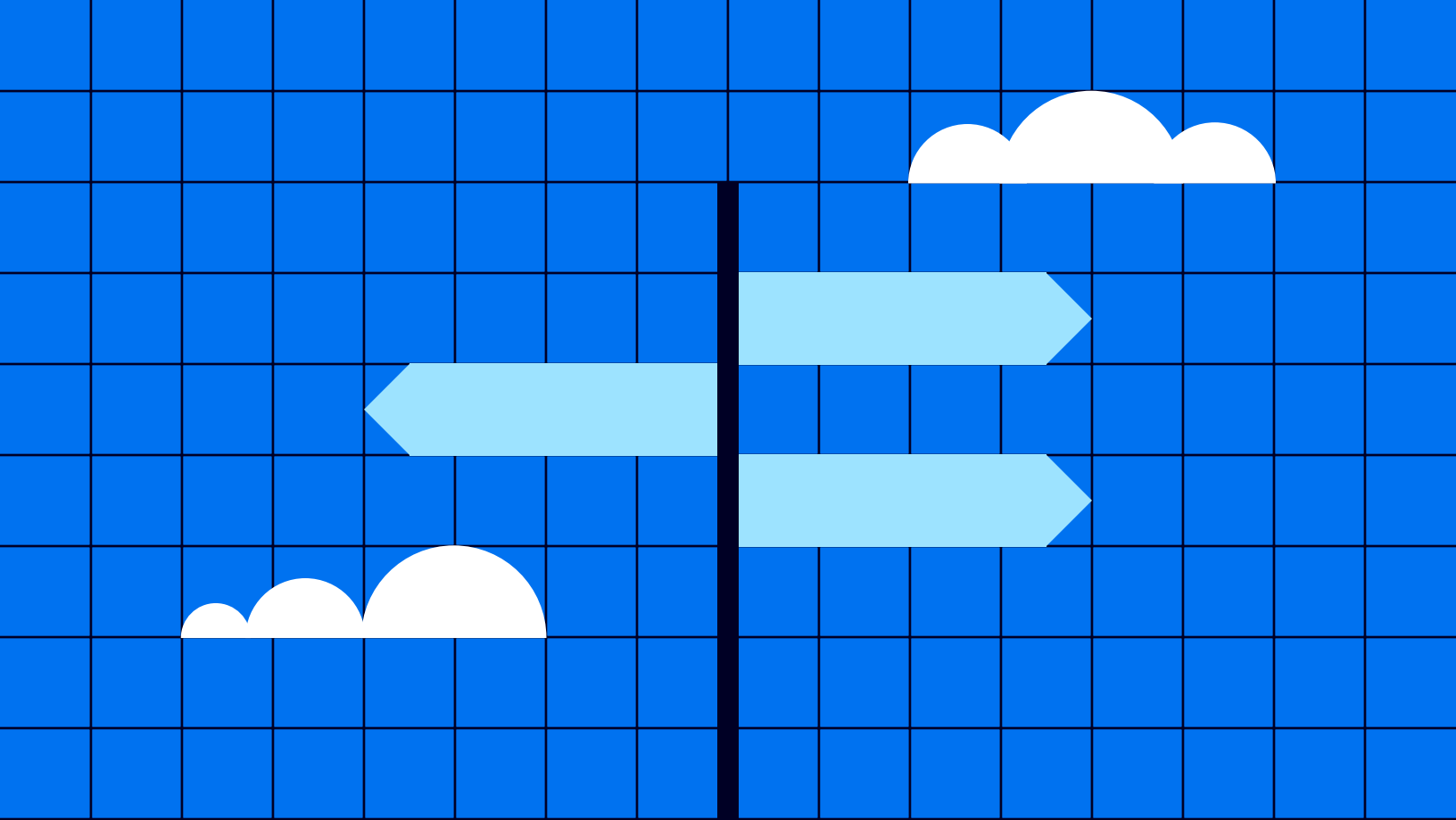
# THE FINANCIAL PLANNING PROCESS

There are six steps as recommended by FP Canada in the planning process:

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<b>1</b> Establish the client/ planner engagement	<b>You and your planner should:</b> <ul style="list-style-type: none"><li>• Discuss the scope of the client/planner engagement</li><li>• Agree on how decisions will be made</li><li>• Clarify the responsibility of each party</li></ul>
<b>2</b> Determine your goals and expectations	<b>You and your planner should:</b> <ul style="list-style-type: none"><li>• Investigate your values and preferences</li><li>• Define your personal and financial goals, needs and priorities</li></ul>
<b>3</b> Clarify your present financial status	<b>Your planner should:</b> <ul style="list-style-type: none"><li>• Analyze your information to assess your current situation</li><li>• Identify any problem areas or opportunities with respect to your goals</li></ul>
<b>4</b> Develop and present the financial plan	<b>Your planner should:</b> <ul style="list-style-type: none"><li>• Develop and prepare a financial plan tailored to meet your goals and objectives.</li><li>• Present the plan to you</li></ul> <b>You and your planner should:</b> <ul style="list-style-type: none"><li>• Work together to ensure that the plan meets your goals</li></ul>
<b>5</b> Implement the financial plan	<b>You and your planner should:</b> <ul style="list-style-type: none"><li>• Work on implementing the recommendations discussed (if that's what you want)</li><li>• This may involve coordinating contact with other professionals such as accountants, insurance agents, or lawyers</li></ul>
<b>6</b> Monitor the financial plan	<b>You and your planner should:</b> <ul style="list-style-type: none"><li>• Agree on who will monitor and evaluate whether your plan is helping you progress toward your goals</li></ul>

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## WHAT TO EXPECT

Your planner may provide you with a letter of engagement for your signature. It will outline the scope of your plan and the rights and responsibilities of each party. It may also include disclosures on their compensation and privacy policies.

It is important to know that not all planners can provide expert advice in all planning areas, as many require years of study and experience. Your planner should articulate their strengths and weaknesses. If an area is important to you, your planner may be able to leverage experts within their own organization, or provide a recommendation to an outside subject matter expert.

Advice is only good advice when you do something with it. Failure to act, or delays in acting on recommendations outlined in a plan, means the projected outcomes may no longer be valid and the ability to reach your goals may be impacted.

Ensure your plan is reviewed and revised regularly, particularly in the event of major life changes. Financial plans are living documents - they need to evolve as your goals and needs do. Ensure you review your plan regularly, to ensure the assumptions you made at the outset of the planning process still hold true over time. If not, it's time for a revision.

# PREPARING FOR YOUR FIRST FINANCIAL PLANNING MEETING

Your planner will need to consider and evaluate the relevant aspects of your goals and objectives. This can include: cash flow and credit management, investing, tax, retirement, estate planning or risk management. A planner will need to analyze the interdependence across your various financial objectives, which may at times conflict with one another. There are some steps your household needs to undertake when commencing the financial planning process to ensure a meaningful end result for you:

## STEP 1

**As a household, spend time quantifying (assign a value to) and qualifying (describe or characterize) your financial goals (retirement, education, major purchase, debt repayment, even your legacy).**

Assign dollar values and timelines to all goals. Rank your goals in order of importance. Determine if you are willing to forgo or defer some goals, in lieu of others, in the event of a funding shortfall.

## STEP 2

**Complete a detailed review of your household's current cashflow.**

This includes sources of cash (income, both taxable and non-taxable, current and future) and uses of cash (saving, spending, contractual obligations such as debt repayment). Determine if amounts will change over time, i.e. decreases in cash outflow as your mortgage is paid off, increase in cash outflow in retirement due to more travel, or lump sum needs, etc. **A correct cashflow outlook is the number one driver of plan accuracy.**

## STEP 3

**Gather information.**

Including but not limited to:

- Current income, including tax returns, both personal and if applicable corporate tax returns and employment benefits including incentive compensation
- Assets and liabilities, including recent investment statements
- Wills and incapacity documents
- Insurance policy statements
- Pension statements (both private and government pensions)
- Special circumstances you want your planner to be conscientious of when completing their analysis

Providing these documents to your planner assists them in creating a correct picture of your current situation and greatly improves the accuracy of any planning assumptions, leading to better quality analysis.

## STEP 4

**Commit to the process and to implementing any recommendations.**

Your first financial plan will usually require two or more meetings. One for information gathering and review of your goals and objectives and a second where the results of the analysis completed by your planner is reviewed with you. If material changes occur during the process, advise your planner, so they may incorporate them into your plan.



# THE RIGHT ADVICE TO REACH YOUR GOALS

The right advisor helps you see your full financial picture clearly and creates a financial plan that grows with you through life's changes. Your ATB Wealth advisor will take the time to understand your unique goals and priorities to craft a financial plan that's true to you. Deeply personalized service gives you confidence that you're on track and moving forward with actionable steps to reach your goals.

**Plan for what's next with a trusted expert.**

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