



The Financial Plan — A Valuable Road Map

As a High Net Worth investor, you may have dismissed the need for a financial plan. Don't overlook the benefits of this valuable road map.

A financial plan can act as a powerful planning tool. It provides a personalized financial roadmap to help guide an investor towards reaching their financial goals. It evaluates an investor's current and future financial state, based on existing and predicted cash inflows, outflows and asset values. It also considers an investor's financial needs and priorities, and provides a strategy to achieve those objectives. A comprehensive plan can include many elements, such as investment and tax planning, risk management, insurance planning, retirement planning, business succession planning and estate planning.

Some high net worth individuals believe that because they have sufficient assets to meet any expected needs, they do not need a financial plan. Yet, having greater wealth doesn't necessarily translate to greater optimism for longer-term financial well-being. In a global survey conducted by the Economist Intelligence Unit, over half of Canadian high-net worth investors surveyed were worried about protecting their future wealth. Those at the highest wealth range (C\$6.4M or more investable assets) expressed concerns that competing financial priorities could inhibit them from achieving their financial goals.¹

As such, long-term planning can play an important role in managing wealth regardless of net worth, and a financial plan can be an integral starting point. Does it make a difference? Recent reports suggest that 71 percent of Canadians who have a financial plan in place are more confident that they will be able to meet their standard of living in retirement. This compares to only 32 percent who had no plan and felt the same way.²

Here are some of the possible outcomes of having a comprehensive financial plan in place:

Better defines financial goals. Engaging in the financial planning process may help individuals to refine goals or prioritize competing financial priorities. For spouses who jointly share a financial plan, it may help to align financial perspectives and achieve agreement on future goals.

Promotes better management of finances. With a clearer understanding of cash inflows and outflows and their timing, investors may gain a better understanding of how they can manage their money on a regular basis. The planning process may also help to effectively consolidate financial accounts or streamline the investment management process.

Helps with contingency planning for unexpected life events. A financial plan can help to build in safeguards to better protect an investor. It may identify potential contingencies that may not have been previously accounted for, such as long-term care or longevity planning.

May identify opportunities to maximize wealth. Throughout the financial planning process, new wealth-building opportunities may be uncovered for wealth accumulation, wealth preservation or eventual wealth transfer. For high-net worth individuals, this is especially important because wealth positions can often be more complex, due to having a larger

and potentially more complex asset base, business ownership or extended families. By having a comprehensive view of the bigger picture, different strategies or tactics may be identified, including specialized investment strategies, tax-efficient planning, the use of insurance for wealth or estate planning and business-owner tax, retirement or succession planning.

Identifies potential risks. It isn't uncommon for investors to overlook the potential impact of various risks on their investments, such as market risk, interest rate risk or inflation risk into their future plans especially if these risks aren't prevalent today. A financial plan can address potential risks and build in contingencies for the future.

Allows for progress to be measured based on defined goals. Once a plan is in place, different checkpoints can be put in place with measurable goals to help track progress or determine if changes are needed.

Seek Advice

Having a complete picture of your finances can offer insight and analysis into the financial decisions you are making, and how your investments and other financial affairs are structured to help you achieve your future goals. It is never too early — or too late — to create a financial plan, or revisit an existing plan if your personal circumstances have changed. If you need assistance, please don't hesitate to get in touch.

1. <https://eiperspectives.economist.com/financial-services/shifting-landscape-global-wealth-future-proofing-prosperity-time-upheaval/article/long-term-planning-can-help-allay-canadian-investors-concerns-future>; 2. <https://www.canada.ca/content/dam/fcac-acfc/documents/programs/research-surveys-studies-reports/canadian-financial-capability-survey-2019.pdf>