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MRS

Working Together For Your Future

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TEN STEPS TO ESTABLISHING A PERSONAL FINANCIAL PLAN

Taking Control Of Your Financial Future

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The wide variety of financial products and services available today provides a number of ways for you to secure your financial future. Even so, the road to financial freedom requires an accurate map that will let you plot a journey, monitor progress toward your destination, and change directions if you venture off course. Your Financial Advisor can help you to establish a personal financial plan that can become the cornerstone of your financial future.

BY TAKING AN ACTIVE ROLE IN YOUR OWN FINANCIAL DESTINY, YOU INVEST IN YOUR FUTURE.

YOUR TEN-POINT PLAN: THE BASIC ELEMENTS

1. KNOW WHERE YOU STAND. KEEP YOUR NET-WORTH STATEMENT CURRENT.
2. DEFINE YOUR FINANCIAL GOALS BASED ON PERSONAL NEEDS AND WANTS.
3. KNOW HOW MUCH MONEY YOU NEED – NOW AND AFTER RETIREMENT.
4. INCREASE DISCRETIONARY SAVINGS BY DECREASING YOUR EXPENSES.
5. PAY YOURSELF FIRST.
6. EXPAND YOUR KNOWLEDGE OF FINANCIAL ISSUES.
7. REDUCE OR DEFER INCOME TAXES WHEREVER POSSIBLE.
8. DEVELOP A SOUND PLAN FOR YOUR ESTATE.
9. ADJUST PLANS AND GOALS AS YOUR CIRCUMSTANCES CHANGE.
10. ESTABLISH A CLOSE WORKING RELATIONSHIP WITH A FINANCIAL ADVISOR.

IF YOU FAIL TO PLAN FOR YOUR FINANCIAL FUTURE, YOU MAY BE PLANNING TO FAIL.

This financial proverb may be overly dramatic, but it is nonetheless true. Before you can build success through your investments, you must know where you are, where you want to go, and how to get there. In the view of many Financial Advisors, these ten key points should form the basis of any personal financial plan.

Take a good look at your overall financial situation at least once a year.

An up-to-date net-worth statement is the starting point for any financial plan. It will tell you what you own, what you owe, and – when you compare to previous years – how quickly your net assets are growing. So keep yours current. Reviewing it regularly will force you to focus on the bigger picture, and not on the performance of one or two investments.

Set objectives based on realistic assumptions for now and the future.

Fundamentally, we all have the same needs for food, shelter and clothing. But what we want varies widely. Both considerations are key to establishing personal financial goals. Be honest with yourself in deciding what you are looking for today and at retirement. If you can't afford your dreams, adjust your expectations now.

Establish precise dollar requirements as a basis for investment decisions.

First, assess how much it costs to maintain today's lifestyle. Then, project this number to the date of your retirement to see the impact of inflation on your cost of living and income requirements down the road. Finally, determine the investment returns you will need to earn on your current assets to provide a nest egg that will allow you to live after retirement in the style you have chosen.

At the same time, establish regular financial checkpoints that will assure you are on track between now and the time you retire. Remember: if you cannot see the benefits of financial planning, it can be difficult to maintain your commitment over the years.

Cut costs as a matter of necessity – or opportunity.

The most fundamental way to increase your net worth at any time is to spend less of the income you earn. Your assessment may establish that reducing personal expenses – and increasing the amount available for investment – is essential to achieving your long-term financial goals. Or it may simply tell you how much more you can have at retirement by cutting back today on non-essential expenses. Either way, knowing where your money is going is an important consideration in any financial plan.

Whatever your income, make sure that you are the first beneficiary.

Some Canadians fatalistically invest "what's left" at the end of the month. Unfortunately, this approach means you are last in line to benefit. It can make the fundamental assumption that all expenses are a fact of life, essentially beyond control. A better approach is to "pay yourself first". This means establishing a realistic fixed amount as the initial deduction from every paycheque – and setting this aside for investment. If you have a shortfall at the end of the month, reduce expenses accordingly… not the dollars you plan to invest.

Invest from a position of knowledge.

An informed investor is a better investor. And you can build your knowledge base in just a few hours a week. Start by regularly reading the financial pages of your daily newspaper and subscribing to a specialized financial publication or two. In addition, visit the library or local bookstore regularly to pick up some of the current financial best-sellers. Finally, consider taking one of the many courses on investing offered in your community.

Make tax-efficient investing a priority.

Paying taxes is one of the realities of life. But, with sound planning, you can pay considerably less in tax and invest the difference. Among other things, sound planning includes taking maximum advantage of tax-sheltered investments such as Registered Retirement Savings Plans and Registered Retirement Income Funds.

Keep your estate in mind.

Depending on your point-of-view and personal circumstances, estate planning may or may not seem important. But, regardless of how much you want to leave to your heirs, this much is true: everyone should have a will – and without some planning, your estate will pay more tax to the government than would otherwise be necessary. And remember, estate planning may also have implications for your investments. So be sure to discuss this subject with your Financial Advisor.

Be flexible.

Life has a way of dealing out surprises that can outdate today's assumptions. This dictates that your plan should be adjustable and not carved in stone. There's nothing wrong with changing directions, as long as you know why you're doing it, what the tradeoffs are, and the longer-term implications within the overall plan. So be sure to factor changes in life circumstances into your plan on an ongoing basis.

Work in co-operation with a Financial Advisor you trust.

It should be apparent by now that establishing and implementing a financial plan takes time, knowledge and the detached perspective that only a third party can bring. Your independent Financial Advisor has the specialized skills and experience to work co-operatively with you to bring your plan to life. He or she will make a commitment to thoroughly understand your needs and to assist you throughout the entire process.

FOR MORE INFORMATION

There are few guarantees in life, but here's one: by talking to your Financial Advisor about a financial plan, your chances of financial freedom will improve dramatically.