ProQuest

How to prepare for your annual check-up

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Abstract (Summary)

Even the best laid plans can go astray if you don't monitor your progress. That's why one of the keys to making sure that your financial dreams actually come to pass is the annual review. This is where you get to sit down with your planner to explore how realistic the current financial plan is, what's changed over the past year, and what, if anything, is going wrong. At this review your adviser will probably want to address whether or not there have been any significant changes -- in your life or your finances -- since the initial meeting. The annual meeting is a great way to make sure you're not veering off course, but Lenore Davis, partner at Victoria-based financial planning firm Dixon, Davis & Co, says you should track your progress all year long. By reviewing your major concerns and future goals, you're more likely to maximize the benefits of hiring a planner.

Full Text (1734 words)

Even the best laid plans can go astray if you don't monitor your progress. That's why one of the keys to making sure that your financial dreams actually come to pass is the annual review. This is where you get to sit down with your planner to explore how realistic the current financial plan is, what's changed over the past year, and what, if anything, is going wrong.

At this review your adviser will probably want to address whether or not there have been any significant changes - in your life or your finances - since the initial meeting. He or she will want to review any new shortterm plans, such as a kitchen renovation, that could significantly impact your cash flow. Your planner will also check to make sure your spending is in line with the proposed plan. Finally, your planner may go over the legal components of your plan, such as your power of attorney documents and wills to see if they need updating, and review your insurance (life and home) to make sure you're not over- or under-insured.

The annual meeting is a great way to make su re you're not veering off course, but Lenore Davis, partner at Victoria -based financial planning firm Dixon, Davis & Company, says you should track your progress all year long. She suggests a financial diary in which you can make notes throughout the year about what's working and what isn't, or jot down items you want to bring up at the review. "Then periodically throughout the year, review what you've written down."

Right before your appointment with your planner, go back through your notebook and create a list of actions you still need to take, and flag any questions or concerns you would like to address. This will give you more control over what's addressed at the annual meeting, plus it will send a message to your adviser that you expect a bit of back-and-forth dialogue on issues that are important to you.

When you're keeping your diary, you can make note of anything you want, but you should be sure to include the following:

* your current and future job situation (particularly early termination or a recent promotion or big raise)

* any changes to your retirement plans (such as when you hope to retire, and what you want to do during your golden years)

* any changes in marital status or family situation, including separation or divorce

* thoughts about moving (from a smaller home to a bigger home, or to a different city altogether)

* questions about purchasing additional property (such as a cottage)

* any changes to your debt (the amount, the interest rate, where it's held)

By reviewing your major concerns and future goals, you're more likely to maximize the benefits of hiring a planner - such as seeking advice on certain decisions, or asking his opinion on different options. It's the primary reason why Lance Howard, founder of Lance Howard Group in London, Ont., encourages his clients to seek advice on any decision that involves a large sum of money. "My role isn't to talk you out of spending money, but to remind you of how your current decisions will impact your future goals."

For instance, one long-term client phoned Howard recently agonizing over a new can purchase. He didn't know if he should accept the 0% financing option from the dealership, pay for the car outright from his portfolio, or avoid the cost of car ownership by taking a lease offer instead. "I ran a few scenarios and helped him to make a decision that fit with his longterm financial goals," says Howard. "At the end of the day, he iust wanted to know: 'Can 1 afford this? Do I have options?' I was able to answer that question, and help maximize his savings." As Howard constantly reminds the people he works with - you're paying for the advice, and it's not limited to life-altering events.

In fact, while annual reviews are important, having access to your adviser's expertise all year round is one of the biggest benefits to hiring a financial planner. "Annual reviews are in place for your adviser to report back to you, but two-way communication throughout the year is critical for a good, long-term relationship," says Davis. She says a professional planner will welcome emails and phone calls throughout the year. "Life happens in between review meetings, so contact - both formal and casual - is critical."

Karen Diamond, partner at Diamond Retirement Planning in Winnipeg, agrees. "I love it when people contact me before making a major decision. I consider it an asset because you're contacting me when something is on your mind, and that's the most relevant time to discuss significant choices."

She adds that advisers "are not parents - we're not going to slap you on wrist when you want to spend." Instead, your planner will help you to figure out the impact of your decision on your current financial plan, then try to find the most sensible way to execute the decision, if that's your wish. Consider it a sober-second opinion from a professional with your best interests at heart.

[Sidebar]
SHOOT TO SCORE
GOOD FINANCIAL GOALS ARE SPECIFIC, ACHIEVABLE, AND HAVE A DEADLINE
Examples of good financial goals:
"I want to retire at age 58"
Choosing a specific age to retire at helps your planner calculate how much you need to save each year in order to reach your goal. It also affects how you should invest now and in the future in order to minimize your risk. Finally, a specific year helps to make the goal seem more real and achievable.
"I want to buy a house or cottage in three years"
Not only will giving your planner lots of notice for shorter-term goals ensure that you're saving enough, it can also affect whether your savings are invested in your RRSPs or not, and how risky those Investments should be.
"I want to pay for half of my children's university education"
Your planner can help you set up an RESP and calculate how much the government will contribute through the Canada Education Savings Grant. You might find you need to save less than you think.
"I want to be debt-free in two years"
Your adviser will help you find ways to lower your expenses and consolidate your debt at a lower interest rate, which will make achieving success much easier.
Examples of poor financial goals:
"I want an 8% return"
The return you get on your investments is a means to an end, not an end in itself. It's far better to say, "I want to retire at age 55" - then figure out what kind of return you'll need to achieve that goal.
"I want to beat the stock market"
Again, beating the stock market shouldn't be a goal in Itself. Besides, no one - not even your planner - can actually guarantee a return that's higher than what you'd get on a GIC. If you're set on beating the stock market just for the thrill of doing so, talk to your planner about setting up a special fund that will allow you to speculate on the stock market without putting your main portfolio at risk.
"I don't want to worry any more"
This isn't a bad start, but it's not specific and actionable. Work with your planner to figure out exactly what it is that's worrying you. Your real goal is to fix that problem.

[Sidebar]
5 REASONS FINANCIAL PLANS GO WRONG
GIVE YOUR PLAN A FIGHTING CHANCE BY AVOIDING THESE COMMON MISTAKES
Your financial plan can get sidetracked for a lot of reasons: a market crash, an unexpected illness, a pension that goes bust. But the following five pitfalls are preventable - avoid them and you can at least give your plan a fighting chance.
1. You don't follow your plan

The best plan in the world won't do you any good at all If you don't follow it. If you find yourself ignoring your plan completely, you probably have a deeper problem. It could be that you're simply not ready to change. Or perhaps you haven't yet identified the right goals. Don't feel you have to adopt the same financial goals as everyone else. Whether it's starting your own business, taking a year off to explore Africa, or retiring to Paris, find the goals that most inspire you, and you'll find sticking to your plan much easier.

2. Your plan is too ambitious

The main symptom of an unrealistic plan is perpetual overspending, says Karen Diamond, partner at Diamond Retirement Planning. If you consistently go over budget - even by just 10% or 20% - that will have a big impact on your long term projections. It's better to have a more realistic plan that you stick to than an overly ambitious plan that you can't follow. Consider asking your adviser to draw upa new plan that requires a bit less saving.

3. You expect sky-high returns

Your adviser probably isn't the next Warren Buffet, no matter how much you wish he were. That means you should expect market returns at best for equities, and less for fixed income. Better to plan for market returns and be pleasantly surprised if you exceed your expectations than to count on making 12% a year and find out later that you'll never meet your goals.

4. Your priorities have changed, but not your plan

Your life is a work in progress, and you'll experience many unexpected twists and turns along the way. Your plan should be a work in progress too. As you age and your priorities change it's important to let your adviser know so your plan can evolve with you.

5. You're not talking to your planner enough

Probably the most damaging - and most preventable - plan saboteur is a communication breakdown between you and your adviser. "You have to keep working on the relationship and staying in touch," says Diamond. She suggests making a list of your top concerns and questions and connecting with your adviser regularly by email, phone, or at the annual face-to-face review. "If you have a communication breakdown, then other problems soon arise and before you know it, the plan and the partnership are derailed."

[Sidebar]
Annual meetings are the norm, but don't be afraid to call or email throughout the year

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