

WHEN SHOULD YOU ENGAGE A FINANCIAL PLANNER?

By Dave Faulkner, CLU, CFP



Canadians love to label certain money related deadlines as seasons. Each new year kicks off with RRSP season, followed by tax season in March and April. The problem with ‘seasons’ is that unless you plan for them well in advance, when the seasonal storms hit it will be too late to do anything to improve your situation. This is true with weather and personal finance. So, to help you get a jump on your personal finances, I suggest May and June be called Financial Planning season.

With the rise of online investment and tax software, it is becoming easier to simply make an RRSP contribution in February and then file your tax return in April to get the refund. RRSP contributions and tax refunds are just a part of your overall financial situation – doing these basics as efficiently as possible won’t guarantee you success. When it comes to financial planning advice there are many situations where the savings offered by technology cannot replace the value provided by a financial professional.

Here are 6 situations where you should consider engaging the services of a professional financial planner:

You have a lot of debt

Having a lot of debt usually means that you must service that debt. Making monthly payments to credit cards and lines of credit mean that you may not be able to save for your future. A financial planner can help you prepare a cash flow plan to get you out of debt, saving you thousands in lost interest payments that you can use to invest in your future.

You own a company

Investing as an individual and investing as a corporation are similar in many ways. With both you need to create a risk profile and select investments, but the added complexity introduced in recent Federal budgets has created several problems relating to investment income. In these situations, it is important to work with a financial planner to ensure your investments are managed properly.

You had a change in your family situation

Managing your risk exposure to an unexpected financial loss due to death, disability, and health issues requires careful planning. Getting married, divorced, or having a child are all major life events that can impact your financial situation. A financial planner can formulate a plan that prioritizes your needs, protects your family, and ensures all your financial goals are achieved when major life events occur.

You have US citizen connections

Income taxes impact all areas of your finances, but if you are a US citizen or related to a US citizen by way of birth or marriage, there are many tax obligations you will need to address. A financial planner can help to identify the issues and guide you through the many steps to ensure you and your estate are not burdened by unnecessary taxes and fees.

You are nearing retirement

Retirement planning is so much more than asset allocation and risk tolerance. The strategies you used to grow your retirement nest egg will not be as effective once you transition from saving to spending. A financial planner will provide advice and guidance on the best strategies to maximize after-tax income while preserving the wealth you have created.

You are part of a blended family

When you or your spouse have children from a previous marriage, there are several legal aspects related to obligations or entitlements that will impact your estate. A financial planner can help you clarify your objectives, develop strategies, and prepare an estate plan that distributes your assets according to your wishes.

Advice and Retirement Income Study

There are a lot of financial technologies that claim to offer the same level of services as those provided by financial professionals, but at a fraction of the cost. The future value of this cost difference is used to highlight how much you will lose to fees over your lifetime, but cost should only be a consideration in the absence of value.

The [Advice and Retirement Income Study](#) profiled an average married couple and compared investing with a low cost robo-advisor to engaging a professional to prepare a financial plan. What the study concluded was the value added by hiring a financial planner amounted to \$1,000,000 in additional after-tax income in retirement.

For people who are both knowledgeable about, and engaged in managing their finances, online tools may be a good choice, but for everyone else the value added by the services of a qualified financial planner can make all the difference in the world.