Chapter 1

Tips for achieving your financial goals

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In this chapter, we offer a primer on financial planning with emphasis on how taxes can affect your ability to meet your family's financial goals. We also point out tax planning ideas in this book that may help you to achieve these goals. Given the importance of financial planning for your retirement, this area is discussed separately in Chapter 20.

1.1 Developing your financial plan

For many Canadians, financial planning can be both daunting and mystifying — but it shouldn't be. Whether you're going to school or work, starting a family, running your own business or getting ready to consider your retirement options, it's important to set a realistic timetable for achieving your objectives and marshal your financial resources to support your plan. Of course, you may find opportunities to strengthen your financial discipline by changing your expectations, paring down your current lifestyle or simply prioritizing expenses. But having a sound financial plan will likely ease your financial anxiety by giving you a realistic picture of your family's finances and providing a clear path to achieve your goals.

Create a financial plan and stick to it.

Tax planning to manage your family's overall tax obligations should be an integral part of your family's financial plan. While this book is full of ideas about how to save taxes, it's important to start with an overview of the financial planning framework in which your tax planning should take place.

1.1.1 Define your financial and lifestyle goals

Writing out your dreams is the first step towards making them a reality. Start by listing out what you want to achieve and when you want it. It's a good idea to discuss things over with your spouse or common-law partner, if you have one, to make sure that you are both committed to the same financial objectives. You might also involve your children—they could even develop their own plan to enhance their own financial literacy.

Define your short-, medium- and long-term goals.

While your list should take into account your family's well-being and future financial security, be sure to include any desired lifestyle items like a vacation home, major renovations, a luxury car or a swimming pool. If you've always wanted to take a sabbatical from work to, for example, start your own business, write it down. You may also want to consider ways to build your investment strategy (see 1.1.4), common financial goals (see 1.2) and important financial safeguards (see 1.3).

When you have completed your list, divide it into short-, medium- and long-term goals and rank them in order of priority within each section. Set a timeframe for meeting each goal. Then do a bit of research and estimate the cost of achieving your goals, making sure to account for inflation. You may want to talk to a financial planner or accountant to help you with the numbers. Don't let the amounts overwhelm you—over time, compound growth can provide significant returns on your investments.

Once completed, your list will serve as a guide for directing your savings and investments and act as an indicator of your progress. Since your personal and financial circumstances and goals are bound to change, it is important to revisit your list once or twice a year and revise it to reflect new priorities, changing timelines and achievements.

1.1.2 Track your net worth

Now that you have a better idea of where you want to be in the future, the next step is to take a snapshot of where you are financially today—your net worth. Calculating your net worth is simply a matter of adding up your total assets (what you own) and then subtracting your total liabilities (what you owe). The resulting figure is the springboard for most aspects of financial management and planning.

It's also a good idea to separate your assets by ownership. Keeping track of whether certain assets are owned by you, your spouse or jointly can help in determining potential strategies for income splitting (see Chapter 5) and estate planning (see Chapter 21).

A close look at your assets will show you whether most of your assets are personal items, such as your home or your car, or investment assets, such as savings accounts, shares and mutual funds. Your review should also indicate how liquid your assets are and help you determine whether your investments are sufficiently diversified to balance expected rates of return with the degree of risk you are prepared to take (see 1.1.4).

Similarly, a close look at your liabilities may indicate whether your insurance coverage is adequate (see 1.3.2) and how your debts are affecting your bottom line. As we'll see in 7.2.3, interest incurred for personal reasons on credit cards, consumer loans and mortgages is not deductible for tax purposes, while interest on loans taken out to purchase income-generating investments or earn business income may be deductible. As a result, the interest on your consumer debts may cost you more than the return on your investments. Where possible, you should try to pay down your consumer debts first, giving priority to those with the highest interest rates, and try to make sure that all loans you take out in the future are for a tax-deductible purpose.

> Track your net worth and cash flow, and set an annual growth target.

Updating your net worth calculation once or twice a year is a good way to track your financial health and progress toward achieving your financial goals. For example, if you can increase your net worth by 8% each year, your net worth will double every nine years. Ways to increase your net worth include:

- improving the rate of return on your investments
- investing more of your income by spending less on discretionary items and minimizing taxes
- reducing your debt by paying off your consumer and other high-rate loans and accelerating your mortgage and other debt payments.

1.1.3 Cash management and budgeting—the cornerstone of financial planning

The formula for accumulating the necessary funds to achieve your financial goals is no secret. Unless you expect to inherit money or win a lottery, the way to start building wealth is to save and regularly invest a portion of your income. Thanks to compounding, your investment assets can grow exponentially over time. The more savings you invest and the longer you invest them, the greater your net worth will be.

One effective way to increase your net worth is to gain better control over your savings and expenses with a personal or family budget. First, list out the amounts of money you expect to receive through your work or other sources, then enter the amounts you pay out monthly for living expenses, such as rent or mortgage payments, groceries and entertainment. This will allow you to realistically assess your cash flow and help you prioritize your spending.

Considering this information and any non-recurring expenses, set your budget for the next month or the remainder of the year. Once your budget is set, review it regularly for reasonableness and compare your actual spending against it.

Without making lifestyle changes, there is usually little you can do about your rent or mortgage payments, car payments and other fixed expenses. However, preparing—and sticking to—a budget will probably reveal many opportunities to easily reduce your discretionary expenses such as travel, entertainment and gifts. For example, changing where and how you shop can reduce your expenditures. Though not required, there are plenty of excellent phone and computer apps that can help you create and monitor your family budget.

Save systematically by "paying yourself first".

When preparing your budget, don't simply plan to save the amount left over at the end of each month—chances are there won't be as much left as you intended. Instead, get into the practice of saving a fixed amount of at least 10% of your income at the beginning of each month (or some other period) and using the balance for your expenses. Commonly known as the "pay yourself first" plan, this technique helps you save systematically and resist impulsive or needlessly expensive purchases. Although it may take a few months to get used to having less cash readily available, you will probably be surprised at how quickly you will adjust. Consider having your financial institution automatically transfer your savings amount to a separate account, registered retirement savings plan (RRSP) (see Chapter 3) or Tax-Free Savings Account (TFSA) (see 4.1) on a monthly or other regular basis.

Once the maximum CPP/QPP and Employment Insurance premiums have been deducted from your employment income for the year, you should also consider directing the extra cash then available toward your savings or paying down debt (especially debt with non-tax deductible interest). Your take-home pay will stay the same, and you will be better off. Similarly, if you pay off a car loan, you could direct the same amount of your payments towards your savings without noticeably affecting your cash flow.

1.1.4 Develop an appropriate investment strategy

Build an investment strategy that suits your unique circumstances and needs.

Today's economic realities are forcing Canadians to take care of their own financial health. Even with professional advisers, most investors should take an active interest in their investment activities.

Modern investment wisdom suggests that it's not what you select but from where you select it. Known as "asset allocation", this process works as well for $10,000 as it does for $1 million. Simply put, asset allocation is the process of deciding how to invest a pool of resources among a broad array of assets. The process also helps you stick to your financial plan and avoid making rash decisions as rates of return go up or down. It is typically considered the single most important part of managing a portfolio.

Asset allocation involves three decisions. The first decision entails selecting between asset classes: cash, fixed income and equities.

The second decision includes determining market exposure—in many cases, you may consider diversifying your investments geographically. Canada represents only a small portion of the world's capitalization, and substantial investment opportunities are considered to exist beyond our borders. Today, global investments are available through a variety of mutual funds and low-cost exchange-traded funds.

The last asset allocation decision is currency exposure. For example, if you held U.S. funds while the U.S. currency was depreciating against the Canadian dollar, you may have realized a loss if you converted to Canadian funds at a higher rate than you purchased the U.S. funds. Investing in U.S. currency may be advantageous for Canadians with recurring U.S.-denominated expenses for travel or vacation properties located in the United States.

"Hedging" is an investment strategy through which an investor attempts to manage the various risks in a portfolio by holding different currencies in markets that are expected to move in opposite directions. Since hedging transactions require sophisticated knowledge of global markets, investors may instead choose to invest in a hedge fund to achieve additional diversification.

Along with these three decisions, asset allocation may be strategic or tactical. Generally, strategic asset allocation takes a long-term view and divides a portfolio among several asset classes according to the inherent risks and rewards of each asset. However, tactical allocation consists of short-term market predictions that could last an hour or a day. This type of allocation often proves difficult because variables used in selecting the asset mix continually change and the portfolio must be adjusted to keep up with market movements. Other disadvantages may include higher fees, lack of liquidity in esoteric markets like precious metals, and the potential to misread economic signals.

While there is no perfect asset allocation for any one person, there are definitely inappropriate allocations. The following tips can help you achieve the right mix.

Determine your objectives and risk tolerance—Before you make any investment decisions, determine your objectives and risk tolerance and decide your asset allocation. Risk tolerance is influenced by factors such as your age, your family situation and investor personality. For example, a 55-year-old with two dependent teenage children may have a dramatically different risk tolerance than an empty-nester or single person of the same age. Also, if you have a defined benefit pension plan, the amount of risk you will accept with your RRSP may differ from that of someone whose RRSP is their only retirement savings vehicle.

Risk tolerance should also reflect your ability to replace losses. A person with a high net worth may be able to weather a loss of $50,000 in the market. But for a retiree with a fixed pension, such a loss could be devastating. Asset allocation has to be a function of your investor profile and risk tolerance. If it's right, you should sleep well in any market environment.

For a discussion of revising your investment strategy as you approach retirement, see 20.2.2.

Consider your total portfolio—Many investors make a classic mistake at the outset by separating their registered investments from their non-registered investments. However, in an asset allocation decision, it is irrelevant whether investments are in an RRSP or other registered plan. You should consider your total investment portfolio holistically so that the right proportion of your total assets can be allocated according to your allocation model. Once you have completed your asset allocation, then you can decide, from a tax perspective, which investments are more effective to hold inside your RRSP (see 3.1.6) or TFSA (see 4.1).

Plan for a long horizon and stay on course—Once you have determined your asset allocation, plan to let your investments grow for at least five to seven years, long enough to go through an average full market cycle. Many investors often make the mistake of buying what's hot because they think it's a great time to be in the market, then panic and sell as soon as the investment loses value. A disciplined approach to long-term asset allocation will probably give you higher returns in the long run.

Pay attention to fees—Be aware of management fees and commissions. A saving in fees of 1% per annum on a $100,000 investment earning a 6% annual return for 10 years could save you well over $15,000. You can't control the market, but you can control the fees and commissions you pay. If you don't know the amount of your fees, make sure to ask your investment adviser or financial institution holding your investments. You may want to benchmark those fees against others to ensure you are not overpaying and inherently reducing your overall rate of return. Over the long term, the compounding effect of excessive fees can adversely affect when you achieve your goals.

Inflation is a risk—Inflation is a factor you cannot control. Depending on the rate of inflation, it can be a costly mistake to think of money in nominal terms instead of its real value. If your money isn't growing, you're losing it. Consider a $1,000 investment earning an average rate of return of 6% per year. After 10 years, the investment will be worth $1,790, but inflation will have eroded its real value. Assuming an annual inflation rate of 3%, this erosion will amount to $450 by the end of the 10th year, bringing the investment's real value down at that time to $1,340.

Rebalance annually—One of the most important steps in managing your investments is to regularly rebalance your portfolio according to your asset allocation. This approach, when applied with discipline, allows you to manage your investments for profit, by selling high and buying low.

For example, you may have previously decided that an investment mix of 40% in stocks and 60% in bonds met your objectives. However, due to a prosperous economic period, you find that the stock component of your portfolio grows to 55% while bonds now represent only 45% by value. According to strategic asset allocation, you should use those profits to rebalance your original mix so that when the economy reverses—as it always does—you will be positioned to take advantage of the change.

Set benchmarks for measuring the performance of your investment portfolio and your investment manager.

Choose the right investment firm and monitor your investments' performance—Select an investment firm or adviser that fits your circumstances and needs, and has strong and consistent long-term performance compared to its competitors. Your investment policy should establish appropriate benchmarks for your particular asset mix, such as market indices, to judge the performance of your investment portfolio and your investment manager. See 1.4 for general advice on choosing your professional advisers.

Don't try to outsmart the market—Focus your attention on getting your asset allocation right and then try to keep your costs at a minimum within each asset class. Make sure you are well diversified. Be consistent in your investment style and stick to your plan. Don't think that what happened in the past will happen in the future. In the financial market, history rarely repeats.

1.2 Some common financial goals

1.2.1 Planning for your children's education

Having a college diploma or university degree can greatly expand your children's range of occupational opportunities and will probably enhance their future earning power. But with dwindling government support and tuition fees continuing to rise, it can be costly for a child to go to college or university. If your child decides to move away from home to study or attend an institution outside Canada, the cost can increase significantly. Most of us would be hard-pressed to finance these costs out of current income, so planning is crucial.

Like any financial planning endeavour, decisions about funding your child's education should be made with an eye toward the effects of taxation. There are several common options you should consider to reduce your family's overall tax burden so that more funds will be available to finance your child's education.

Contribute up to $2,500 annually to an RESP and earn a 20% government grant.

Registered Education Savings Plans (RESPs) can be effective education savings vehicles, especially due to the availability of Canada Education Savings Grants (CESGs). Under this program, the government will provide a grant of 20% on the first $2,500 of annual contributions made in a year to an RESP. As such, the grant may be worth up to $500 each year for each beneficiary, giving you an easy extra 20% return on your first $2,500 of contributions each year per beneficiary. For low- and middle-income families, the CESG grant may be even higher. The maximum lifetime grant is $7,200 per beneficiary. The RESP rules are discussed at greater length in Chapter 4.

As an alternative or in addition to an RESP, you could invest in tax-efficient growth mutual funds in your child's name. Any income from these funds is normally taxed under the preferential rules for capital gains (see Chapter 6) or dividends (see Chapter 7). Any capital gains distributed by the fund or realized on the sale of the fund will be taxable in your child's hands at your child's lower tax rate (or not taxed at all if their income is low enough). Until your child turns 18, the dividends and interest will be taxed in your hands due to the attribution rules discussed in 5.2.3; however, assuming you have selected a tax-efficient mutual fund, this will usually amount to a small proportion of the fund's overall return. Choosing a non-registered mutual fund provides some investment control and flexibility—there are no restrictions on the use of the funds and there is no limit on the amount that can be deposited.

For a child with a disability, you may be allowed to establish a Registered Disability Savings Plan to provide for their future financial needs, including education (see 4.6).

If you receive the Canada Child Benefit (see 2.3.2) for 2022, consider depositing the payments to an account in your child's name. As with RESP funds, these deposits may add up to a significant investment over time and, since the rules that prevent income splitting discussed in Chapter 5 don't apply, any investment income will be taxed in your child's hands, if at all. You may wish to withdraw the balance from the account annually and purchase higher-yielding investments on your child's behalf (see 5.3.12).

Another strategy to consider if interest rates are rising is to split income by entering into a family loan with your child via a family trust (see 5.3.4 and 21.5.4).

1.2.2 Encouraging your child to invest

If you have a child who works part-time (e.g., summer employment) with an income below the federal basic personal tax credit amount ($14,398 for 2022—see 2.2) and the Canada Employment Credit amount ($1,287 for 2022) that can be earned tax-free, consider filing a personal income tax return for them. By reporting this earned income, your child will build up RRSP contribution room that may be useful in a later year when they become taxable (see 3.1.3). This approach can be especially helpful when your child is in the teenage years and can expect to earn much more income in the future, since any unused RRSP deduction room is carried forward indefinitely. If your child has cash available (and your financial institution can set up a plan), they may contribute now to start enjoying tax-free investment growth but delay claiming the related tax deduction until a later year when your child has enough income to be taxable. Alternatively, if your child is over 17 and has a social insurance number, they could consider putting savings into a TFSA (see 4.1).

Encourage your children to invest the money they earn.

Instead of giving your child money that may just be spent, consider having them start an RRSP. The amount you can contribute may seem minimal—only 18% of the child's earned income from a summer or part-time job, plus the $2,000 lifetime overcontribution if the child turned 18 in the prior year (see 3.3.4). But the funds in the RRSP will enjoy tax-free compounding, which will accumulate significantly over time. For example, assuming a 6% cumulative rate of return, $1,000 a year invested in an RRSP each year beginning at age 16 will grow to $13,972 by the beginning of the year in which the child turns 26; at age 30, the RRSP will grow to $24,673, and if the annual contribution is made until the child retires at 65, the RRSP will be about $273,000. Because the same principles discussed in 1.1.4 apply, ensure that you have an appropriate investment strategy in place for your child and their RRSP. You can even encourage them to get involved in the process to build their financial literacy.

There are also options for splitting income with children, which are covered in Chapter 5. These strategies can significantly lower your family's overall tax burden and help your child become financially independent.

1.2.3 Buying a home

If you are renting your home, instead of buying, you may be missing out on a potential investment opportunity. A home can be a reliable hedge against inflation, a great retirement savings vehicle and an effective tax savings strategy—as we'll see in 6.5.2. If you own a home and sell it for a gain, the gain is usually tax-free as long as it has been your principal residence for income tax purposes and the disposition is properly reported.

So if you can afford to buy a home, you should generally not rent. However, due to recent high house prices in some markets, you may want to consider renting for a while longer if you expect prices to decline in your area. If you are renting while you are saving for a home, consider moving to less expensive rental accommodations and saving more toward your down payment. The sooner you start putting your money toward a mortgage the better off you'll be.

Think about using RRSP funds for a down payment on your first home under the Home Buyers' Plan.

There are some important tax planning ideas and other issues that prospective home buyers should consider. If you are buying your first home, you may qualify for a 15% tax credit on up to $10,000 of your costs (see 2.7.3).

If you qualify, the Home Buyers' Plan can be a possible source of cash for financing your down payment. If you are saving to buy your first home, think about using your RRSP as your savings vehicle; if you qualify under the Home Buyers' Plan discussed at 3.3.6, you can generally withdraw up to $35,000 as a loan from your RRSP to buy or build a home, without counting the withdrawal as income for tax purposes. You must then repay the loan over 15 years without interest, starting in the second year following the year you made the withdrawal.

If you do plan to withdraw RRSP funds under the Home Buyers' Plan, consider making your RRSP contribution for the year at least 90 days before you make the withdrawal to preserve your ability to deduct the contribution amount. If you are depending on your RRSP for retirement income, you should forecast the decline in income that would result from the loss of the tax-free compounding when you withdraw a large chunk of RRSP funds now and pay it back over 15 years. See 3.3.6 for a more detailed discussion of the Home Buyers' Plan.

You should also consider the new tax-free First Home Savings Account, which is available starting in 2023. This account gives prospective first-time home buyers the ability to save up to $40,000 to purchase their first home (see 4.8).

Once you have a mortgage, consider accelerating your mortgage payment schedule to reduce the amount of interest you'll pay over the life of your mortgage.

Increase the frequency of your mortgage payments to reduce your mortgage interest.

Accelerating your payment schedule doesn't necessarily mean that you will be shelling out any more cash than you do now. Here's the trick: figure out how much you can or want to pay each month and multiply that amount by 12. This is your annual payment. Then divide this number by 52 to determine the amount to pay weekly.

Over the course of a year, your total mortgage payments will be identical, but more frequent payments will reduce your principal more quickly and reduce your overall interest cost.

Another way to save on mortgage interest is to maintain your original payment level when your mortgage comes up for renewal, even if interest rates have fallen. Also, each time you renew, consider increasing your payment by whatever you can commit—even an extra $50 or $100 will save you money in the long run.

1.2.4 Vacation properties

Buying a cottage, ski chalet or vacation home can provide years of enjoyment for your family. A recreation property can also be a sound investment. You may save on your family's vacation costs or offset some of the property's costs by renting it out when your family is not using it. As long as market demand remains steady, the value of your vacation home could rise significantly during the time you own it.

Whether you plan to keep the property in the family or sell it for future gain, bear in mind that capital gains tax (see 6.2.1) may apply on the difference between the property's cost when you bought it, plus capital improvements made, and its fair market value when you sell it or at the time of your death (or your spouse's death). The longer you own your cottage, the bigger the gain is likely to be.

Plan to minimize capital gains tax on dispositions of vacation homes.

To avoid leaving your survivors with a tax bill, which they may have to fund by selling the property, consider purchasing enough life insurance to fund the taxes that will arise on your death. You may be able to shelter some of the gain on the property's sale on your death (or your spouse's) through the principal residence exemption (see 6.5.2). You may be able to protect future gains from tax by transferring the property to one of your children or to a family trust (see 6.5.2 and 21.5.4). Consider also our more general discussion of estate planning in Chapter 21.

There are additional considerations when you are a Canadian resident but your vacation property is situated in the U.S. In this case, the double hit of U.S. estate tax and Canadian income tax arising on death can carry a potentially high tax burden. The Canada-U.S. tax treaty may ease the potential for double taxation, but, as discussed in 19.4, some rather complex tax planning may be required and you should seek professional tax advice.

Whether your vacation property is in Canada or the U.S., it's important to keep track of the property's adjusted cost base and capital improvements for tax purposes (see 6.2.1).

1.3 Preserving your family's financial security

Achieving your financial goals can be delayed or derailed by unexpected changes of circumstance. A comprehensive financial plan should include measures to address risk and protect your family's financial security.

1.3.1 Do you have a line of credit and/or an emergency fund?

Set up an emergency fund or line of credit.

In today's business environment, unexpected job loss is always possible. In addition to your cash flow, job loss can also affect your company-funded benefits and pension plan. Generally speaking, you should have an emergency fund large enough to handle the loss of a job for six months to one year. Money market or T-bill funds and cashable guaranteed investment certificates are good places to park emergency reserves.

Another way to provide an emergency fund is to establish a line of credit with your financial institution. Be careful to only use it when necessary, because the interest you'll incur will be non-deductible for income tax purposes and you will have to repay it according to the line of credit's terms.

1.3.2 Do you have enough insurance?

If you haven't reviewed your insurance needs with your financial advisers lately, consider booking an appointment. It's important to regularly check in to determine the appropriate amount and form of your insurance coverage in various areas, including property loss, death, disability, sickness, personal liability and liquidity crisis.

Make sure you have adequate insurance and a current will.

A review of your financial plan should consider your need for life insurance. In the event of your death, life insurance may be critical for providing replacement income for your dependants and for funding your estate's tax and other liabilities. Life insurance plays many other important roles in estate planning. Some tax planning and other issues involving life insurance are discussed in 21.7.

One of your most valuable assets is your ability to earn income through employment or self-employment. Review your need for disability or critical illness insurance—if you become disabled, the financial consequences can be devastating. Most disability insurance policies do not provide a level of income over and above what you need for basic ongoing living expenses. In the long term, this could leave you without enough funds set aside for your retirement since disability income usually stops at age 65.

Make sure you have sufficient insurance to protect you from significant financial loss due to damage or destruction to your home, automobile or other personal assets. Without adequate coverage, the distress caused by such losses could be compounded by irreversible damage to your family's finances. Depending on your occupation or circumstances, you should also assess your need for other forms of insurance such as health, commercial and professional or director's liability coverage.

1.3.3 Is your will up to date?

Have you and your family members reviewed your wills within the past two years, or has there been a change in your family circumstances? Are your wills structured in a tax-efficient manner? If you die intestate (without a will) your assets will be distributed according to provincial law, possibly differently from what you would have wished. Be sure to seek advice from a lawyer (or a notary in Quebec) to ensure your will is legally valid and accurately reflects your wishes. You should also consult a tax adviser for assistance in reducing your estate's tax liability, including probate fees and U.S. estate tax.

For a more detailed discussion of the role of your will in planning for the orderly distribution of your estate and saving taxes on death, see 21.2.

1.3.4 Do you have a power of attorney?

A power of attorney for property allows you to designate a person who will take control of your financial affairs if you become incapacitated due to illness or injury. If this happens and you do not have a power of attorney, control may yield to a provincial public trustee, which can restrict your family's ability to access your financial resources.

A power of attorney for personal care is someone you designate to make decisions about your health care, housing and other areas of your personal life if you become mentally incapable of making those decisions for yourself.

Powers of attorney are usually limited to decisions regarding your health care, property and finances. In some provinces (including Ontario and Quebec), you can empower different people to make decisions about your property and about your health care and medical treatment.

Like your will, your powers of attorney should be prepared with professional advice—consider having both drawn up at the same time.

Note that a power of attorney operates only while you are alive. Once you die your will takes over, and your executor will manage your estate's affairs.

Consider a power of attorney.

Changes in your personal circumstances could necessitate changes to your powers of attorney—it's a good idea to review them periodically.

In some cases, a trust can be an effective alternative to a power of attorney (see 21.5.4).

1.4 Selecting your professional advisers

Financial planning is broad in scope, and you may need advice from professionals with expertise in different areas. For some financial decisions, it's worth the expense to invest in professional advice, whether from an accountant, lawyer, tax adviser, insurance broker, investment counsellor or a personal financial adviser. And in some financial planning endeavours, such as estate planning, professional legal and tax advice is critical.

Given what's at stake—your family's finances—you should take the time to shop around for advisers who are knowledgeable and experienced in their fields and with whom you feel comfortable. When interviewing prospective advisers of any profession, be sure to:

Shop around when choosing your financial and investment advisers.

- Ask for client references, preferably from three or four people in circumstances similar to your own.
- Inquire into the professional's educational background, qualifications and level of experience.
- Ask whether the adviser belongs to any professional networks and associations to determine what sorts of resources are available to them.
- Make sure that you understand the fee arrangement and how the adviser is compensated.
- Be cautious of advisers whose objective may be to sell you investments, tax shelters, insurance or anything other than independent advice.

The level of assistance you need from your advisers depends primarily on the complexity of your affairs and your own knowledge of financial matters. You will get better value for the fees you pay to your advisers if you spend some time up front educating yourself. After all, it's your money and you must ultimately take responsibility for its handling and performance.

If you have a spouse, be sure that they are acquainted with your advisers, since your spouse will need to deal with them in the event of your death or disability. It is also a good idea to keep an up-to-date list of your advisers' names and phone numbers in one place, perhaps in the same place as your will and list of assets.