

Professional Referrals

-- Financial Planning --

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Planning



**Probably the best
investment you could
ever make**

Graham Cook
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Strategic long-term planning can have a significant impact on the well being of your family, your lifestyle throughout retirement and on your ability to maximize the utility of your assets. Once understood, it is plain to see why financial and investment planning is something that can benefit everyone.

Conceptually, financial planning is the process of achieving your life goals through the proper management of your finances. Practically speaking the process incorporates:

- financial and goal analysis,
- risk evaluation,
- investment planning,
- portfolio design,
- an Investment Policy Statement,
- retirement planning,
- will and estate planning and
- the essential action plan for implementing recommendations.

Proper investment planning has nothing to do with product sales. It is a technical and relational process whereby efficient portfolios are designed to match the long term needs of individuals based on a number of assumptions.

A custom and strategic portfolio is designed and fitted with an appropriate tactical rebalancing overlay.

The key component of this procedure is called the Investment Policy Statement or IPS. The IPS will document the portfolio design, vehicle suitability, parameters, assumptions, performance benchmarks and the guidelines for making ongoing rational and beneficial investment decisions. Eliminating performance chasing and the natural bias to emotion driven decision making is essential.

Today advanced financial management combines sophisticated wealth enhancement strategies with Modern Portfolio Theory and the six step planning and investment process. It is my opinion that most people would be best served in this area by working [at least periodically, as required] with a certified investment manager and a certified financial planner, preferably someone who holds both the CFP and CIM, or CFA designation.

Unfortunately, there are relatively few people in the financial industry that have this combination of advanced training. In fact there are in the region of 80 to 100 thousand individuals in Canada who offer financial services and/or sell financial and insurance products. Of these, approximately 16,000 are licensed as Certified Financial Planners or CFPTM. Even fewer individuals, approximately 6,000 hold the Canadian Investment Manager or CIM designation.

According to 2003 statistics [see: Financial Planning Standards Council website] less than 1,000 people in Canada currently hold both the CFPTM and the CIM designation.

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A properly conceived & well executed financial plan will provide substantial rewards and life-long benefits much like an investment in higher education. To make the most of your assets and to provide yourself with the highest probability of meeting your long term goals you must have a strategic financial plan. The one thing you will find in common amongst all those who get the very most from their capital is a plan that brings definition, direction and context to all of their financial decisions.

The ideal arrangement from your perspective would be a "fiduciary" relationship, one where the advisor makes a written commitment to act exclusively in your best interests - but that is a topic for another time.

Until then ..Caveat Emptor.

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