A LITTLE ADVICE can go a long way

AN ADVISOR CAN HELP YOU REACH YOUR FINANCIAL GOALS

Determining what your financial goals are, let alone achieving them, can be overwhelming. Seeking support and advice from a professional can go a long way towards helping you define and reach your objectives.

Some people don't seek the advice of an advisor when they make decisions that affect their long-term financial well-being. Why? They may be unaware of all the services and resources these professionals provide.

Let's start by dispelling the myth that advisors are only for rich people. Whatever your net worth, and whether you are just starting out in the workforce or beginning to think seriously about retirement, you can benefit from consulting an advisor.

An advisor begins by completing an analysis of your financial situation. Based on that assessment, the advisor can create a comprehensive plan of action to help you meet your financial goals. A good financial plan will include a review of many things, including life insurance, disability coverage, critical illness protection, wills, estate planning, debt management, investments and retirement savings.

An advisor can only do an effective job if he or she has a complete picture of your finances. You are sharing very confidential information, so the relationship between you and your advisor should be comfortable and trusting. Ideally, it should also be an ongoing one that lasts for many years.

It's also important for you to be realistic about your expectations. Seeking help from an advisor doesn't mean you'll get double-digit investment returns or magically eliminate your debt. A continuing financial review should be part of your lifestyle, just like your annual check-up with your family doctor.

Take a few minutes to meet with your advisor to ensure your financial plan is on track. And if you don't yet have a financial plan, it's never too late to create one.

HOW DO ADVISORS GET PAID?

Your advisor should put in writing how he or she is paid for the services he or she provides. Advisors can be paid in a number of ways:

Commission: In some cases, the suppliers of financial products, such as an insurance company, pay the advisor a commission. In other cases, you pay the commission. For example, if you buy shares of a publicly traded company through your advisor, you pay a commission that is usually a percentage of the amount invested.

Salary: Some advisors work for a company that pays them a salary. The advisor's employer may get its revenues from fees paid by clients, or from commissions paid by clients making a purchase or the suppliers of financial products.

Fee-for-service: Advisors paid on a fee-for-service basis may charge an hourly rate, set a flat rate for a specific service or be paid a fee based on a percentage of your assets or income.

In some cases, an advisor's compensation can be a mix of fees and commissions. You should ask if the advisor or organization receives any benefit other than commissions, such as advertising and promotion subsidies, from suppliers of financial products.

THE VALUE OF ADVICE

(based on a recent survey[1])

- On average, advised households (those with an advisor) will have more assets than non-advised households (those without an advisor), and the longer they have advice, the greater the percentage increase in assets over non-advised households becomes
- A significant number of non-advised households believe they must have more than $50,000 in assets in order for an advisor to work with them
- 71 per cent of advised households got an advisor when they had less than $50,000 in investable assets
- Advised households averaged a 5.9 per cent higher savings rate than non-advised households
- Advised households are more likely to believe they'll be prepared for retirement

[1] CIRANO Study 2012 – Econometric Models on the Value of Advice of a Financial Advisor,© Claude Montmarquette, Nathalie Viennot-Briot. CIRANO is an inter-university research center bringing together over 190 professor-researchers active in a variety of disciplines. Survey based on feedback received from 3,610 Canadian households. All participants were between the ages of 25 and 65 and had at least $1,000 in financial assets and a household income of less than $250,000.

Solutions

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