

Integrated financial planning

One couple's

There comes a time when a couple will need to prepare a common financial plan. Take the Duvals, for example. In planning for their retirement, they found out that they are wealthier than they ever imagined!

In a couple, each spouse can manage their money on an individual basis. But there comes a time when they will need to discuss their combined financial future. That's what Josette and Raymond Duval chose to do on the eve of their retirement. They took advantage of integrated financial planning – a process that takes into account every aspect of a couple's finances to obtain a complete financial picture. Planning also opens the door to all kinds of information and tax rules that spouses can benefit from.

PLANNING FOR COUPLES

In practical terms, integrated financial planning outlines the links between the various areas of a couple's finances: taxation, legal aspects, estate, insurance, risk management, investments and retirement. "People often come to my office with a specific need that conceals another, more fundamental, one," explains Isabelle Lemay, a financial planner with Caisse Centre du Bas-Richelieu. "The job of a financial planner is to uncover this unknown need and to offer support to the client."

When the client has a need that requires more specialized services, the financial planner can recommend a notary, a tax expert or a financial security advisor. In other words, the couple's finances are looked after from A to Z. Integrated financial planning therefore brings with it a

clear vision of the benefits and drawbacks of each decision that is to be made. This type of evaluation serves as a valuable guideline, especially when the time comes to convert a Registered Retirement Savings Plan (RRSP) and manage investments.

The Duvals would agree. Self-employed and in their late fifties, they are already enjoying early retirement benefits and intend to retire fully at 65. They are happy to know they now have a financial plan and that Isabelle Lemay is there to assist them. "We had RRSPs and investments but we had no idea when or how to use them. This really set us free," says Josette Duval.

FOCUS ON INTEGRATED FINANCIAL PLANNING

The process assesses in greater detail the legal aspects in cases of separation, illness and death. Wills, mandates in case of incapacity, cohabitation agreements (for common-law spouses) and other documents are gone over with a fine-tooth comb to ensure that they reflect the couple's current situation. "The legal aspect is especially important for common-law spouses, especially when it comes to blended families. I explain the added value of a cohabitation agreement and how to draw one up. The document acts rather like a marriage contract by establishing the property rights of each person if they separate. It's best to discuss these issues while the couple still gets along," Ms. Lemay emphasizes.

Tied in with the legal aspects, estate planning specifies how property is to be divided after a person's death, among other details. Insurance and risk management coverage is also examined to see if the person is over- or under-insured. As for investments, the financial planner assesses whether they correspond to the individual's investor profile as well as to his or her short, medium and long-term plans.

According to Ms. Lemay, taxation is the topic that most clients look forward to discussing. "Paying less tax is a subject that always gets people going," she says. The final aspect discussed is that of retirement, where the financial planner, together with the couple, design a best-case scenario taking into account retirement age, income, investment payouts and tax implications.

YOUR BUSINESS IS MY BUSINESS

Naturally, some people will ask themselves: Does integrated financial planning mean putting all your eggs in one basket? "Not at all," says Ms. Lemay. "Nevertheless, it is important to be aware that a decision made by one half of a couple may affect the finances of the other half. As well,

Identifying trends!

Do men and women typically view money matters in different ways? "There are some trends, but none are quite clear-cut," answers Isabelle Lemay. "For instance, women tend to have a lower tolerance for risky investments. They also generally feel more compelled to look after their loved ones. With men, there is often a certain amount of insecurity regarding retirement income, even with sufficient savings. So yes, there is a common gender pattern, but that doesn't mean everyone follows it to the letter!"

story



Josette and Raymond Duval

there are countless tax provisions that a couple might miss out on if they prepare their taxes as individuals. For instance, with a joint retirement strategy you can benefit from income splitting to help reduce taxes.”

While the couple is still working, however, there is no need to manage their individual portfolios as a unit. In any event, spouses rarely have the same investment history or risk tolerance. Besides, if the two portfolios react differently to market fluctuations, this can be a distinct advantage.

“Each person can manage their portfolio according to their investor profile, but there has to be a certain logic to it. It has to be right on target when payout time arrives. It is important, therefore, to keep the concerns of the other in mind, and to respect their individual opinions,” adds Ms. Lemay. In short, integrated financial planning allows the couple to build on each other’s strengths within a common strategic framework.

MEET THE DUVALS

At first, Josette and Raymond Duval entered Isabelle Lemay’s office somewhat tentatively. “We were on our guard,” admits Mrs. Duval. “We weren’t going to tell Isabelle everything right away, but it didn’t take long before we felt we could trust her.” Mr. Duval echoes his wife’s sentiments, saying: “I don’t like to disclose my financial affairs to just anyone. Still, my friends had used this service and were satisfied, so I was a little more confident going in. I wasn’t familiar with the financial planning process. It opened new horizons and helped us see things more clearly.”

With each subsequent meeting, these insecurities melted away. As for the rest, Ms. Lemay said the decisions they had made in the past were good ones. With their investments consigned to two separate portfolios, they can now take advantage of tax reduction opportunities post-retirement. And, like so many others, the couple was surprised at the value of their holdings. “We didn’t realize

we had so much money,” says Mrs. Duval. “We had our savings, but when you see the total amount and what you expect to withdraw each year, you wonder how long it’s going to last. In reality, it will last quite a bit longer when you take government plans and income splitting into consideration.”

In the end, the Duvals were very pleased to have taken this step. They can now ride peacefully into the retirement sunset and, along the way, fully indulge in quality time with their children and grandchildren and enjoy the many trips they intend to take! **D**

Planning is reassuring!

Some people might put off meeting a financial planner for fear of being committed to a strict retirement savings and financial planning process. “Financial planning is flexible,” insists Isabelle Lemay. “People don’t have to lock themselves into a ‘one-size-fits-all’ scheme. The goal of the financial planner is to recommend several viable options that will dispel financial worries while respecting each individual’s lifestyle and objectives.”

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