Retiring in a Time of High Inflation

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SPEAKER	TRANSCRIPTION
	[00:00:00.00] [MUSIC PLAYING]
DORETTA THOMPSON:	**[00:00:11.24]** Hello, you're listening to Mastering Money, where we explore the many aspects of good financial decision making. I'm Doretta Thompson, financial literacy leader for Chartered Professional Accountants of Canada. We provide no cost programs and free online resources that help Canadians own their finances and learn the language of money. **[00:00:31.50]** This season, we're looking at retirement in Canada, and discussing ways to plan and save for a secure retirement because understanding your landscape and options are key to charting your path. **[00:00:42.83]** [MUSIC PLAYING] **[00:00:46.48]** Today we'll be talking about the impact of inflation on retirement and retirement planning. My guest is David Christianson, Portfolio Manager and certified financial planner with National Bank Financial Wealth Management. David has four times been named one of Canada's top 50 financial advisors by wealth professional magazine and specializes in building strategized financial plans based on client needs. He's a published author, professional speaker, and former radio show host, and has been a featured guest on TV and radio many times. David, welcome to the podcast and thanks for doing this.
DAVID CHRISTIANSON:	**[00:01:23.77]** Thanks very much, it's my great pleasure.
DORETTA THOMPSON:	**[00:01:27.16]** So you've been a financial advisor for a long time. And we've just been through an extended period of low inflation. Now, we've seen a significant uptick inflation hitting its highest point in decades. How is this changing the retirement conversation?

SPEAKER	TRANSCRIPTION
DAVID CHRISTIANSON:	**[00:01:46.60]** Well, it should be changing it somewhat profoundly, but I think it has to be kept in context. So I guess I'd summarize by saying that inflation should absolutely be a concern for retirees. But from a financial planners perspective, it always has been. Like even when inflation was averaging 2% to 3%, we were always taking that into account when we were doing retirement plans. **[00:02:13.60]** Because if you think of somebody retiring at 60 or 65, we hope they have 25 to 35 years ahead of them. And even at 2% inflation, purchasing power is cut in half over 35 years. The big concern right now is that if inflation were to average 7% over the next couple of decades, then purchasing power is cut in half in 10 years. So that means it would be cut in half two or three times during a person's retirement. **[00:02:42.61]** So I don't think inflation is going to average that high, I think inflation is going to come back down. But again, overall as an approach, all retirees and their advisors need to take inflation into consideration. And we can talk about sources of income and which ones respond to inflation and to what extent they do, and that sort of thing. But by and large, I think people just need to take it into consideration, but also keep it in perspective in terms of their own personal inflation rate, and we can certainly talk about that as well.
DORETTA THOMPSON:	**[00:03:17.11]** Yeah and before we dig in on inflation, I'd really like to explore that a tiny bit and explore a little bit about the assumptions we make about retirement. And what we think our financial needs are likely to be and how much money we're likely to need. When you set up a plan, and you just mentioned it and articulated it so well that you're looking at how long you think you're going to need the funds, for how much you save inflation rate in that formula. **[00:03:42.79]** And of course, we don't actually know how long we are going to need those funds, but I think sometimes what people think retirement is going to look like and how their costs are likely to increase may not be what is actually typically the case.
DAVID CHRISTIANSON:	**[00:03:59.32]** Absolutely true. And it's funny, over my several decades as a financial planner, I've heard so many different perceptions, expectations, opinions, about what retirement is going to be like, it's fascinating. Some people say, I want to spend a lot of money, do a lot of traveling over the next 10 years, and then after that, once I'm in my '70s or once I'm in my '80s, it depends on the person, they're saying I won't be spending very much at all.

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DAVID CHRISTIANSON:	**[00:04:28.31]**
	And I laugh because the previous client who was in was 88 and she's taking her entire family to Spain to walk the Camino. So you don't know how it's going to turn out, but people have these set things in mind. Others say, I'm not going to spend any money for the next 20 years because my parents or my aunt had these really high health care costs when she was older, so I'm going to save all my money for that and not enjoy my early retirement.
	[00:04:58.00]
	People have a lot of biases, a lot of preconceived notions brought about by their personal experience or the stories they've heard from others or things they've read in the internet, of course. So it's interesting that it's all like that. And so one of our roles as a financial planner is to help bring out those thoughts and preconceptions from people, help them articulate then help them be clear on what they're thinking and why they're thinking that and then try and move them a little bit more back toward objective thinking and good planning.
DORETTA THOMPSON:	**[00:05:34.85]**
	So how do you explore that with people to explore their assumptions and help them make reasonable decisions about forecasting their plan?
DAVID CHRISTIANSON:	**[00:05:44.51]**
	Well, I always like start out with some open ended questions like, tell me about your retirement, tell me about your dreams. And I've always said that as a planner, my job is to help people articulate their hopes and dreams and fears and then help them develop a realistic plan to reach those goals and protect against the dangers. So we do all of that.
	[00:06:07.28]
	So open end questions like, tell me about your retirement. What do you picture-- did your parents have a long retirement? And some of that conversation, things come out. You go, oh, that's interesting that you think that. I was looking at an interesting study out of the states last week where objectively speaking, the number one risk for retirees today is longevity risk.
	[00:06:31.00]
	You're going to live too long, you're going to outlive your money, that is objectively the number one risk. But people's perception is market risk is the bigger thing, or health risks are the bigger thing, all of those kinds of things. So again, it's just a matter of asking questions in a different way to find out what people are thinking, and then help explore that a little bit.
	[00:06:55.57]
	And if it seems like they're really off base or they've got it all wrong, we try and talk about that a little bit. But of course it's not my job to determine what's really right or wrong for any individual person. Obviously, we want to help them build their retirement in the way they want to build it, but based on some good thinking, clear thinking.

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:07:21.04]** So we do want to take a bit of a look at inflation today because it is very much in the headlines right now, it is very much a concern for people. It's interesting CPI Canada did a study recently, and 62% of the respondents said that they didn't think they'd actually have enough savings to retire at age 65, which is, I think, a very sobering kind of thought. **[00:07:46.30]** I think that the long term planning testing for inflation, these are really important things. Let's just take a second to talk about the very basic thing about what inflation is and why it matters, especially for people who are getting close to retirement in terms of their planning strategies.
DAVID CHRISTIANSON:	**[00:08:04.81]** Sure, and the first quick comment I'd make is that probably half of those people who responded in that way are unfortunately correct. There are a lot of people who don't have enough savings for retirement, they've lived for today and not done enough planning. So there certainly are a lot of people in that situation, most of them are probably not listening to this podcast right now. **[00:08:29.32]** Those are the people who've cared about these things and plan for it, and so they're probably in pretty good shape. But inflation, the component, so we hear this number on CBC radio or wherever we're listening to. And, oh, my gosh, inflation is the highest since 1991 or the highest since 1984 recently. **[00:08:48.43]** Good news is that in the past month, the inflation rate has come down a little bit. And my prediction is that it will continue to come down as supply chain issues get solved and things like that. It was a perfect storm of a bunch of things coming together to drive inflation up just as demand was returning after the pandemic. **[00:09:11.53]** But CPI, so they've got 8 or 10 components-- food, shelter, and shelter includes interest rates. So if interest rates rise, that goes up, but shelters, of course, house prices. Funny aside, at the end of July, the previous 12 months, prices for houses were up 8% in Ontario, 19% in Manitoba. Which is the opposite of everybody's perception over the last several years and it's true.
DORETTA THOMPSON:	**[00:09:41.50]** Right.

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DAVID CHRISTIANSON:	**[00:09:41.74]** The housing market in BC and Ontario is cooling somewhat, but Alberta was up 15% over the 12 months. Anyway, so that food, shelter, household operations, furnishings and equipment, clothing, transportation, health and personal care, recreation, education and reading, interesting that they have reading as a subcategory. And then alcohol, tobacco, and recreational cannabis, that's a whole category as well. **[00:10:11.98]** Stats Canada, Statistics Canada, has a personal inflation calculator that you can use. And anyone can actually plug-in their actual numbers. So for example in a certain month, food may have gone up a lot or gasoline. But in the past month, gasoline went down, it was actually a negative factor. **[00:10:35.06]** So by plugging in how much you spend on all these different things, you can get an idea of your own personal inflation rate. I did that recently just for fun, my personal inflation rate has been higher than the CPI for most of the last five years, even 10 years. But sometimes it's not. And if travel was going way up for example and you're not traveling, that doesn't really affect you. **[00:11:02.17]** If you take public transport, then a rise in gasoline prices doesn't affect you in the same way. So that's what-- when we talk about inflation, we're talking about an increase in prices. But it all gets lumped into one number. A little bit of research can explore through to all these different components.
DORETTA THOMPSON:	**[00:11:22.72]** That's really interesting. And we will include a link to the personal inflation calculator so people can figure out their own personal inflation rates. Because I think for many of us, when we're at retirement, our homes are already paid for, et cetera. There are, as you say, things that are in that number that actually don't affect us. So it may not be the same amount as the general rule.
DAVID CHRISTIANSON:	**[00:11:46.63]** Yeah, absolutely. And when you say home ownership exactly, if housing prices went up 12%, that has a big effect on the overall published inflation rate. But if you're a homeowner, that's actually a benefit to you. You've got more potential future savings if you downsize.
DORETTA THOMPSON:	**[00:12:07.55]** So how does inflation affect people's existing retirement savings, and who's most affected? Given that some people, depending on how old you are, you may have a lot of runway to make up losses or eating inflation or you may pursue a strategy that you want to protect what you have, but inflation is actually undermining it. So how does that work and who's most affected?

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DAVID CHRISTIANSON:	**[00:12:32.89]** Yeah, well, most affected are people who are close to the line in terms of having enough money to fund their retirement. So clearly, they've got less margin. If somebody has an extra million in investments, they're probably buffered pretty well from inflation. Other people who are not as badly affected are people who have most of their income made up through an indexed pension. **[00:12:58.24]** And that's not as common as it was 20 years ago, and it's uncommon for even older pensions to be fully indexed to inflation. Because in the 1970s and early '80s when inflation was 8% to 13% every year for several many years in a row, pensions just couldn't afford that compounding indexing. **[00:13:21.07]** So a lot of defined benefit pensions, the gold plated pensions that we hear about from government workers, large corporations like banks in the past, a lot of those pensions are indexed for inflation but perhaps at half the rate of inflation, or they're indexed capped at 2% or 3% a year, something like that. It's still helpful over time, but it won't keep up with the kind of high inflation we have right now. **[00:13:50.68]** Canada Pension is indexed to inflation, but the current indexing for Canada Pension is 2.7% for 2022. And that was determined based on the inflation rate over the number of years previous as measured last November. And then that took effect January 22. Old Age Security is indexed every quarter. **[00:14:16.01]** And the current quarterly indexing is at 2.8% annualized rate. So those are sources of income that are common to most Canadians. Most Canadians don't have a company Pension Plan, so they're going to be relying on investments and their retirement savings, typically are RRSPs.
DORETTA THOMPSON:	**[00:14:37.33]** And that is something that when you think about the long term financial security of Canadians, that switch from defined benefit to defined contribution pensions, is probably one of the biggest ones in terms of impact. And what it really means, and I think what a lot of people don't necessarily understand, is it puts all the responsibility for saving for your secure retirement on your own shoulders. And that's why it's important, really, to be asking these kinds of questions, understanding these kinds of issues, and where you can get help for them.

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DAVID CHRISTIANSON:	**[00:15:11.32]** Yeah, you're absolutely right. With the defined contribution plan, the risk the longevity risk and market risk are both transferred from the plan sponsor onto the member. And they may or may not be making the investment decisions every day, but nevertheless, they will benefit from or suffer from rates of return, and also, of course, how much inflation affects that, how long they work, the timing of their retirement, all of those things are factors to take into consideration.
DORETTA THOMPSON:	**[00:15:45.57]** It's really interesting to be talking about longevity as a risk factor as if it's not a positive thing. [LAUGHS]
DAVID CHRISTIANSON:	**[00:15:52.26]** It is perverse, isn't it? And it's interesting, if longevity risk is your primary concern, then a Pension Plan is great. CPP and OAS are great because they never stop until you do. So those are the sources that protect against that, investments are the other side. People can look at annuities as a source of income that they can't outlive. **[00:16:15.72]** And those are starting to become viable again as interest rates have gone up so quickly over the last year. For a long time, when interest rates were almost negligible, an annuity wasn't a really lucrative thing to look at, even though the income would never run out, but the income was so low compared to what you might have generated through stock market investments, for example. **[00:16:43.12]** So with the RRSP, you have an option of converting that money into an annuity. If you're a member of a couple, then you probably need to have that be a joint and last survivor annuity. So that if the annuity dies, the beneficiary will continue to receive income every month. **[00:17:02.43]** And if interest rates are 1% or 2%, then basically, you're just getting your own capital back over the course of your lifetime. If long term interest rates are 5% or 6%, then you've got some rate of return being generated so the monthly annuity payments that you start with will be much higher.
DORETTA THOMPSON:	**[00:17:23.01]** How do you help people set savings goals for their retirement planning?

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DAVID CHRISTIANSON:	**[00:17:29.75]** Yeah, that's the art and the science of what we do, that's behind everything we do. And so I've got clients now who became clients at 30, 35 years old. And they said, well, my goal is to retire at 55. And I want to have $80,000 a year after tax to spend in today's purchasing power. And that's key, that means work in the inflation rate. **[00:17:56.00]** And we've used assumed inflation rates over the years that have been consistent with the actual experience. So we do those calculations and here's how much you need to save given a certain rate of return. Or conversely, we look at, OK, we can put away $1,000 a month toward retirement, and here are our expected Canada Pension Plan and OAS amounts. **[00:18:20.84]** And if we have-- one of us has a Pension Plan, here's what that will be at age 55 or 65, whatever age we've determined. And we might say, OK, at $1,000 a month, you need to achieve a 7 and 1/2% rate of return given 3% inflation, for example. **[00:18:40.04]** And we might advise them then that's an aggressive rate of return, we'll have to be investing 70% to 80% of your money in equities in order to achieve that. And are you comfortable with the level of volatility that will entail over the course of your working life? **[00:18:59.66]** And often people are, and in fact, that volatility works in their favor as they are saving. So I've said a lot of things there, we approach it from a variety of different ends. But generally, we start with trying to get people to articulate what are their goals? Interestingly, a lot of those clients who've said they wanted to retire at 55, many of them are still working full time or part time at 60, 65, and even into their 70s.
DORETTA THOMPSON:	**[00:19:30.41]** That's interesting, isn't it? Though I guess a lot of that has to do with your motivation for working and the satisfaction of jobs as well as financial need. I suspect financial need is not the only reason why people work past traditional retirement ages.
DAVID CHRISTIANSON:	**[00:19:45.80]** No, and in many cases, there is no objective financial need for any of these people to be continuing to work. But they're professionals and they enjoy what they were doing. They've cut back, they might be working two days a week and enjoying life, but that keeps them in the game and it keeps them sharp and gives them good balance in their lives. And it does enhance their long term retirement security. In almost every case, it just means their kids are going to inherit more money. Because we can't convince them to spend as much as they can.

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:20:15.54]** That’s interesting, isn’t it? I’ve interviewed a few people who are advisors. And one of the challenges is helping people move from a saving mindset to a de-acquisition mindset. And I suspect that for people who struggle with that, and to be perfectly transparent, I would fall into that category of somebody who’s always saved, and I know I’m going to find it really difficult to not be saving. And then inflation really heightens that fear, doesn’t it?
DAVID CHRISTIANSON:	**[00:20:48.14]** Absolutely, it does. And people who are afraid of overspending and careful with their money tend to be fine. The ones who have no concept or don’t care or are knowingly burying their head in the sand are the ones who do tend to run into trouble. **[00:21:06.53]** But we’ve been lucky the last 20 years, we’ve been able to increase the projected retirement income for our clients with the exception of two years where a step back, like 2008, a little bit of a step was taken back, a very short term step when the pandemic started. And then this past six months, everybody’s projection is slightly lower than it was. **[00:21:29.87]** But when you project over 25 to 35 years, short term market blips don’t make a big difference. But it’s interesting, to put numbers on it, back to talking about inflation a little bit, I pulled out a couple of client financial plans. And we’re assuming that the clients pension is fully indexed to inflation, and that’s say 80% of their retirement income. Inflation doesn’t have a big factor. **[00:21:58.58]** If you assume the pension is going to absolutely match inflation, then inflation isn’t much of a factor. But as I mentioned earlier, most pensions aren’t really fully indexed to inflation if you read the fine print. There’s a cap to it or it’s half of the inflation rate. So people shouldn’t become complacent about that. **[00:22:18.51]** But the majority of my clients and I think the majority of Canadians now are depending on their own savings. And here’s just an example. So we did a projection for a client using a 2% inflation assumption going forward and a 5% rate of return. So you could change that to 4% inflation and 7% rate of return, but that 3% real rate of return, the gap between inflation and rate of return, is historically pretty consistent. **[00:22:48.95]** So with a 5% return and 2% inflation, they could spend $117,000 a year. If we crank the inflation dial up to 5% and leave the rate of return at 5%, that income projection of %117,000 a year drops to $85,000 a year.
DORETTA THOMPSON:	**[00:23:09.23]** Wow, that’s significant.

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DAVID CHRISTIANSON:	**[00:23:11.24]** It’s a huge drop. And again, this is a 67-year-old person who we assume is going to live into her ‘90s, a single person, but that’s the difference an inflation. Makes and that’s why when we started out, I said it definitely is something people have to take into consideration because it can have a huge effect on long term financial security and especially on how much you can spend and enjoy your life’s going forward.
DORETTA THOMPSON:	**[00:23:37.62]** Are there a couple of key points or key takeaways that you would offer for people to think about in terms of mitigating the effects of inflation?
DAVID CHRISTIANSON:	**[00:23:47.43]** So the first thing a person should do is sit down and look at their sources of retirement income and list them all out. So for most people will be Canada Pension Plan, and I mentioned earlier that that’s indexed at 2.7% currently when inflation is 8%. So the average 65-year-old gets $727 a month from Canada Pension Plan. The maximum is $1250, but the average is about $727. **[00:24:17.90]** With Old Age Security, a 65-year-old who’s retiring today and has had more than 20 years of residence in Canada will get $666 a month. The government recently instituted a 10% bump for people who are age 75 and over, so they be getting $733 a month. **[00:24:39.30]** So those are sources that are common for everybody. If you’re a member of a Pension Plan, do an estimate of what the pension will be providing at your planned retirement age and get an idea of if there is inflation indexing or not. Is it a defined benefit plan, which is a certain number of dollars per year of service, or is it a defined contribution plan, where you put money in, the employer puts money in, that money is invested and whatever that pot grows to be will provide you with your retirement income. **[00:25:15.40]** And that’s in the same way that an accumulating RRSP will provide you with retirement income. And to be a little more specific all of those are taxable, fully taxable sources of income. Hopefully, people also have built up money in TFSAs, and the income from a tax free savings account is tax free when you withdraw it. **[00:25:40.12]** And we usually recommend that people leave that to continue to compound tax free because of the advantages of that over the longer term. Other investment income, non-registered investments dividends, interest, and realized capital gains are taxable as you go along.

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DAVID CHRISTIANSON:	**[00:25:59.21]** But when you start drawing money from that, if you just draw the dividends, for example, you're not paying any extra tax for spending that money. So those are all the components of retirement income. So step one is looking at that and then getting an idea of how much of that is automatically indexed to inflation and to what extent? Because we've outlined the fact that none of it is fully indexed to a high inflation rate.
DAVID CHRISTIANSON:	**[00:26:27.19]** And looking forward, with reasonable assumptions of rate of return on the RRSP or later on the RRIF, and then on the investment income and TFSAs, you can get an idea of how much income you'll have and is that going to be enough? Then it comes back down to people looking at how much they're spending now, and this takes a bit of homework. Keeping track of spending for three months, how much is actually going out the door. **[00:26:55.51]** And the challenge for some people is to calculate how much cash are they spending that's easier now, actually post-pandemic, because not very many people are using pocket change anymore. Almost everything, I go through McDonald's and I use my credit card for $3.50. **[00:27:12.97]** So all of that is on the credit card bills. So again, my message here in all that verbiage is get some knowledge. Start putting some things down on paper or in a spreadsheet and get an idea of what you're spending now, how that might change in retirement. So for example, if you drive a long way on your commute and you spend money on gasoline and retirement means not having that commute anymore, that may mean a big decrease in gas costs.
DORETTA THOMPSON:	**[00:27:44.69]** One of the things we've talked about is that level of responsibility that's now on the individual to secure their own retirement, to ensure that they've made the right decisions to support themselves in retirement successfully. If people want to look for help or develop that knowledge, get advice, where can they turn for more information and for advice?
DAVID CHRISTIANSON:	**[00:28:08.90]** Well, I know we didn't set this up, but interestingly, my book is pretty darn good at that. It's called Managing The Bull, which doesn't refer to bull market, it refers to the mess that can be foisted on people by the industries that are in the business of selling investments.

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DAVID CHRISTIANSON:	**[00:28:26.36]** So Managing The Bull is a pretty good source, there are many other good sources of books. In the general sense, The Wealthy Barbers is the classic that gets people thinking about the concepts of capital appreciation or earning capital. Your sources of income and just the basics of money. **[00:28:45.98]** And boy, I sure encourage people to have their kids read those things in their 20s and 30s, if not in their teens. Because having that concept that if I put some money away now, the money will work for me. And if the money works for me for 20 or 30 or 40 years, I don't have to work nearly as hard. **[00:29:05.63]** If I wait till I'm 55 to start saving for retirement, obviously, you've got to do all the heavy lifting at that point. You're right in what you said that there was always a lot of responsibility on people to look after themselves and look after their retirement. The higher membership of defined benefit pension plans allowed a lot of people to be more complacent about their futures because they thought it was all looked after. **[00:29:33.71]** But there are people today who think that Canada Pension Plan is going to look after them or OAS is going to look after them in their retirement. And those just are certainly not enough for people to retire comfortably on. So they do have some responsibilities. So there are lots of good sources, your podcasts are fabulous.
DORETTA THOMPSON:	**[00:29:51.86]** Thank you. [LAUGHS]
DAVID CHRISTIANSON:	**[00:29:52.85]** You're welcome. **[00:29:53.44]** [LAUGHTER] **[00:29:55.01]** They are, they cover a whole range of topics and-- But again, it comes back to something I said earlier and that's the people who are listening to the podcasts and reading the books and doing all that stuff are generally very well taken care of because they've cared about it. What we have to try and do is motivate all the people who are ignoring it.

SPEAKER	TRANSCRIPTION
DAVID CHRISTIANSON:	**[00:30:14.81]** Got a friend who has a son in his late 40s and he's finally said, I guess I should start thinking about putting some money aside, getting the mortgage paid off. And that they still have some time, but people who keep pushing that off longer are going to run out of time.
DORETTA THOMPSON:	**[00:30:33.67]** That's true. One of the things that I think about is that there are a lot of people out there and a lot of very sophisticated marketing, even in financial institutions, to build a sense of entitlement and to do a lot of spin around what you need and what you deserve and how you should spend and to get your money. **[00:30:53.25]** And part of what financial literacy and doing the kinds of things, the questions you're asking that you've just laid out so well is to really deconstruct that spin and really think about what your goals are, and those financial basics that all of us who are so concerned about financial education are really concerned that people take seriously.
DAVID CHRISTIANSON:	**[00:31:15.59]** Yeah, absolutely. And it's that spin exactly that prompted me to write that book, Managing The Bull, and to call it that. And again, that's another contradiction, the investment firms, mutual fund companies, and all those, yeah, they work very hard to create this wonderful image of healthy retirement. **[00:31:38.40]** Some of them, on the other hand, try to scare people into pushing toward retirement, not very many because that's not very effective advertising. But all of that is good if it motivates people to do something. Yes, it's advertising, it's self-serving, it's all of those things. However, if people actually do it, it's fabulous.
DORETTA THOMPSON:	**[00:31:58.37]** So if people are looking for a financial advisor, what are the kinds of questions they should be asking in selecting an advisor?
DAVID CHRISTIANSON:	**[00:32:06.50]** Well, one of the questions is always, how do you get paid? And what are your qualifications? Variety of those objective things. How long have you been doing this? Tell me a bit about your clientele? Was there a fit? But in each answer, what you're looking for is transparency, clarity, usually brevity, so all of those things. So you can evaluate a person in the way they answer those questions.

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DAVID CHRISTIANSON:	**[00:32:31.80]**
	So a person may say, I'm 100% on commission income. And so when you invest, I get paid every time you buy and sell. And if they tell you that very clearly, that may or may not be the compensation method you want to work with. But if they've told you, black and white, here's what it is.
	[00:32:51.93]
	And if you ask them what are the rates, how is that calculated? And they tell you very clearly, that's great. So there's not a right or wrong in any of this, but obfuscation is it wrong. So if you don't know what the hell they told you and that's a pattern that's consistent in a lot of their answers, then that's probably not the right person for you.
	[00:33:15.63]
	So those are some of the questions to ask and some of the ways to evaluate the answers. What I'm always looking for in a financial advisor is somebody with the ability to listen. Because to me, a financial planners job is to help people articulate what they want, and what's most important to them, what are their priorities, because they probably can't have everything.
	[00:33:37.55]
	And what are their fears? What keeps them up at night? And in order to really hear that from people, an advisor needs to ask a lot of good questions and then shut up. Listening is the greatest skill that an advisor can have. And then of course, over time, you have to evaluate, they heard me, but did they act accordingly, that's also something to valuate over time.
	[00:34:04.67]
	But some consumers have unrealistic expectations of advisors. To have a client in our business these days costs a minimum of $5,000 a year, with our regulatory costs that are going up all the time, overhead for rent, and staff, and of course, as we have to take all of those things.
	[00:34:27.75]
	So conservatively, it costs $5,000 a year to have a client. And in some cases in some businesses where a financial planner, like a certified financial planner or registered financial planner on salary, that cost may be $8,000 per client. So if somebody is starting out investing with $300 a month, that advisor is going to lose money on them for a number of years. So that's another question to ask, am I too small for you? Are there people on your team who are qualified who can look after me properly?
DORETTA THOMPSON:	**[00:35:03.23]**
	So summing up, what goes into a good financial planning process?

SPEAKER	TRANSCRIPTION
DAVID CHRISTIANSON:	**[00:35:07.52]** I guess I'd say to summarize, the steps in financial planning are to sit down and try and set specific measurable goals, number one. And number two, measure where you are and where that's going to take you based on reasonable assumptions for the future. **[00:35:26.03]** And then is there a gap between where you are in terms of how much money you have and what it's doing for you, and where you want to be 10, 20, 30 years from now. Evaluate that gap, and that's where a good financial planner can help because they'll help calculate all of that for you. **[00:35:45.48]** And then they'll also suggest alternative ways to get where you want to go. And it could mean investing a bit more aggressively, or it could mean you don't have to invest as aggressively as you have been. It could mean saving more every month, or saving less. **[00:36:03.23]** So once you have that analysis, then you can realistically put a plan together. And then you can choose your options, and an important component of financial planning, two important components, one is to implement the plan, because otherwise it's just theory. And the other is to update the plan. So check every quarter, am I on track. And once a year, do a total update of that financial plan. **[00:36:28.97]** We do that for all of our clients. And what gives them confidence, which is job one for me as an advisor is to give my clients justified confidence. And when they see that they're making progress every year toward their goals, and they're in better financial shape now than they were a year ago, not withstanding high inflation or a falling stock market or anything like that, then they perform better in their everyday life, everything they do is done with more confidence. And so when we get thank you notes from clients, that's when we know we've done a good job.
DORETTA THOMPSON:	**[00:37:06.53]** David, thanks so much for joining us today. Inflation can be a scary word. So hopefully, your insights can help relieve anxiety for some of our listeners and inspire others to take a careful look at their financial plans.
	[00:37:17.86] [MUSIC PLAYING]

SPEAKER	TRANSCRIPTION
DORETTA THOMPSON:	**[00:37:21.48]**
	You've been listening to Mastering Money from Chartered Professional Accountants of Canada. You can click to all the resources mentioned in this episode in the description for this podcast in your podcast app. Please rate and review us. And if you'd like to get in touch, our email is financialliteracy@cpacanada.ca.
	[00:37:39.21]
	This season is made possible by the generous support of our national development sponsor, Canada Life. If you'd like to keep the financial literacy conversation going, we invite you to join us as CPA Canada celebrates financial literacy month with two special conferences. For the first time in two years, we're bringing back our in-person conference, Mastering Money.
	[00:38:01.50]
	It offers networking opportunities, interactive presentations, and live Q&As. We are also continuing with our popular virtual conference, Money In The World, exploring how Canada fits into the international financial scene. Follow the links in our resources to register today.
	[00:38:20.29]
	Please note, the views expressed by our guests are theirs alone and not necessarily the views of CPA Canada. This is a recorded podcast. The information presented is current as of the date of recording. New and changing government legislation and programs may have come into effect since the recording date.
	[00:38:37.33]
	Please seek additional professional advice or information before acting on any podcast information. Be well, be kind, and remember, thoughtful preparation is the key to a financially-secure retirement.
	[00:38:50.16]
	[MUSIC PLAYING]