

Financial Planning and The Investment Counsel

Most of us need to invest to achieve our financial goals and objectives. This means accumulating savings through our prime income earning years or selling a business that generates a lump sum of cash. For business owners focused on building and operating their business, investing outside their area of expertise can be uncomfortable and somewhat daunting. Unfortunately, failing to obtain proper professional advice in this area often prevents us from achieving our goals and objectives.

Financial Planner and Financial Planning

There are numerous types of financial services available to assist making sound investment choices. For many people, one confusing aspect of investing is the role a Financial Planner plays. Many people call themselves a Financial Advisor or Financial Planner. A professional Financial Planner ordinarily carries a designation of CFP (Certified Financial Planner). A CFP must adhere to strict professional and ethical guidelines ensuring they always act in the client's best interest. A CFP follows a specific process. Often, the process includes a detailed, written financial plan. Within the financial plan is a section called the Investment Policy Statement (IPS). The IPS details specific criteria and strategies unique to each investor. Without a properly designed IPS, investing to achieve goals and objectives is the equivalent of going on a long vacation without a map or plan to get there.

Every individual or family should have a Financial Plan. Your specific goals, net worth, cash flow, spending needs (present and in retirement), dependents, taxes, health and most importantly, comfort with risk are important issues

a financial planner should assess to build a plan tailored to your specific situation.

Investment Options available to Financial Planners

Once a financial plan is complete, the financial planner can recommend specific investment products or strategies to conform to the IPS. Many options exist including GIC's, mutual or segregated funds, wrap accounts, private pools etc. A popular or common option is mutual funds. In the past, mutual funds have been an effective way to diversify relatively small portfolios. Mutual funds allow an investor to pool his/her money with other investors and buy stocks, bonds and other financial instruments.

A more recent, popular option is an Investment Counsel. In the past, the minimum account size for an Investment Counsel was \$1 million. Today, quality Investment Counsels exist with account sizes starting at \$100,000. A key advantage of an Investment Counsel account is that it is unique and customized to each individual client. A Counsel will use individual securities such as stocks and bonds held in the name of the investor. Buying and selling stocks is at the discretion of the Investment Counsel Portfolio Manager who considers the portfolio in the context of the specific needs and circumstances of each client. When the mutual fund manager decides to sell a specific security out of the fund, all unit holders participate, regardless of the consequences to each individual investor. An Investment Counsel can make buying and selling decisions on a case-by-case basis as each portfolio is evaluated. This normally provides a tax advantage compared to the average mutual fund investor.

A major advantage of an Investment Counsel over mutual funds is fees. With mutual funds, a financial advisor/planner is paid a commission at the point of transaction. Commissions vary among funds and can range from 0.5% to 5%. For the client, the cost of mutual funds is embedded in each fund's management fee. The average fee range from 2% to 3% annually. An Investment Counsel charges fees based on the market value of the account. Typical investment counsel fees range from 1% to 1.5% annually, of which the financial planner typically earns 50% to 60% of the fee.

In summary, an Investment Counsel manages a portfolio in the same way an investor would manage it himself provided they had the expertise and the time to do so. Many financial planners are beginning to recommend Investment Counsel accounts to their clients. To inquire if an Investment Counsel account would be beneficial for your needs, talk to your advisor or planner.

Independent Accountants' Investment Counsel Inc. is an investment management and advisory based in Listowel Ontario. We manage investment portfolios for families, individuals, private companies, estates and trusts. For more information on this article, please visit our website at www.iaic.ca or contact us at 877-291-3040.



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