

# THE 10 KEY FINANCIAL PLANNING QUESTIONS For High Net Worth Canadians\*



## **1 Is there any risk of me outliving my money?**

One might think that wealthier Canadians wouldn't have this fear, but for some it remains, especially in times of recessions. Most wealthier Canadians do not have a sizable workplace pension and rely more heavily on their personal investment portfolios to manage throughout their retirement years. Given the market fluctuations, it is important for their peace of mind to truly understand how their financial future will look in scenarios that are a little more positive and a little more negative. These scenarios will help to truly answer the question.

## **2 I know how much money I have, but will it allow me to do the things I want to do?**

Many Canadians don't live a significantly different lifestyle, even as their wealth grows. However, there may be lifelong dreams that you want to realise. Whether it is a vacation home, a fancy car or membership at a yacht club, sometimes these significant increases to annual expenses need to be planned out before taking the plunge, just to make sure that you really can afford them in the short and long term. In addition, sometimes wealth is 'trapped' in Corporations so that accessible cash is not as high and needs to be better planned for.

## **3 Am I being tax smart or are there other things we should be doing?**

The fear of missing out is a common human reaction. If you hear stories of big tax breaks, or read about those who always seem to legally manage to pay less in taxes, you might wonder 'what about me'? A financial plan for wealthier Canadians should definitely take a look at a few different common and less common approaches to tax minimization. In each case, simply being aware of the strategies and understanding the pros and cons, will allow you to feel that you are truly taking advantage of all approaches that you feel confident in pursuing.



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## **4** How can I generate more cash flow without taking a lot of risks?

Cash flow in investments is a double edged sword. You may want to see higher yields, but your tax bracket may suggest that there are better ways to generate cash. As a simple example, a U.S. stock that pays high dividends will be less tax efficient than one that grows through price appreciation and pays no dividends. Each investment can generate cash flow (just sell some shares to raise cash), but one will have less tax. Cash flow can be generated for you in a number of ways. The key is to understand how much cash flow you want/need, then provide it in a way that balances the risk and the tax impact of delivering that cash flow. The higher your tax rate, it becomes a little more complicated than simply looking for the highest yielding investment.

## **5** I have a corporation, but wonder if there is a good plan for getting money out efficiently?

For a variety of reasons, many wealthy Canadians have one or more Corporations. Sometimes the initial reasons for the Corporation has changed, but the question remains; is there a tax efficient or tax free way of getting funds out of my Corporation? The related question is sometimes, 'Does it make sense for me to keep the Corporation or wind it down'? The answer is that there can be some strategies that allow for tax free withdrawals from Corporations.

## **6** Can I afford to retire now?

The 'wealthy' can often retire comfortably at an earlier age than most. As part of the planning process, a full review of expenses and assets will help to clarify how soon or how comfortably one can retire. However, if the answer to the question is 'yes', that is where many other questions come to play such as 'how best to access cash in retirement' and 'how will I spend my time'?

## **7** How do I want to leave money? Should it all go to my family, and when? Is there a child that will require special planning?

The answer to this question is more of a philosophical view that will be different for every family. Do you want to also leave meaningful money to charity? When do you want to leave money? Are all of your children able to manage funds responsibly? Are they old enough to handle meaningful money at 25, 30, 35, 40 or at any age? Once there is a good handle on the philosophical view, then an action plan can be put in place to most effectively gift or leave money to family and charity.

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## 8 Can I afford to help my kids and grandkids without putting myself at risk, and what if I gift and a child gets divorced?

With today's real estate markets, many wealthy families would like to help their children to buy real estate. The first question is whether you can afford to help and how much you can afford? If you are helping one child, will you have to budget to help all the children at the same level? Another issue relates to ways to help a child financially in a way that will not result in half of it going to a child's partner in the case of divorce? As is often the case, the answer to one question can lead to others.

## 9 Should I be OK with sizable debt or should I be actively paying it down?

Many people believe that if you are 'wealthy' then you shouldn't have any debt. What they don't realize is that wealth can give you the financial control to pay off debt when it makes sense for you. As a result, there are situations where debt can make strategic sense for the wealthy. For example, you have \$2 million in a corporation and need \$400,000 in cash. You could pull the money from the Corporation and pay over 40% tax rate on the dividends or borrow the funds and pay interest at the Prime rate (possibly with tax deductible interest).

## 10 If I want to make charitable giving an important part of my financial plan, how do I best do this?

Like gifting to children, charitable giving can be done during your lifetime or largely as part of your Estate. By first understanding your likely financial position in 10 or 20 years or at the time of your estate, you can better plan what portion or dollar amount you would feel comfortable giving. Then the timing of gifting is important. Do you want to leave a meaningful amount while you are alive or is that not a priority? Once a level of gifting and timing of gifts is better understood, then you can look at gifting of cash, shares and the use of flow-through shares and life insurance to create a larger impact.

A TriDelta High Net Worth Financial Plan will answer all of these questions for you and many more. The key is that planning becomes a little more complicated and more important when you have greater wealth AND in times of greater volatility and concern. A TriDelta High Net Worth Financial Plan will provide you with greater peace of mind. You will know that you are making the most of your hard earned wealth so that you can live your best life while making a positive impact for those you care about most.

To find out more about a TriDelta High Net Worth Financial Plan please contact us through our [website](http://www.tridelta.ca) or by email to [tedr@tridelta.ca](mailto:tedr@tridelta.ca).