

INTRODUCTION

Stress.

Talk with people about personal finances, and that is the emotion they exude most often. Stress. The sources of financial pressure are many, and they tend to change over time. There are a seemingly endless series of financial quandaries, all of which seem so complicated ...

- I hear lots of chatter on the TV about various government programs (RRSP, TFSA, RESP). It's just a bunch of letters to me. What is their purpose and how, if at all, do they apply to my life?
- I know the kids should further their education, but should I save for them in a tax-free savings account, a registered education savings plan, or just leave it for them to figure out?
- The car is on the fritz. It's time to replace it but should I buy or lease a new one, look into the used market, or consider other alternatives?
- The mortgage is up this year. Should I continue with a variable term like Dad says or should I lock-in with a fixed term like the neighbour just did?
- My mutual fund guy just called about a leveraged investment program that he figures is just the ticket for me. He seemed to really know what he was talking about and it sounded like a "can't miss." Should I?

- George got laid off this morning. How would we survive if that happened to me?
- The man on the TV says I should check my credit score. What does that mean and what do I do if I don't like what I see?
- Should I plan to take my CPP at 60, 70, or somewhere between? What makes the most sense in my circumstances?
- Should I invest in my RRSP or my TFSA? Given my situation and where I think my finances are heading, what should I do?
- Uncle Charlie was talking up a stock at the kids' birthday party that sounded very promising. This week he is high on a managed futures fund, whatever that is. Am I missing out on something here?
- I have insurance at work and a pension plan, too. I must be good ... right? How do I know?
- I haven't looked at my will in years and am not sure what happens to my finances if I have a stroke and am stuck in the hospital, unable to communicate. Where do I start?
- I don't know. I'm not sure. Is this enough ...?

Not having the appropriate knowledge and tools renders decisions difficult to make and remain committed to. So in many cases decisions get deferred indefinitely. But deferred is not forgotten; the questions fester in the back of our minds, gnawing away, stealing our peace of mind, and creating stress.

Most of these seemingly impossible questions are often not overly difficult to answer once they are considered through the proper filter. For many of the this-or-that types of personal finance questions, both could be perfectly acceptable answers, with the best one perhaps decimal places better, and you might not even know which is actually better until the future unfolds. The key to moving past confusion about something and making a perfectly acceptable move is often simply gaining a little bit of knowledge and perhaps farming out certain pieces that require expert assistance to someone who is actually an expert (likely not Uncle Charlie or the mutual fund guy).

It is my hope that this book will help you figure out how to find resolution to some of the questions confronting you, and thus remove a little bit of the stress from your life. I have found peace of mind in my financial life and it is a truly wonderful feeling, one I want for you.

A Bit About Me

You probably have a bucket list or at least some idea of the things you would like to do or experience over the course of your life. One of the items on my list was to write a book on personal finance. Almost assuredly, this would be one of the least common things to show up on a bucket list, likely right alongside actually reading a book on personal finance. Nonetheless, welcome to one of the items on my bucket list, and thank you so much for participating in it. (Even if you only get this far, it still counts.)

This book is written from a personal perspective. I chose to do it this way because that presentation style is what I have found to be most engaging for me as a reader. I realize that everyone experiences slightly different circumstances that will not exactly parallel my experience, and what works for some people will not be the best solution for others. But I feel confident that the concepts discussed, and the approaches presented, will provide a solid basis to help you move your financial standing forward.

I did not come from privilege, nor was I born with physical or academic advantages that make my situation difficult to repeat. My wife and I have managed to experience a life filled with travel, entertainment, independence and, now, early retirement. Throughout this adventure, while we did not always have a bulging net worth, I can say we did have, and continue to have, financial peace of mind because of the money habits we practiced.

That being said, I think it is vital to understand the credentials of any author so that you can assess the credibility of their words. This is especially important in the world of personal financial planning because there are so many stories of scam artists and embedded conflicts of interest that cloud the reputation of the profession. So, to put what follows in context, I will introduce myself and my background.

I grew up primarily in Winnipeg, though I did live in Kingston, Ontario for six years during elementary school. In grade six, Mrs. Hefford (my teacher) asked all of us to write down on a piece of paper what we wanted to be when we grew up. This was the first time she had ever asked me to do something that I clearly understood, so I immediately wrote down *professional hockey player* and handed it in. She then accumulated the results and offered her summary to the class. She noted that she was pleasantly surprised to see that most of the class

had picked respected professions ... doctors, lawyers, the periodic astronaut, all the usual jobs that will make any parent gush when asked what their kids are up to. She noted that she was especially happy to see that only one person had the ridiculous objective of being a professional athlete.

That pretty much sums up my experience in public school. My objectives didn't seem to mesh all that closely with those of my teacher. Sports and friends were my focus. Through grade 12, I'm not sure that I ever really studied for anything, much less read the full textbook provided. This keen dedication to school, not too surprisingly, found its way into my grades. I graduated grade 12 with a 64 average; my parents certainly didn't have to build a shelf for academic awards.

The one thing I did do in high school that turned out to be fortuitous was to sign up for, and complete, university entrance-level courses. Another thing that turned out to be somewhat fortunate was that my girlfriend at the time was university bound, and since I had nothing else planned, I followed her and enrolled in all of the classes she did. She had done very well in high school and wanted to be a doctor. I figured I was likely getting myself in over my head, but thought that if I actually spent some time trying to learn, something good might come of it. In any case, it beat the alternative of getting a job or continuing to stock shelves at the local Shoppers Drug Mart.

Much to my surprise, university turned out to be a great experience. I started off a little slow, but once I learned how to study, I found that I could easily achieve, even surpass, the level of most of the other students. The classes were informative and challenging, the professors (well, many of them) seemed to really enjoy what they were doing, and they presented the material in a way that provided a glimpse into how it mattered in the real world.

The most engrossing moments I can remember from a high school class were keenly focused on the foam accumulating at the side of my history teacher's mouth and hoping for it to land on someone other than me. In university, I had an information technology professor who had a gland problem which caused him to sweat continually and profusely. He would start class with a dry shirt and by the end of class the shadow from his arm pits would meet at or around the middle of his shirt. Had this been one of my high school teachers, my sole focus would have been on the time it took for the two shadows to intersect; in university, though, this was just a side benefit. The professor was very enthusiastic,

extremely informative, and that is what got my attention and kept me focused on learning ... or maybe I just matured a bit over the summer.

I ended up spending six years in university and graduated with two degrees: a science degree in agricultural economics and a commerce degree (accounting). I was on the dean's honour list my last four years and graduated from commerce *with distinction*. I managed to get through high school without ever threatening to get an A. In university, over my six years, I earned 30 A's. When you find something you are passionate about and engaged in, even the average among us can excel. Five foot six, combined with an immense lack of skill, put an end to my dreams of a hockey career. Hard work and dedication formed the foundation of my professional career.

After university, I landed at job Peat, Marwick, Mitchell & Co. (now KPMG), where I articulated and obtained my CA designation (recently rebranded as CPA, CA). This job was, well, brutal: tons of overtime, huge responsibility after very little practical experience, many days where you didn't see the sun (the drive to work was in the dark, the drive from work was also in the dark), combined with ongoing coursework and a final exam that promised to fail half of those who dared challenge it. I began to envy the gas station attendant who filled my car; he knew when he was going to start and end work every day, and he was getting paid substantially more than I was at the time.

The Uniform Final Exam (UFE) was a four-day, four-hour-per day ordeal that still pops up in nightmares even after all these years. Exams were something that I had come to really enjoy throughout university. (Odd, I know.) I always viewed them as an opportunity to demonstrate that the hard work I had put in was time well spent. The UFE, however, was a monster. In fact, you took a couple of months off work simply to study and practice writing past exams just to get the hang of how to manage the complexity and challenge it presented. One of my counterparts at KPMG, a member of Mensa, a lawyer, and the smartest person I have ever met, challenged it three times. (He is now a Senior VP at a huge financial institution.)

"Marks day" was one of the most stressful days of my life, as it was for all who wrote. Back in my day, after two months of waiting for the result, you had to drive downtown to get the piece of paper that told you, your employer, and the rest of the world if you had managed to achieve the magical 240 score. You would arrive at the institute office and watch someone sift through the box

of envelopes to locate the one emblazoned with your name. The envelope was handed over with no more fanfare than if it was a utility bill; meanwhile, this thing in your hand felt like it held the answer to whether you were a fraud and an idiot or had the potential to have a meaningful life. It was the single biggest moment in my academic and professional career to that point and I did not feel good about it.

Most people opened the envelope in the elevator on the way back to their car. Not me. I had developed the habit of opening my university transcript in my parent's kitchen. It worked well for university, no need to change the routine for this unveiling. I drove 20 minutes home; all the while that envelope was staring at me, riding shot-gun in the passenger seat. It looked really thick. My thinking was that it clearly had an enrolment form included for my next attempt. It got thicker each time I looked at it.

When I was finally in my spot in the kitchen, I took a deep breath and opened the envelope.

The first line that caught my eye was "A final candidate who wishes to appeal his examination results ..." it blubbered on further about the appeal process; this was not good. I then looked above that and there was a line that said:

Result: Pass.

The relief was beyond immense. I briefly lost my mind and didn't know what to do. Kind of like when we told my mother we were expecting our first child. She walked around in circles, totally unaware of what was going on. It was pure unadulterated joy.

Having said all of that, the UFE aside, the KPMG work experience was life changing. I audited dozens of very successful businesses over the course of those years and saw the vision and dedication of the people who made those businesses the successes they were. I prepared tax returns for some very successful individuals and saw the financial rewards that were possible with hard work dedicated to creating value. I also had the honour of working with extremely dedicated partners, managers, and staff who brought their A games to work every day and complained remarkably little about the hours and demands placed on them.

Four years of that was enough. I saw first-hand the impact the lack of work/life balance had and in particular the toll that it took on people and families. There was certainly more to life than just work.

My next employer provided better balance for many years. I did find that once I moved into senior management roles, balance tended to disappear. In the end, I found myself working just as hard as I had during my articling years. At age 55 (my wife was a couple years younger), having achieved financial independence, we decided to retire.

My family is living proof that if you work hard, invest prudently in both yourself as well as "the markets," and have a financial plan that is implemented with appropriate discipline, you can find the freedom you desire before you are too decrepit to enjoy it.

Also of importance to establish my credibility are the other professional credentials in addition to having been designated a CPA, CA:

- I won the gold medal in the Canadian Securities Course (1999),
- I became a Certified Investment Manager (1993),
- I became a Certified Financial Planner (2001), and
- I also became a Derivatives Market Specialist (2006).

My objective in writing this book is to share my experience and help others achieve their goals through efficient financial management. I am not planning to leverage this book in any way for personal gain. (In fact, I fully expect to lose money—not a smart financial planning move.) For me, this is fun.

The Limitations of this Text

It is not possible to cover all of the ground I delve into within this book in a complete or timelessly accurate manner. At any time, with the stroke of a pen, government programs that are crucial to your financial plan can change in very substantial ways. Any of the rules I discuss related to TFSAs, RESPs, RRSPs, RRIFs, RPPs, CPP, OAS, etc. may have changed between the time I wrote about them and when you read it. There are scads of details involved with each of

these programs, and their resiliency is at the whim of the federal and/or provincial government.

In those areas covered by provincial legislation and regulation, the rules can be many and varied. Quebec especially has developed unique policies, programs, and approaches in many areas that are influential within financial planning. For instance, there are several consequential differences between the Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP), though they are often talked about as though the two are interchangeable. The approach taken in Quebec is also quite different in many areas relevant to estate planning, especially when it comes to the legal framework.

Come to think of it, Quebec takes a different approach to a wide variety of things. All of the best Grey Cup festivities I have attended were in Montreal. The only time I really enjoyed Cirque Du Soleil was in Quebec City, where they did a free performance using a series of overpasses as the setting. Who could forget all of those trips with the boys and family to see the Montreal Expos and Youppi in Jarry Park and later the Big O. Ahhh, the memories.

It isn't just Quebec, though; all provinces have taken different approaches to income tax policies and offer a wide variety of programs designed to encourage certain actions, discourage others, and/or offer a unique take on a variety of support programs, many of which will or may be relevant to your planning.

You should always confirm your understanding of the current rules, as they apply within your province, before executing any particular strategy. But don't let this discourage you; the Government of Canada and the provincial governments tend to do a very good job of providing up-to-date, relatively user-friendly guidance on their official web pages. It is not difficult to confirm your understanding of a program by spending a few minutes scanning the materials they provide in advance of implementing a course of action.

Having said this, the majority of the ideas presented here are generally enduring. Core ideas—like building human capital through advanced education, designing and implementing a financial plan, spending less (hopefully substantially less) than you earn to facilitate goal attainment, effectively managing big expenditures, prudently managing debt, investing with a well-designed low-cost strategy tailored to your situation, protecting your income, assets, and family in a cost-effective manner, understanding the income tax implications relevant to your situation, purchasing professional advice necessary to enhance your plan

effectiveness, and thinking through your estate-planning options to direct asset flow upon death in the manner you would most prefer—are virtually timeless. The details and available applications may change from time to time but the main principles that should be embedded in your financial endeavours tend to age well.

Much of what I have included in this text is based on my opinion, which in turn is based on my education and experience. I don't know about you, but I have been known to make the odd mistake, and it could well be proven that some of what I am presenting here turns out to be suboptimal in one way, shape or form. This book covers topic areas that, if discussed in a fully comprehensive manner, would require several volumes. Clearly, this book is too succinct to offer fulsome coverage of all of the topics touched upon. I will, within these pages, point you in the right direction to obtain further information where I feel it is important to do so.

Boring Alert

All that said, any credible discussion of personal financial planning must dive into details at certain points, in order to be useful. Not all details of potential actions need be understood by everybody—some things just are not applicable. If at any point in the book we are getting into something that is not relevant to you, simply skim it or skip it if you just can't take it any more ... try not to let a deep dive into a subject area discourage you or inhibit your progress.

You will notice that at certain points in the book I include the phrase “boring alert.” (My kids think I should have put that on the cover.) Generally these are segments of the book where we get more deeply into program or planning details. These are some of the areas in the text that can be a challenge to stay awake through, especially if they don't really seem relevant to your situation for one reason or another. The alert is my attempt to help you keep engaged and perhaps refocus. While the material may not hold you captivated in the same way that a juicy *Survivor* Tribal Council can, when it is applicable to you, it is important to have awareness of it. If the material is not important to you at the moment, it might be later, so skimming it for general awareness is always a good idea.

IN A NUTSHELL

Personal finance is a subject matter that, like it or not, is not an optional undertaking. It is up to you if you apply your resources to efficiently achieve your goals, or if you instead stumble and bumble from one financial decision to the next without a coherent strategy. One certainty is that your financial life will happen; it is entirely your decision if it happens on purpose or by default.

There are several key principles that I outline in this text that I have found worked well for me. Everyone can do this stuff.

1. Develop Human Capital

The ability to earn a healthy living is a core element of a sustainable financial plan. Human capital is built and enhanced through post-secondary education and continuing education. There are a number of government programs and savings vehicles that are designed to enable the development of human capital—take advantage of them. The inescapable equation behind a successful financial plan is that income must exceed expenses (hopefully by a substantial margin). If you earn *more* income, you give yourself more options, period. The path to earning more is through building and maintaining human capital.

2. Purposeful Spending

Clearly articulated goals help direct the use of funds to where there is the greatest personal value. There are a number of areas where people tend to get tripped up and spend excessively (cars, houses, consumables, etc.). Having a plan around expenditures, supported by explicit personal goals, helps better direct money to where you will experience the greatest level of satisfaction, as defined by your value system.

3. Strategic Investing

Effectively converting capability into cash flow, combined with a purposeful expenditure program, should provide excess income. The excess income must then be effectively invested to support the funding of well-articulated longer-term goals. The investing program should include due consideration of tax efficiency, a personalized asset allocation, effective diversification within and across asset classes, and cost minimization strategies. Investment strategies are where people make mistakes on a regular basis, which is unfortunate because it is one of the aspects of personal finance where simple, effective, and low-cost options can be readily designed and implemented.

4. Protection

Events and outcomes with potential to be game changers should be identified and managed through an appropriate mix of behaviour management and risk transfer. Like it or not, insurance has a critical role to play in a well-designed financial plan. It is the one expenditure you make with the hope that it never pays a return other than to provide peace of mind.

5. Good Record Keeping

Documentation of your financial plan, income, and use thereof, as well as investment program, provide feedback that is key to understanding progress and identifying behavioural modifications required on a go-forward

basis. Knowing where you stand financially, how you got there, and where you want to go is essential to efficient and continual progress.

6. DIY with Sprinkles of Quality Advice

There are a lot of moving parts associated with a comprehensive financial plan—personal financial management can be a daunting undertaking. It is up to you to be an active participant in the development of your plan and implementation of the strategies designed to get you to where you want to be vis-à-vis your goals. In order to be an active participant, you should develop a certain base understanding of all areas of personal finance and hire qualified assistance to help as appropriate. No one cares more about your finances than you; take responsibility for your plan.

7. Estate Management

Arrangements should be made to ensure the ongoing management and/or distribution of your estate in the event of incapacity or death. Formal legal arrangements appropriate to an individual's specific circumstances need to be designed and enacted.

I have just returned from a Baltic Cruise with my family. When I sat on the balcony of our cabin, each day, without exception, I took a moment to reflect on how fortunate I was to have been given the opportunity to have the family I have been blessed with and the experiences that life has granted me. My wife and I have worked hard for what we have achieved and we have been purposeful in arranging our financial affairs to provide the support for the life that we have lived and plan to live going forward. But I know that we have also been lucky. We were lucky that we were born in a wonderful and generous country and lived every day of our lives with a supportive, loving family. To say I feel fortunate is the understatement of the year.

Having peace of mind is a wonderful state to find one's self in. Designing, implementing, and maintaining a comprehensive financial plan provided a strong foundation that helped us achieve our current situation.

I am five foot six with average abilities. If I can live my dream, you can too.