

Questions for Author Larry Wilson

Living Your Dream

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I understand you have completed a post-publication revision to *Living Your Dream*, what changed?

After having received feedback from initial readers, I felt that it was important to make a small number of changes to the book. Nothing strategic to the message changed. In short:

1. I received a number of testimonials from respected professionals and authors and I felt it important to share some of that in and on the book.
2. There were a small number of typos that I wanted to fix up. Most were incidental to the message. One did get through the editing process that gave me a few sleepless nights because it gave incorrect information. On the bottom of page 77, I talk about the size of down payment in order to qualify for a conventional mortgage. I had intended to say that when a buyer contributes less than 20% of the property value via down payment they are venturing into a high-ratio mortgage which raises a number of concerns that I go on to discuss. However, the original printing of the book incorrectly said that was the result when contributing less than 80% of the property value.
3. I took the opportunity to clarify discussion around the principal residence exemption. Rules have changed related to both it and capital gains recognition in general, over the years. After reviewing the original presentation I felt it would benefit from a little more clarity.
4. I got some feedback that suggested the Fixed Income chapter was unnecessarily complicated in a couple of areas, so I rewrote a few pieces of it.

Other than that I updated a few statistics, but nothing that changed any of the key messaging.

Since the book was first published we have entered a pandemic, experienced extreme market volatility and a substantial equity correction/crash. How has this changed your approach to investing?

It hasn't done anything to change my approach to investing. Rather it has reinforced my commitment to the process I follow and describe in the book.

Why did you write the book?

There were a number of reasons I decided to take on this project, the main one's include:

1. In general, Canadians don't do a great job of managing their finances.

Evidence of this can be found in the numbers:

- Nearly half of Canadians are left with less than \$200 at the end of the month (December poll) after they pay their bills.
- The same poll found that 31% of Canadians don't even make enough to cover their bills and debt payments.
- A 2018 poll found 51% of adult Canadians do not have a will and the numbers are much worse related to having up-to-date wills.

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- Canadians debt to disposable income ratio is very high by world standards – most debt is related to mortgages, but consumer debt is also high.
 - I got through 13 years of public school education without getting any formal training in personal finance ... all of my training happened later, and only because I caused it to happen. I suspect many Canadians had a similar experience.
2. We are at a point in time where people are being asked to take more responsibility for managing their personal finances.
- There are fewer and less generous pension plans provided by employers.
 - Of the pension plans that are provided there is a move away from defined benefit plans to defined contribution plans. This change transfers the risk associated with investment performance from the employer to the employee.
 - Coincident with the move to defined contribution plans many of the investment decisions that determine the effectiveness of the plan are being transferred to the employee.
 - RRSPs and TFSAs have become more important planning vehicles as employees have become more transient in their approach to employment.

3. Personal financial planning is my thing.

I really enjoy most aspects of personal financial planning. I have spent a lot of time gaining professional credentials and studying the various aspects involved in personal financial management - thus the alphabet soup behind my name. I consider myself to be a personal financial planning junky, I have read well over 300 books on one aspect or another of personal financial planning and intend to continue to do so.

4. Financial planning has worked for me and my family.

My family and I have practiced what I talk about in the book and it has worked out well in supporting our goal achievement. We have been able to do a lot of cool stuff and are not unduly constrained by finances because of our planning and approach to spending, saving and investing.

We have never been excessively frugal in our approach to spending, but we have been very aware of our spending and the relative value we expected to get out of our spending plans. In areas that were less important to us we focused more on 'need' than 'want' ... in areas that were more important to us, we allowed more 'want' to filter through. We did a good job of balancing the present against the future.

5. I thought I would be able to write a book that, in comparison to others in this space, was relatively easy to read without totally ignoring some of the important detail.

Invariably, the details of how various financial planning mechanisms work is important to understand so I didn't want a totally fluffy and fun read, I wanted the book to have substance. I believe that *Living Your Dream* has achieved a good balance between detail and readability.

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You have mentioned that people “don’t know what they don’t know” and that the book should provide all readers with a few “aha” moments, or at least encourage them to think differently in a variety of areas. Can you provide a couple of examples?

Sure. Personal finance is a wide ranging topic area and requires a person to have some knowledge in a lot of different areas ... this provides us, all of us, with many opportunities to make mistakes of both action and inaction.

Action mistakes refer to doing something that is either outright foolish or at least less-than-optimal from a financial perspective. In the book I talk about a number of stock specific investment mistakes I have made over the years – awful mistakes (like investing in Nortel). To this day, most people I talk to about stock investing want to know what stocks to invest in. Virtually all investors who focus on stock selection will be able to recount multiple investment actions that have turned out to be less than fruitful. This is why I argue in the book that the equity portion of an investment portfolio should be strongly, if not completely, based on indexed investing. The theory is that by investing in a well-diversified portfolio of stocks you will still have some exposure to that ‘bad’ stock, but its impact will be so muted as to be unnoticeable. In this manner an investor can take advantage of the growth potential of equity investments over the long term while eliminating the risk associated with any particular stock. A couple significant side benefits of this approach are that it is way easier (giving you more time to get your steps in), and it can be very cost effective.

Also on the action-mistake-front are the spending mistakes. I spend several chapters in the book talking about spending habits as well as spending on major purchases and the impact that mistakes can have on your end result. The thing is, not all large, seemingly extravagant, expenditures are in fact a ‘mistake’. An expenditure is only a mistake if the value you receive from the expenditure is undersized when compared to the size of the expenditure. Thus it is vital that the consumer is well informed as to the actual cost of their expenditures in terms of the impact that spending in one area has on the ability to spend in another. I try, in the book, to offer some improvements to the thought process and apply a bit of math to bring it home. Repeated expenditure errors can cost in the hundreds of thousands of dollars ... dollars that could have been spent achieving highly valued goals.

On the inaction-mistake side of the ledger, there are a number of mistakes made that can be gargantuan in impact. For example the number of adults who don’t have a will, let alone a current will, is mind boggling. I spend a considerable amount of effort in the book identifying the problems this can cause. The same can be said about the number of adults who have not made arrangements for their incapacity by implementing a power of attorney. Not having one of these opens you up to all kinds of risk ... again, the book spends time going through what should be included in one of these documents.

What constitutes an “aha” moment will be very personal. Most people have some areas of competence in personal financial planning, but have not thought of everything or do not know of all of the various options or how they work. I expect there are very few people who read this book that will not glean something of value to incorporate into their financial practices. At the very least, they will not be spending any money during the time they spend reading it, that alone could be worth hundreds!

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The Financial Planning section of the book store is full of title options for me to choose from. Why should I choose *Living Your Dream*?

It is true that there are a lot of books dedicated to this subject matter. I have read many of them, hundreds in fact. Most of them are quite good and some of them are downright excellent. One thing that I felt was underrepresented on the shelf was a book that covered a wide breadth of personal financial planning issues in enough depth to be useful without becoming overly concentrated in one area.

One of the first pieces of advice I received from an editor was to keep the word count down to 60,000. I believe that advice is widely taken and thus most books cover only a sliver of the overall financial planning picture which makes them very useful if that is the sliver you want to address, but it doesn't really help with the bigger picture.

Living Your Dream in its earlier life was about a third longer than it currently is. The published version is slightly over 110,000 words ... so I missed the 60,000 mark by a substantial margin. To have it substantially shorter would not allow me to cover what I felt should be covered.

So why should you choose *Living Your Dream* given the other options out there, there are a number of reasons, but one of the primary reasons is that it covers more ground, in reasonable depth, allowing it to provide more insight to planning your personal finances. It does not cover everything that may be important in your situation, but it does cover many areas that shorter books are not able to delve into.

Are you suggesting that if I read *Living Your Dream* that all I need to know is covered in sufficient depth to make me proficient in personal financial planning?

No, not at all!

My goal was to provide a glimpse into most areas of personal financial planning, while providing more depth where I felt it was important to do so. The idea was to arm the reader with some knowledge in many areas so that they can act more independently and/or ask more informed questions of their advisors. In most cases the book will not, and should not, replace the use of a qualified advisor in the more technical areas.

For instance, just because I cover the main areas that should be included in your will and some of the considerations you should think about, does not mean that you should write a will without input from a qualified lawyer who is familiar with the legal elements you need to incorporate. It is the same idea with Trusts, POAs, insurance and taxation issues. The idea is to make you a more active participant so that you are able to get the product you need out of an advisor or professional as well as to help you in those areas where you decide the DIY option is appropriate.

Given the fact that *Living Your Dream* is limited in certain areas, how do I know where and how to gain further exposure that I may require?

I provide a lot of references to other publications and information sources that I have found useful. These sources, in turn, will often provide further references if your specific situation is not precisely dealt with.

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You mentioned that you cut down the size of *Living Your Dream* by about a third. What did you have to cut?

I chose to cut detail in some areas that are less broadly applicable and I cut some of the stories or colour that I had in the book that acted as a bit of a break in the material.

In those cases where I cut detail I tried to include references to where more detail was available. The detail is very important to understand if that is an area that is important to your plan. For instance, in the earlier version I had a lot more detail about RESPs. While I think this detail is vital to understand if you have kids and you want them to go on to postsecondary education, if you don't have kids then that would likely be wasted space for you. TFSAs and RRSPs on the other hand are more generally applicable to a personal financial plan, so I chose to leave more detail. In both cases though, I have included references to where more and current information is available.

Another area I would have liked to have greater focus is with respect to retirement income. I do spend some time in the book talking about the main sources that most people use for retirement income (RPPs, RRIFs, CPP, OAS, Annuities, unregistered accounts, TFSAs ...), which should help improve understanding related to those pieces. But I did not have the time and space to get into how to bring it all together into a retirement income plan. This is a focus that several good books are now venturing into, so again, there is a lot of material available for the reader if that is their current main concern.

The one piece that I did cut more than I would have liked is the stories or 'personality' I included in the original version ... some of the weird bits of me and my style. I think the book is still more readable than many in this subject area, but it was funnier or more quirky in the earlier rendition ... in my opinion.

You spent most of your life in Auditing, why on earth would I want to listen to your views on personal financial planning when there are a bunch of books out there written by authors who are dedicated solely to the subject?

I do spend quite a bit of space in the beginning of the book introducing myself so that the reader can understand a little better why they may be interested in what I have to say. I felt a little funny writing that piece of the book for fear that it comes off braggie or self-centred. What I tried to do there was anticipate and answer this precise question.

In short, I am qualified (I am more credentialed than most of the generalist authors out there) and, unlike many authors, I am not beholden to any piece of, or anyone in, the financial services industry. While you may think that the advice flowing from someone who has been managing mutual fund portfolios for clients for three decades has a lot to say about quality investment approaches, I often see a considerable amount of biased thinking. I have never had to drink the Kool-Aid, I am free to do my own thinking and come to my own conclusions. Oh, and make my own mistakes ... but at least my mistakes are somewhat original.

My goal was to give unbiased, honest, quality insight that will allow readers to question, assess and evaluate the professional help they currently receive. I hope I have succeeded.

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Should I invest in Delta 9 (DN-T) (insert any stock here)?

I have no idea, but probably not. Let me explain ...

People love to invest in a stock and watch its price go through the roof. The problem is, what if you pick the wrong stock? In the case of DN ... you need not only be an expert on the Cannabis industry but you also need to understand the positioning of DN relative to other small cap stocks, understand their fundamentals, know that their management structure is sound ... the list goes on with respect to industry and stock characteristics that you need to be aware of. But not only that, you also need to ensure that the stock fits within your asset allocation mix and does not infringe on your diversification objectives. So should you invest in DN (or any other particular stock for that matter), probably not – for most people.

For most people it makes sense to invest in a broadly diversified, low cost, index based equity fund that meets their well-considered asset allocation strategy ... which itself is determined based on the individuals goals, objectives and risk tolerance. It is enough work to get the balance of the investment equation correct without doing all of the work required to build a portfolio of individual stocks. *Living Your Dream* goes through this stuff with you, though you are encouraged to get qualified help from a fee for service advisor to get this major plank in your investment strategy correct.

I have nothing against Delta 9, or the Cannabis industry ... I just don't know enough about them and don't really care to, because I can do just fine without a dedicated investment.

There seems to be a lot of focus on fees in the paper these days. You talk about 'low cost' but you also talk about getting advice, can you do both?

I dedicate a chapter in the book showing why it is that focusing on fees, investment costs in particular, is important. The beautiful thing about the options that are available to investors these days is there are investment products that cover all major equity markets of the world with a relatively small investment and rock bottom fee structure. Low cost has never been more available in investment products than it is now. But you can also pay a very high price for similar investment products if you are not aware.

Good, qualified, advice is vital in those areas where you need a little more guidance. For that, you need to ensure you are paying for what you get, and you are getting what you need. For a skilled professional you need to pay them a fair wage for their work. I don't think your focus here is finding the cheapest professional to provide you the service you are after necessarily. But you need to find the qualification and experience you require and discuss fees so that you understand the cost and only hire someone if you are comfortable that the advice or product will be worth it to you. Good advice, good service, does not need to cost a fortune, but those who provide it deserve to be fairly compensated.

The one compensation structure I personally don't like is where compensation is embedded in a high cost product. That is where you can be left with the impression you are paying nothing for the service/product and in the end the cost to you can be quite substantial. This is why I like to pay a fee for any service I receive. To me that is much simpler. I can see the product or service I am receiving, and I know exactly what it costs me. I never begrudge paying someone fairly for what they do for me.

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I have a pension plan at work, I should be good, right?

Maybe, it all depends on the plan details and what your retirement expenditure profile is going to look like.

I come from a situation where I have a very good, and generous pension plan (relative to most pension plans). Since I have been retired though, it has singlehandedly covered our monthly expenditures very infrequently. My wife and I have relatively high expenditures in the first decade of our 40 year retirement plan. If we did less travel (or more precisely if Kim did less travel), then we would be able to live on the pension generated cashflow. Because of our expenditure plans though we have had to plan for, and accumulate, a number of sources of cashflow and wealth beyond the pension plan to cover our in-retirement expenditures.

Having a qualified advisor help you design a financial plan geared to your personal situation, with a clear and ever-present focus on your goals, is vital in determining if and when you have the financial resources (from RPPs, RRSPs, CPP, OAS, Investment assets ... all sources) to support your expenditure objectives.

So, it may be that your pension plan at work is all you need. However, you don't know unless a full consideration of your needs and means is undertaken. This is so important that I think it is a really good idea to engage a fee for service planner to help with this piece ... but a bit of self-education is also very important. Reading *Living Your Dream* is a good start.

I have started to read a couple of books on personal finance, but they always tell me that I can't buy anything (coffee, lunch, lottery tickets) and have to save all my money. I want to be able to live now not just save for later. It seems to me you bean-counters have lost your grip on reality. How do you reconcile the need to live with the need to save?

I fully understand this frustration. I do not subscribe to the "save everything" philosophy. Kim and I have done a fair bit of engaging in what would be considered extravagant expenditures. Kim took a full year off work to travel the world in her twenties. I love to go out for meals, buy books and go to sporting events. Cutting all of the little and some big pleasures out of your life now so that you can have a pile of money later in life, is not something I subscribe to at all.

What I do subscribe to is having a plan so that you know what expenditures are important to you, and balancing current expenditures against the need to fund the realization of longer term goals. Knowledge is key when it comes to making this trade-off.

You need to understand how money spent today impacts what you can do later and determine where there is the most value in your dollar spend. I go through a number of these issues in the book to demonstrate what I am talking about here ... but if you know what the cost of a current spending decision is to your future spending options, it will put into perspective if the trade-off you are considering makes sense or not. Your spending choices are interconnected – you need to understand the nature of that connection and try to find a good balance between spending now and later – based on your values.

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Why did you title the book *Living YOUR Dream* vs the more general and understood term, *Living THE Dream*?

Personal financial planning is just that ... personal. A financial plan needs to be designed around an individual or family's set of goals and objectives ... collectively THEIR dream. There is no one set of goals and objectives common to everyone.

It too is important to realize that an individual dream is not itself financial. Most dreams require some form of financing and planning (financial planning), but that is just the means to the end. Some people love to travel, others love to garden or entertain their friends or attend sporting events or sail their own boat. The main point of financial planning is to spend some time figuring out what you want, what it will cost and how you are going to save enough to meet the financial side of your goals and objectives ... YOUR dream, not THE dream.

The inspiration for the title was brought to me by my wife. Kim is an avid hiker, and has many hiking friends who collectively travel the world to experience all of the great trails. One of her hiking friends (Joy) completed a particular hike in Spain and was inspired to purchase and give her hiking friends a bracelet that contained the phrase Don't Dream Your Life, Live Your Dreams. That was the phrase that inspired the title for the book.

If your book covers more breadth than other personal finance books, and has content geared to Gen x through to those in retirement, how should people read your book? Should they read it cover to cover? or just read the relevant sections as found in the Table of Contents that would apply to them at that point in their life?

The way I would read this book, as I do with most books, is to start at the beginning and keep going. That said, there will be pieces that are not universally applicable. When you come to something that is not applicable to your situation, or someone in your family's situation, skim it just to make sure that your initial assessment is correct. I think a reader should study those pieces directly applicable to their situation and skim those that are not directly applicable. Spending too much time in details that are not applicable to you and yours will only serve to frustrate and may hamper progress to the more directly applicable elements.

Feel free to send in your questions. I will update the document periodically to capture the themes of questions I am seeing!