12 RESOLUTIONS FOR THE...

New Year!

Start the new year right by reviewing and revamping your financial plan.

Instead of hauling out those familiar New Year's resolutions about eating less and exercising more, how about focusing on something that's also very good for you in the long run – and even sooner? We're talking about your financial plan – your fiscal health, if you will. It is a great time to review your plan and make whatever revisions might be indicated. With that in mind, here are 12 suggested resolutions that, if followed, will go a long way toward helping to ensure that your later years will be financially secure.

RAYMOND JAMES®

1. GET YOUR BALANCE SHEET IN ORDER

You can't realistically expect to reach a goal without knowing where you're starting from. Using January 1st as the effective date, update your personal balance sheet (assets versus liabilities, broadly speaking). You should already have – or develop if you don't – an idea of what you're going to need to reach important financial goals. If you're already retired, you also need to know if the income you receive from the Canada Pension Plan (CPP)/Quebec Pension Plan (QPP), Old Age Security (OAS), retirement plan assets, or other sources is still going to support your current lifestyle. Either way, you've got to have a scorecard. Everything else really proceeds from this, so take the time to bring all these numbers up to date.

2. REVIEW YOUR BUDGET AND SPENDING HABITS

How close did you come to what you had planned to spend last year? Where did you go off-track and what can you do about that? Has something fundamental changed in your life that affected your expenses, and is that a one-time item or an ongoing cost? Where can you trim expenses? Although some budget items are fixed, a sharp pencil can produce significant savings on other costs. Some businesses engage in a process called zero-based budgeting in which every anticipated expense must be justified again every year (at the personal level, this approach is sometimes called zero-sum budgeting). In other words, the $2,500 you spent last year on travel would have nothing to do with what you budget for travel this year. Instead, you start with what you realistically expect to have as income, then assign those dollars to your various expense categories.

3. REVIEW THE OWNERSHIP OF YOUR ACCOUNTS

Account ownership often occurs haphazardly – an individual opens a bank or brokerage account, meets Mr. or Miss Right, they live together or get married and… down the line there's a problem. If one partner dies and that bank or other account is still titled only in the original holder's name, those assets can't be readily accessed by the survivor. The solution may be as straightforward as changing to joint accounts, but it's not always that simple. In fact, ownership has implications across a wide range of estate planning issues, as well as other situations such as special needs qualifications and borrowing power, to mention just a few. Account ownership is more than just using the right form – it can also be a tool for estate planning. Review your account ownership and determine if that's still the arrangement you want.

4. DESIGNATE AND UPDATE YOUR BENEFICIARIES

If you don't correctly document and update your beneficiary designations, who gets what may be determined not according to your wishes, but by federal or provincial law, or by the default plan document used in your retirement accounts. When did you last update your beneficiary designations? Has something changed in your life (divorce, remarriage, birth, death) that necessitates changing your beneficiaries? You should review/update beneficiary information on items such as wills, life insurance, annuities, RRSPs, RRIFs, TFSAs... (and the list goes on) to ensure your assets end up where you want them. Have you provided for the possibility that your primary beneficiary may die before you? Have you provided for the simultaneous death of you and your spouse? You need a good estate planner to walk you through the various scenarios.

5. EVALUATE YOUR CASH HOLDINGS

Everyone should have a certain amount of their assets – six or more months of living expenses is a common rule of thumb – set aside in cash that can be quickly and easily accessed. Think about where your cash reserves are located. Having cash on hand means having one less thing to worry about when the unexpected happens. If you find yourself in a situation like a medical emergency, an out-of-the-blue home repair, or losing a job, you don't want to be worrying about how you're going to manage expenses or going into debt to cover costs.

6. REVISIT YOUR PORTFOLIO'S ASSET ALLOCATION

Many investment professionals believe that market volatility is here to stay. If it is, are you comfortable with the level of risk in your portfolio? Risk tolerance isn't static – it changes based on your net worth, age, income needs, financial goals and various other considerations. The events of the past few years have made many investors more risk-averse. That's certainly understandable, but it may be that you need to – very carefully – take on somewhat more risk to make up for declines in your portfolio value. It may be that the market's gyrations have made you determined to lower your risk level. It also may be that your current asset allocation and the resulting risk profile is just fine. But you want to make informed decisions here. Review your holdings and your overall asset allocation and make whatever adjustments are indicated.

7. EVALUATE YOUR SOURCES OF RETIREMENT INCOME

Most retirees have several sources of income such as the Canada Pension Plan (CPP)/Quebec Pension Plan (QPP), Old Age Security, employer-sponsored pension plans, retirement portfolios, rental properties, notes receivable, inheritances, etc. Every individual picture is different. Think about how secure each source is. Can you really count on that inheritance, are there likely to be vacancies in your properties that would interrupt the cash flow, are the notes receivable backed up by collateral? The point is to know which income sources are reliable and which are less certain, and how much of your total income each category represents. If too much of your retirement income is from sources you consider less than solid, it may be time to reposition your assets.

8. REVIEW YOUR RETIREMENT STATEMENT

If you've worked any time since you were 18, you've already started to save for your retirement through your contributions to the Canada Pension Plan (CPP)/Quebec Pension Plan (QPP). You'll find the details in an important financial document called a "Statement of Contributions". It gives you details on your earnings and the contributions you have made so far to the CPP/QPP. Employment and Social Development Canada (EDSC) regularly mails statements to selected audiences of Canadians; however, you can go online to view and print your (CPP) Statement of Contributions/(QPP) Statement of Participation. The information on your Statement determines the amount of CPP/QPP benefits you will receive, so it is important to check the accuracy of the data carefully and let EDSC know if anything is incorrect.

If your employer provides an employer-sponsored pension plan, you need to review your plan's details, and be sure to understand what type of plan you have – a "defined benefit plan" (pension income is predetermined based on a formula) or a "defined contribution plan" (pension income is not pre-determined; it's based on the amount you and your employer contributed, including earnings). Use the pension plan's online calculator to compute your benefits at various retirement ages (it's generally best to wait as long as possible to begin collecting). Revise your spousal plan if indicated – this won't apply to everyone.

9. REVIEW THE TAX EFFICIENCIES OF YOUR CHARITABLE GIVING

Charitable Giving: There are many ways to make donations. Many give cash, of course. Some give assets such as art collections. Others designate charities as the beneficiary of a life insurance policy, RRSP or RRIF. Think strategically about your contributions as there are tax-effective strategies for making gifts, such as gifts of publicly traded securities. The tax benefits of charitable giving can be substantial, but CRA rules can be complex, so it is important to ensure the planning is structured properly. Speak to your Raymond James advisor to gain better insight into charitable giving and to learn about how you can use a Raymond James charitable giving account to create a charitable legacy.

10. CHECK TO SEE IF YOUR RETIREMENT PLAN IS ON TRACK

The past few years may have derailed and/or delayed the retirement plans of many investors. The important thing is to respond and determine – promptly and realistically – what changes might be needed. In evaluating the current state of your plan, don't fixate solely on a number – "We'll be fine when our retirement portfolio is worth $X" – that just isn't the way retirement works anymore, if it ever did. You need to drill down into what types of assets you have, what your cash flow situation is and is going to be, what your contingency plans are, what rate of return you're assuming, what inflation rate you're assuming, how long you're planning for, and all the other important details that go into achieving a successful retirement. The truth is that retirement has a lot of moving parts that must be monitored and managed on an ongoing basis. Don't be afraid to seek professional advice to ensure you're on track.

11. MAKE THE INDICATED CHANGES

By now you should have a good idea of where you stand overall, what your cash flow situation is (including whether you're saving enough), what your retirement income picture looks like, and where the shortfalls or other challenges are. Do you need to adjust your contributions to your RRSPs or other retirement plans? Does it make sense to convert your RRSP to a RRIF before age 71? Do you need to adjust your tax withholding? If you're due for a raise, how about channeling the extra money into a retirement account? Are you taking full advantage of your employer's retirement plan options, particularly any contribution match program? Regardless of whether you're years away from retirement or fairly close, the effects of compounding can be very significant – if you take advantage of them. Go after any problem areas – or opportunities – systematically and promptly.

12. SET UP A REGULAR REVIEW SCHEDULE WITH YOUR ADVISOR

Your advisor can help you with specialized tools, with impartiality and the experience earned by dealing with many market cycles and many different client situations. It's vital that you communicate fully with your advisor, telling him or her not only what's happening in your life today but what's likely to happen or might happen in the future. Are you going to move, change jobs, have kids coming up on college age, face the possibility of significant medical expenses? Advisors can't help you manage what they don't know, so err on the side of over-communicating. Establish a regular schedule for getting together and reviewing your portfolio, your financial and retirement plans, and what's happening in your life.