

# PLANNING MATTERS

Quarterly Financial Planning Newsletter  
from Coleman Wealth



Fall 2014 - 1<sup>st</sup> Edition

## Welcome to Planning Matters, the Coleman Wealth Financial Planning Newsletter!

We developed our new financial planning quarterly newsletter to give you valuable and relevant information on subjects that matter to you.

November 16-22nd is Financial Planning Week 2014, sponsored by the Financial Planning Standards Council. (Darren and Andrea are both members as Certified Financial Planning Professionals.) Our goal for this newsletter is to make you aware of the value of financial planning, and how it can help to reduce your stress and give you more certainty towards the outcomes you desire for your life. Andrea has joined the team specifically to work with you and your family to identify and help achieve these outcomes. This ongoing process will give you more peace of mind as you navigate through the complexities of life.

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## New Tax Measures for Families Introduced (October 30, 2014)

The federal government announced three new tax initiatives to help relieve the tax burden for Canadian families.

1. Income splitting – starting in 2014, this new measure allows up to \$50,000 of income of the higher earning spouse to be taxable in the hands of the lower earning spouse. This is available to couples who have a child who:
  - A. Is under 18 by the end of the year;
  - B. Resides with the parent throughout the year

The savings will be claimed in the form of a non-refundable federal tax credit up to a maximum of \$2,000 and can be claimed by either spouse.

- \$50,000 and
- $\frac{1}{2} \times$  (your taxable income – your spouse's taxable income)

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2. Child care expenses – the maximum annual amounts that can be claimed for child care expenses will go up by \$1,000 starting in 2015. As a result, the following per child maximums will apply:
  - A. Under age 7 - \$8,000
  - B. Age 7-16 - \$5,000
  - C. Children eligible for the disability tax credit - \$11,000
3. Universal Child Care (UCC) Benefit – starting in 2015, payments will increase for each child under 6 to \$160/month. Also, a new \$60/month benefit will be introduced for children aged 6-17.

Due to the enhancements to the UCC benefit, the Child Tax Credit will be repealed in 2015.

## What is 'Financial Planning' and why do I need it?

Financial planning is a process that sets you on a course toward achievement of your life goals through the proper management of your financial affairs. It is a disciplined, multi-step process of assessing your current financial and personal circumstances against what you desire for the future, and developing strategies that help meet your personal goals, needs and priorities in a way that aims to optimize your financial position. Think of it as putting together a big puzzle, which is constantly changing shape and size.

### What are the Puzzle Pieces?

The financial planning process takes into account the inter-relationships of all aspects of your financial situation (the pieces of the puzzle). These include:

- Financial management
- Insurance and risk management
- Investment planning
- Retirement planning
- Tax planning
- Estate planning and legal aspects



Financial planning can vary in scope and complexity, ranging from planning advice that is straightforward and narrow, covering primarily one financial planning area, to complex and involved, requiring extensive integration across multiple financial planning areas.

### How are you doing financially?

When aspects of your life are in transition, you'll particularly appreciate having a sound financial strategy. Career changes, relocations, family expansions – or the many other events that you plan for, dream about or don't expect at all – can be financially unsettling. A sound financial planning strategy will help you make informed choices when faced with life's inevitable changes.

#### Check each statement that applies to you:

- |   |   |
|---|---|
| <input type="checkbox"/> I'm in control of my finances.                             | <input type="checkbox"/> I'll be able to retire in the lifestyle I want.                        |
| <input type="checkbox"/> I'm prepared for a financial emergency.                    | <input type="checkbox"/> I only pay taxes that are absolutely necessary.                        |
| <input type="checkbox"/> I have enough income to enjoy my life.                     | <input type="checkbox"/> There will be enough money for my children's post-secondary education. |
| <input type="checkbox"/> I anticipate changing my career in the next 1-5 years.     | <input type="checkbox"/> I will be mortgage free by retirement.                                 |
| <input type="checkbox"/> I anticipate getting married or divorced in the next year. | <input type="checkbox"/> My life goals and aspirations are achievable.                          |
| <input type="checkbox"/> I anticipate starting my family in the next year.          | <input type="checkbox"/> Financially, I have peace of mind.                                     |
| <input type="checkbox"/> My loved ones will be looked after when I'm gone.          |   |

## Misconceptions about financial planning

If you've never engaged in comprehensive financial planning with a qualified financial planner, you might wonder about the process and whether it's right for you. There are many misconceptions about financial planning – so read on to get the facts!

### A financial planner is someone who handles my RRSP or taxes

**False!** A financial planner covers every area of your financial life, from investments and real estate to insurance and retirement planning. An appropriately qualified financial planner will guide you on how decisions about one aspect of your finances will affect other areas – and how it all affects different areas of your life. For example, an investment decision can have tax consequences harmful to estate plans, while a decision about a child's education may affect when and how you meet your retirement goals. A CFP (Certified Financial Planner) professional can help guide you toward the decisions that will help you reach your overall life goals.

### Financial planning is all about budgeting and cutting back

**False!** When you have the right financial plan for your circumstances, you can balance what you need and want today with the personal goals you have for the future. An effective plan goes beyond saving to help you live the life you want with the resources you already have.

### If I'm generally moving in the right direction, my financial goals will take care of themselves

**False!** Life is hectic and all too often we get sidetracked from reaching our life goals. Specific, measurable financial goals will help you target what you want to achieve. A CFP professional will help you understand what is required to attain a "comfortable retirement" or a "good education for my children" so that you act today to reach your life goals in the future.

### Financial planning is for people who are wealthier, older or younger than I am

**False!** The tools and strategies of financial planning work for all ages and all levels of income. It's never too early or too late to start, nor do you have to be wealthy to have a plan. Planning is for everyone. You can read more about how financial planning has impacted the lives of over 15,000 Canadians from all economic and demographic backgrounds in the Value of Financial Planning study.

### Working with a financial planner means I can sit back during the process

**False!** When working with a financial planner, you need to be sure you understand the process, what the planner is doing, and how they are being compensated. You also need to be an active participant in the process. Your financial planner relies on you to provide all the relevant information about your financial situation and life objectives. Ask about your planner's recommendations and play an active role in the decision making.

### Financial planning is a 'quick fix' for my finances

**False!** Financial planning is generally a long-term approach to managing your finances so that you can reach your life goals. It won't change your situation overnight. Remember that factors beyond your control, such as the stock market, inflation or interest rates, will affect your planning results.

Once I have a financial plan in place, I can forget about it

**False!** Financial planning, like life, is a dynamic process. Your goals or priorities may change over the years due to changes in your lifestyle or circumstances, such as a birth, an inheritance, marriage, house purchase or change of job status. Revisit and revise your financial plan on a regular basis to reflect these changes so that you stay on track.

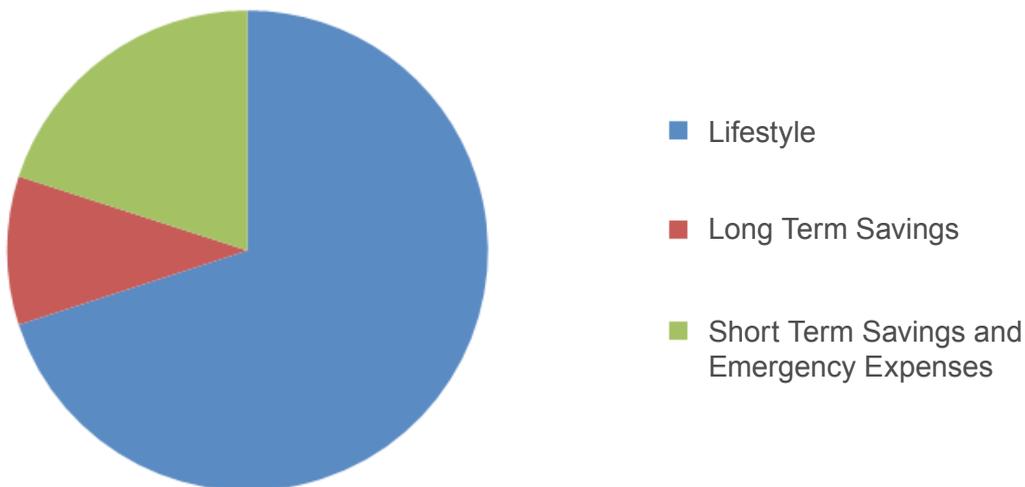
Having a financial plan isn't going to make a difference in my situation

**False!** Comprehensive planning with a qualified financial planner will help you proactively navigate your financial future, helping you reach your goals as well as deal with inevitable financial surprises along the way. Committing to the financial planning process with a CFP professional is committing to your future.

## Quick Tip of the Month

Don't want to budget but want to have a clear direction on whether you're using your monthly cash flow productively? Follow the 10/70/20 rule.

### The 10/70/20 Rule



10% – of your monthly income dedicated to long term savings (RRSPs, pensions, TFSAs)

70% – of your monthly income spent on your lifestyle needs

20% – of your monthly income put into short term (emergency) savings or towards bigger lump sum purchases

## Sleep more soundly, and check in with your financial plan.

When you have a personalized financial plan, you can balance what you need and want today with your goals for the future. You won't wonder whether you can afford the vacation, the dream home or the university tuition costs – you'll know. With a sound plan, you can take control of your future and achieve your personal outcomes. And, you'll have a financial cushion when unexpected expenses crop up. Most reassuring is that a good plan will help you live the life you want with the resources you already have.

### Did you know...



**65%** of Canadians with a comprehensive financial plan feel they're **prepared to deal** with tough economic times, compared to **36% with no plan**.



**50%** of Canadians with a comprehensive financial plan feel they're **on track to retire** when they want, compared to **22% with no plan**.



**81%** of Canadians with a comprehensive financial plan feel **on track with their financial goals**, compared to **44% with no plan**.



**65%** of Canadians with a comprehensive financial plan said they would have **enough money for splurges**, compared to **31% with no plan**.

*\*Results of The Value of Financial Planning, a 3-year longitudinal study conducted by the Financial Planning Standards Council and the Financial Planning Foundation to measure the impact of financial planning on Canadians' emotional and financial well-being, as well as the impact of financial planning services offered by CFP professionals compared to non-certified advisors.*

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