

Financial Review Checklist

AN ADVISOR'S GUIDE



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The Advisor Guide to the Financial Review Checklist



The Financial Review Checklist is a simple yet powerful tool that will help you identify any areas of concern that may prevent a client from achieving their goals, and the next steps they should take.

Start by creating a financial analysis that is based on what the client is currently doing. Next, use the Financial Review Checklist to do an assessment of the following areas:

- Cash Flow
- Financial Assets
- Income Tax
- Insurance Needs

This will help you and your client to better understand which aspects of their financial situation may need to be focused on in the short, mid, and long term, and help to clarify the following 4 questions people have:

- Do my financial goals align with how I manage my money?
- Does my current lifestyle support my primary financial goals?
- Are the fees I pay on my investments inline with the advice provided?
- What is the best use of the money I have available today?

The following are insights and suggested next steps you may want to consider as part of your financial planning process and the recommendations you make.

Cash Flow





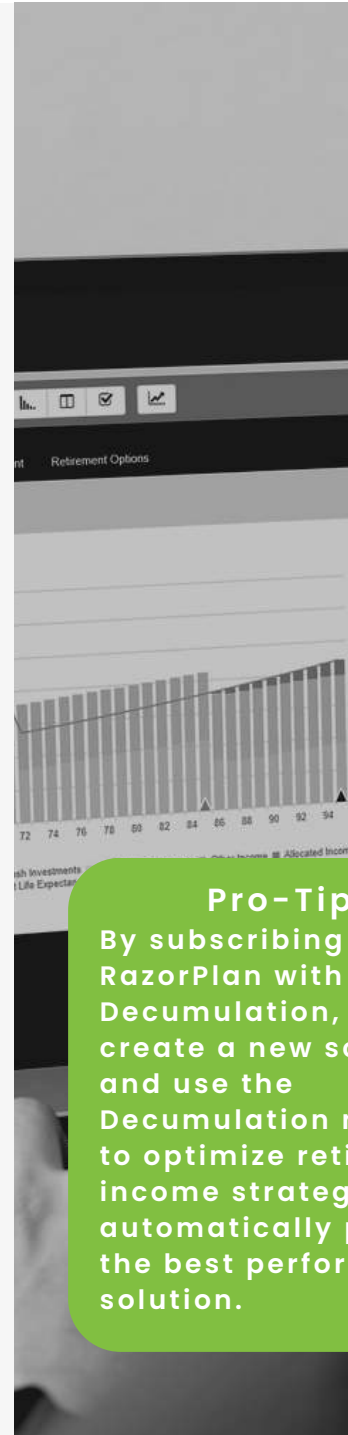
1. You plan to retire before age 65:

When the client's goal is to retire before age 65, special consideration should be given to the timing of the Canada Pension Plan (CPP). Many people will apply for CPP and Old Age Security (OAS) as soon as they are eligible over concerns they may miss out on benefits if they do not live long enough. Others believe that they can invest the early benefit for a greater return than the reduction in benefits when taken early.

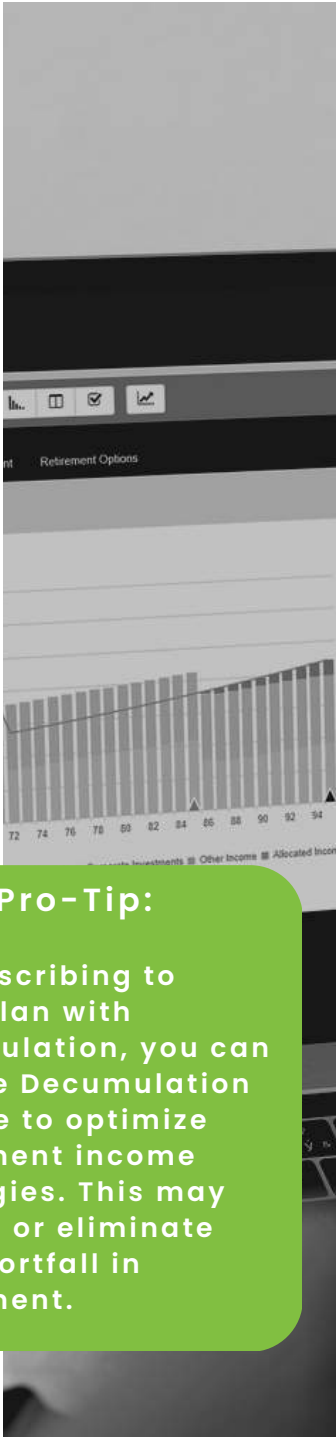
Advising clients, especially those without a defined benefit pension plan, to defer CPP and OAS benefits can provide added security of not outliving their money compared to starting benefits as early as possible.

Suggested action for Yes answer:

- Use the Decumulation Checklist so you will understand what matters most to the client before recommending any decumulation strategy.
- Try changing the CPP and OAS start age in Step 2 of data entry and compare the results to the client's plan.



Pro-Tip:
By subscribing to RazorPlan with Decumulation, you can create a new scenario and use the Decumulation module to optimize retirement income strategies and automatically produce the best performing solution.



Pro-Tip:

By subscribing to RazorPlan with Decumulation, you can use the Decumulation module to optimize retirement income strategies. This may reduce or eliminate any shortfall in retirement.

2. You are projected to have an income shortfall in retirement:

When a client is projected to have an income shortfall in retirement, without more complex professional advice they have 4 options, also called Next Best Actions, available to help them eliminate the shortfall.

1. Spend less in retirement
2. Work longer
3. Take more risk to increase returns
4. Save more

Advising clients on the various strategies they can implement to reduce tax and increase returns can significantly reduce the projected income shortfall.

Suggested action for Yes answer:

- Review the Retirement Options chart and the 4 suggested Next Best Actions with your client to determine if they are willing to modify one or more of their goals.
- Review the client's risk tolerance and asset allocation to ensure it is aligned with their need for return on investment to reduce or eliminate any income shortfall.



- Consider recommending a low-cost investment strategy to reduce management fees and increase projected returns. A reduction as small as 0.25% can have a major impact on future income and help to reduce or eliminate any shortfall in retirement.
- Determine if there are other more complex strategies that may help to reduce income tax and/or improve overall after-tax returns.

3. You are projected to have excess income during retirement:

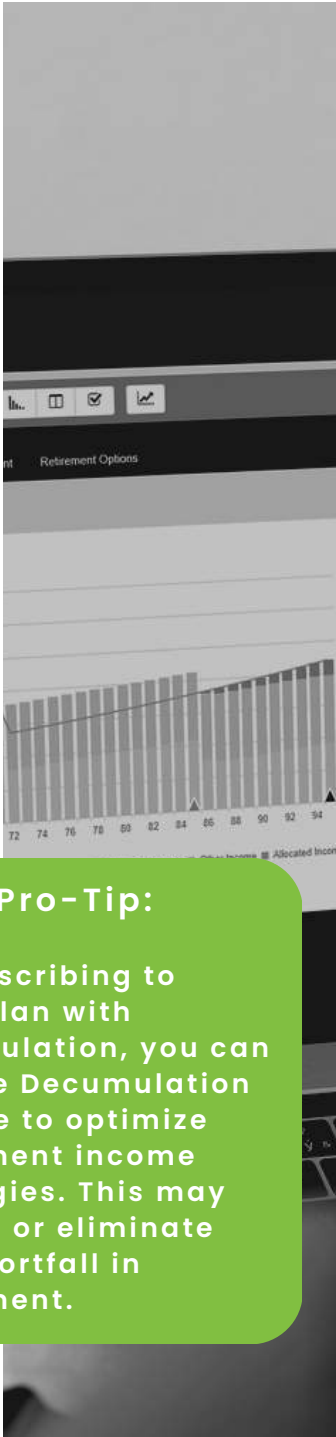
When a client is projected to have excess income in retirement, it can trigger added income taxes due to increased tax brackets and trigger the clawback of the Age Credit and Old Age Security. For many, this excess income is often due to minimum RRIF withdrawals.

Advising clients on the timing of conversion from RRSPs to a RRIF or recommending reducing the value of investments held in RRSPs with a decumulation strategy, may eliminate excess income, reduce income taxes and OAS clawback while increasing estate value.



Pro-Tip:

By subscribing to RazorPlan with Decumulation, you can use the decumulation module to optimize withdrawal allocation and government benefits. This will typically help to reduce or eliminate excess income due to RRIF minimum withdrawals.



Pro-Tip:

By subscribing to RazorPlan with Decumulation, you can use the Decumulation module to optimize retirement income strategies. This may reduce or eliminate any shortfall in retirement.

Suggested action for Yes answer:

- Modifying the age to convert the client's RRSP to a RRIF can help to reduce future minimum RRIF withdrawals and lower or reduce excess income in retirement.
- Set the Withdrawal Allocation to prioritize RRSP/RRIF over Non-registered and TFSA investments.
- If the client has Locked-In Retirement accounts, (LIF/LRIF) change the income withdrawal from maximum to minimum to reduce the amount withdrawn each year.
- For married clients, consider if there are strategies to split income that can be implemented. To illustrate optimal income splitting, in Data Entry Settings, enter 100% for Income Splitting.
- Consider a RRIF Meltdown strategy by manually adding withdrawals from registered investments using the data Drill-Down in Step 3 of data entry.

4. You plan to continue working for a period in retirement:

When a client has plans to continue earning income in retirement, they need to carefully assess the impact this added income may have on the OAS recovery tax threshold (clawback).



Advising clients on the timing of OAS payments can help to avoid unnecessary clawback of benefits and enhance the lifetime value of the benefit.

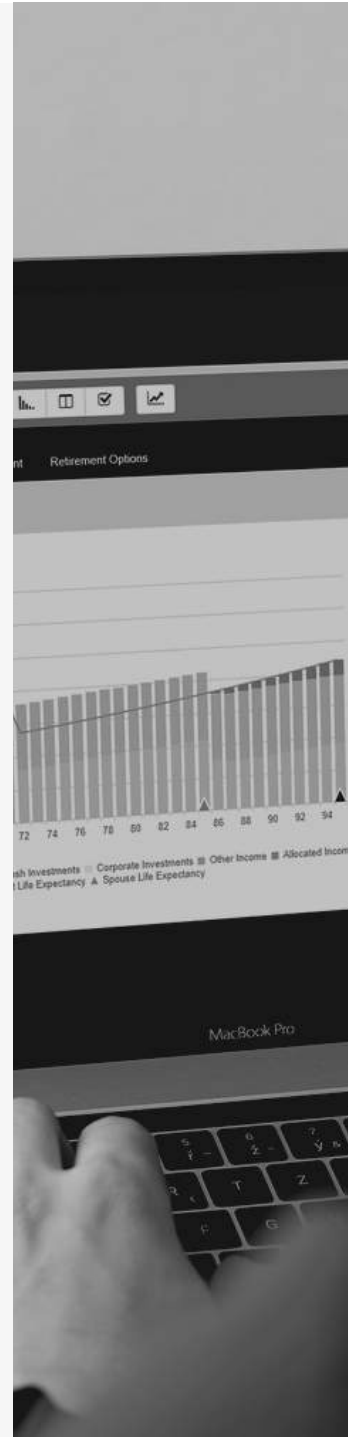
Suggested action for Yes answer:

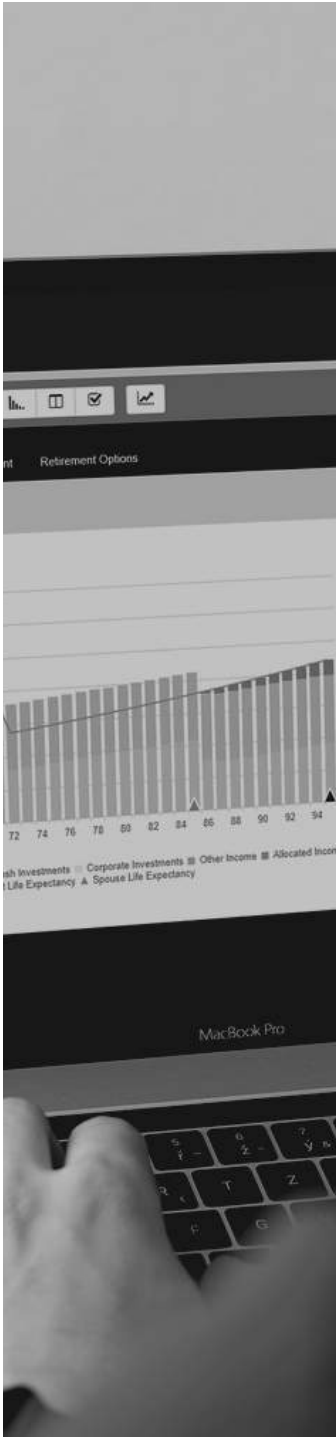
- Review the income tax chart to determine if the added earned income in retirement will trigger the OAS clawback.
- Try deferring OAS to age 70 and compare the results to the client's current plan to see if this will reduce or eliminate the OAS clawback and increase income potential and/or estate value.

5. Projected RRSPs provide more income than will be needed in retirement:

When a client is projected to have saved more in RRSP investments than will be needed to support their lifestyle in retirement, this can push the client into a higher tax bracket for investment income and trigger the clawback of the Age Credit and OAS benefits.

Advising clients to reduce RRSP contributions to an amount that meets their retirement income goals can help to free-up cash flow that can be redirected to debt elimination,





TFSA contributions and insurance to protect their family.

Suggested action for Yes answer:

- Review the Retirement Options chart and the 4 suggested Next Best Actions with your client to determine if they would like to retire sooner or take less risk with their investments.
- Review the savings rate allocated to RRSP investments compared to TFSA contributions, debt elimination and insurance.
- Consider re-allocating a portion of the client's planned RRSP contributions to other goals, priorities, or risk management (insurance).

Financial Assets

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1. Required Assets are greater than projected income producing assets:

When a client is projected to have income producing investments that are less than what is required to maintain their lifestyle goal in retirement, they will need to adjust their plans or consider strategies that can enhance their after-tax estate value.

Advising clients on ways to reduce income taxes and or how to use fixed assets as a source of income can help to eliminate the gap between required assets and projected assets.

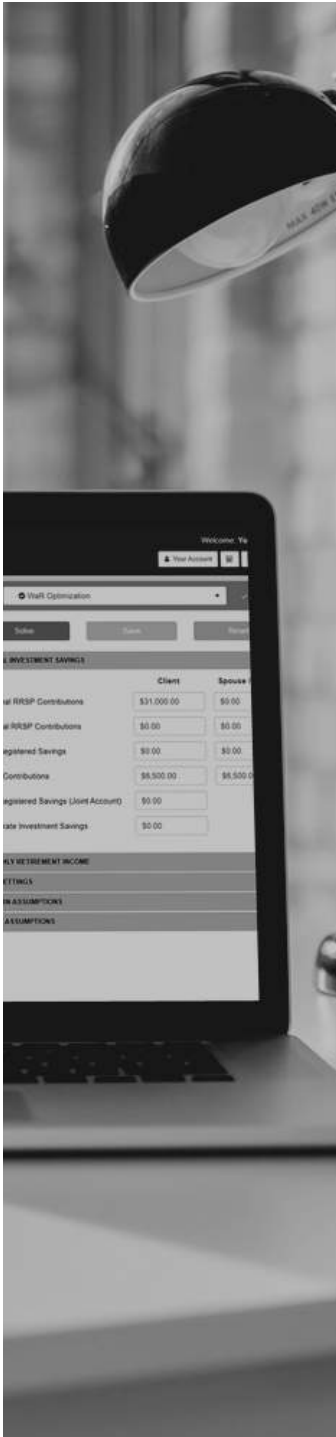
Suggested action for Yes answer:

- Review the Retirement Options chart with your client to determine if they are willing to modify any of their retirement goals.
- Review the client's savings and asset allocation strategy to determine if there are ways to increase investment returns or reduce management fees.
- For clients that have real estate, determine if they are open to downsizing or liquidating one or more of their properties. Alternatively, they may consider a reverse-mortgage to access some of the value they have to generate tax-free income.



Pro-Tip:

By subscribing to RazorPlan with Decumulation, you can use the decumulation module to optimize withdrawal allocation and government benefits can help to reduce the amount of income producing assets the client needs.



2. You own real estate other than a principal residence:

When a client owns a cottage or rental real estate, they may want to keep it in the family and gift the property to one or more of their children without consideration of the many tax issues that can arise.

Advising clients on strategies involving the disposition and gifting of real estate to children can help them avoid potentially costly mistakes that could result in double taxation.

Suggested action for Yes answer:

- Review the projected tax on the real estate and discuss the rules around Deemed Disposition both at death and should they sell the property to a child for less than its Fair Market Value (FMV).
- Consider recommending life insurance to fund the taxation on real estate and compare this to the client's current plan.

3. You own corporate assets other than investments and securities:

When a client owns an incorporated business, they may not be aware of the many layers of taxation that will be triggered



at death. Few clients understand they could be subject to double taxation at a rate greater than 50% of the Fair Market Value (FMV) at the time of death.

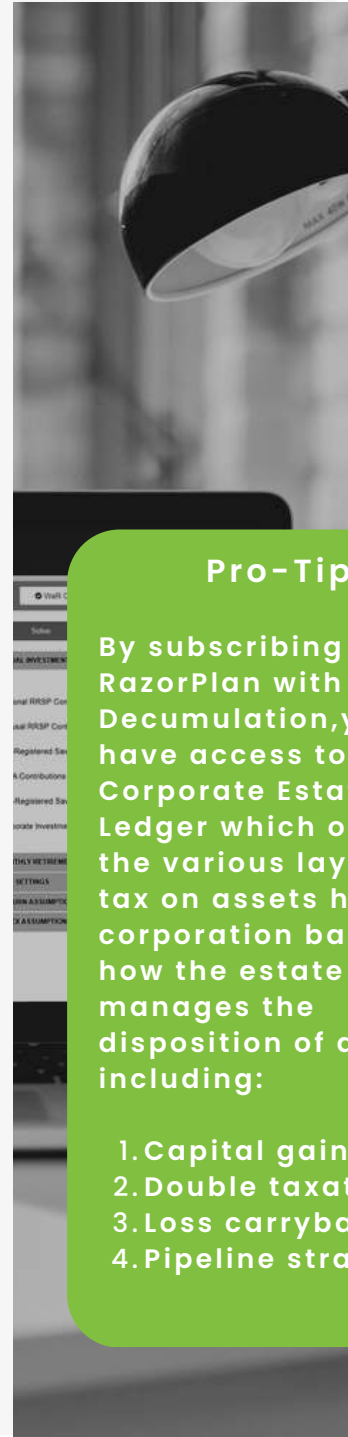
Advising clients on the best way to plan for the transition of corporate assets, and the role life insurance plays in minimizing estate tax, can help to reduce the percentage of total tax payable.

Suggested action for Yes answer:

- Review the projected tax liability on business assets including any deferred tax on capital property and the difference between the tax payable on the terminal return and by the estate.
- Try adding corporate owned life insurance and compare the after-tax value of the estate using a loss carryback strategy to the client's current plan.

4. You have Cash Investments that will not be needed for retirement:

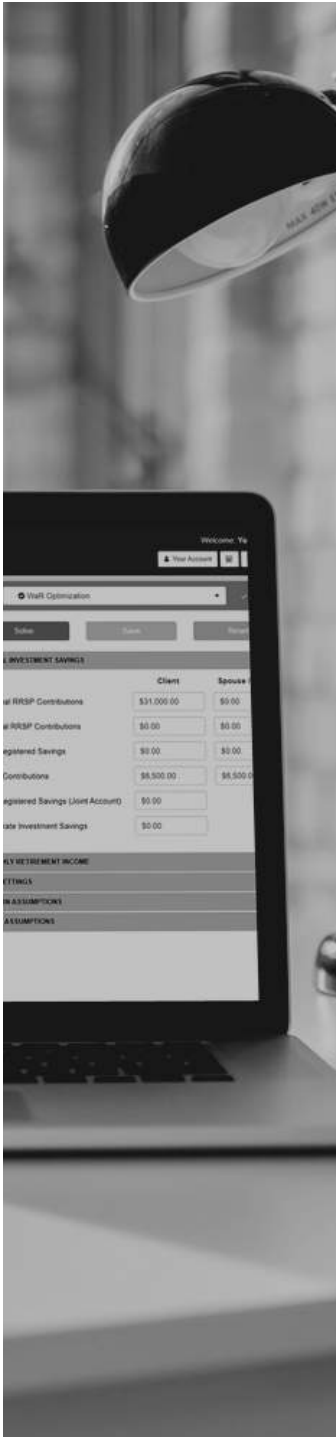
When a client is projected to have excess non-registered cash investments that will not be needed for retirement income, their current investment strategy may not provide the best result.



Pro-Tip:

By subscribing to RazorPlan with Decumulation, you have access to the Corporate Estate Ledger which outlines the various layers of tax on assets held in a corporation based on how the estate manages the disposition of assets, including:

1. Capital gains.
2. Double taxation.
3. Loss carryback.
4. Pipeline strategy.



Advising clients on strategies involving charitable gifting and life insurance as an asset class can help to reduce tax and increase the value of their estate.

Suggested action for Yes answer:

- Review the client’s need for income producing assets so they are aware of the amount of non-registered cash investments they have that will not be needed for retirement income.
- Ensure that the client is maximizing TFSA contributions in retirement using the Auto Allocate setting under Step 3, TFSA data entry.
- For clients that have a goal to reduce taxes at death, try adding life insurance to shelter investment income or enable charitable gifting and compare this to the client’s current plan.

5. You have Retirement Investments that will not be needed for retirement:

When a client is projected to have excess retirement investments, such as RRSP and LIRA, that will not be needed for income, there are several strategies can be used to reduce the future tax liability on the excess income.

Advising clients on strategies to draw down



some of their registered savings can create a tax-efficient source of cash flow that can be used to fund other goals the client may have.

Suggested action for Yes answer:

- Use the CPP/OAS Checklist to educate the client on the cost/benefit of deferring government benefits and compare their current plan to deferring benefits to age 70.
- Consider using a RRIF/LIRA melt-down strategy to illustrate the benefit of optimizing tax brackets to create cash flow for other planning opportunities.

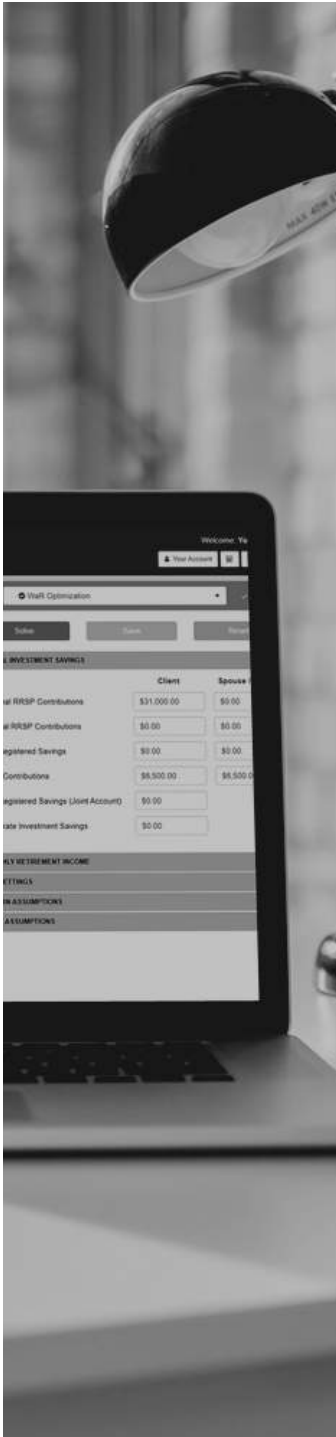
6. You have Corporate Investments that will not be needed for retirement:

When a client is projected to have excess corporate investments that will not be needed to generate retirement income, they may not be aware of the different ways to tax-shelter inside the corporation to reduce estate taxes.

Advising clients on using corporate owned life and critical illness insurance to reduce passive income can significantly increase the after-tax estate value of the corporation.



Pro-Tip:
By subscribing to RazorPlan with Decumulation, you can use the decumulation module to optimize withdrawal allocation and government benefits. Deferring government benefits creates an opportunity to withdraw additional money from registered investments without increasing the client's marginal tax rate.



Suggested action for Yes answer:

- Review the Financial Assets chart to determine the client's dependency for retirement income from corporate investments. Where the investment assets exceed retirement income needs there may be an opportunity to reallocate some of the corporate investments to permanent cash-value life insurance.

Income Tax





1. Your MTR in retirement is higher than your MTR today:

When a client's Marginal Tax Rate (MTR) is projected to be higher in retirement than it is while saving for retirement, they may not be making the best choice when it comes to their retirement savings.

Advising clients on the best retirement accounts for their financial situation can help to significantly increase the after-tax income potential of every dollar they invest.

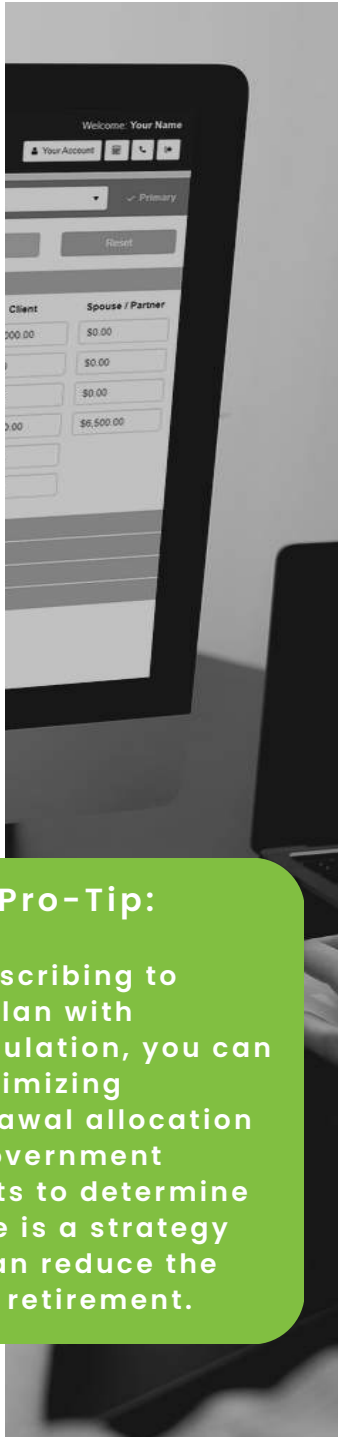
Suggested action for Yes answer:

- Review the Income Tax chart with your client and discuss each of the values displayed and how they can impact their goals.
- Review Data Entry / Step 3 / TFSA / Auto-Allocate. Setting this value to Yes will help to maximize contributions in retirement. This can help to lower taxable investment income and reduce the client's MTR.
- For married clients, consider if there are income splitting strategies that can be implemented. To illustrate optimal income splitting, in Data Entry / Settings, enter 100% for Income Splitting.



Pro-Tip:

By subscribing to RazorPlan with Decumulation, you can try optimizing withdrawal allocation and government benefits to determine if there is a strategy that can reduce the client's MTR in retirement.



Pro-Tip:

By subscribing to RazorPlan with Decumulation, you can try optimizing withdrawal allocation and government benefits to determine if there is a strategy that can reduce the MTR in retirement.

2. You and your partner’s MTR in retirement differ by 1 or more tax brackets:

When a couple file their income tax return and are projected to be in different tax brackets in retirement, they may not be taking advantage of all income splitting opportunities available to them.

Advising clients on available income splitting strategies will help to ensure they pay the minimum amount of combined income tax possible.

Suggested action for Yes answer:

- Review the client’s financial situation to determine if they are missing out on any income splitting opportunities available to them. To illustrate optimal income splitting, in Data Entry / Settings, enter 100% for Income Splitting.
- For clients that plan to retire before age 65 and are in the accumulation phase of retirement, consider using Spousal RRSPs to allocate more to the lower income spouse/partner.



3. You will have all or some of your Age Credit clawed back:

When a client is projected to have a portion of their Age Credit clawed back, they may not be aware of the various income splitting and decumulation strategies available to them that can help to reduce taxable income below the threshold to receive full value of the tax credit.

Advising clients on available income splitting and decumulation strategies can help to keep their taxable income below the threshold so that they pay the minimum tax possible.

Suggested action for Yes answer:

- Review the client's taxable income to determine which years and by how much it exceeds the Age Credit threshold and to identify possible strategies that can help to reduce taxable income.
- Review the client's financial situation to determine if they are missing out on any income splitting opportunities available to them. To illustrate optimal income splitting, in Data Entry / Settings, enter 100% for Income Splitting.





4. You will have all or some of your Old Age Security clawed back:

When a client is projected to have a portion of their Old Age Security (OAS) clawed back, they may not be aware of the strategies they can use to avoid exceeding the OAS threshold, including not applying for the benefit as soon as they are eligible at age 65.

Advising clients on the best age to apply for the OAS benefit and the impact different decumulation strategies may have on the income threshold, can add significant value to attainable after-tax income while also mitigating the risk of outliving their money.

Suggested action for Yes answer:

- Review the client's taxable income to determine which years and by how much it exceeds the OAS threshold and to identify possible strategies that can help to reduce taxable income.
- Review the client's financial situation to determine if they are missing out on any income splitting opportunities available to them. To illustrate optimal income splitting, in Data Entry / Settings, enter 100% for Income Splitting.

Pro-Tip:

By subscribing to RazorPlan with Decumulation, you can try optimizing withdrawal allocation and government benefits to determine if there is a strategy that can reduce or eliminate the OAS clawback.



5. You have taxable investment income:

When a client is projected to have taxable investment income in retirement, they may not be aware of the different ways they can tax-shelter investment income and the long-term impact it can have on their net worth.

Advising clients on strategies to shelter investment income beyond simply taking full advantage of RRSP and TFSA contributions can significantly reduce future income taxes payable and increase the client's net worth.

Suggested action for Yes answer:

- Review the client's current investment strategy to determine if they are taking full advantage of RRSP and TFSA contributions. Confirm that you have TFSA Auto-Allocate set to Yes in Step 3 of Data Entry.
- For clients that have a goal to reduce estate tax or to maximize the value of their estate, consider the advantages of using permanent life insurance as an asset class and allocating a portion of their non-registered investments.



Pro-Tip:

By subscribing to RazorPlan with Decumulation, you can try optimizing withdrawal allocation and government benefits to determine if there is a strategy that can reduce or eliminate the OAS clawback

Insurance





1. Capital needs are greater than the life insurance you own:

When a client's life insurance needs exceed the amount of insurance they have, it creates a gap in the financial security of their family that can impact their standard of living and leave them with debts they are unable to pay.

Using a comprehensive analysis to advise clients on the amount and type of life insurance they need will help to ensure there are no gaps in their financial security.

Suggested action for Yes answer:

- Use the Human Capital Analysis to compare the client's need for life insurance to the amount of insurance they own today and in the future.

2. Capital needs are greater than the Disability Insurance you own:

When a client's disability insurance needs exceed the amount of insurance they have, it creates a gap in their financial security that can leave them unable to maintain their standard of living and pay their mortgage or other debts.



Pro-Tip:

By subscribing to RazorPlan Advanced, you can add your life insurance recommendation in Step 5 of Data Entry by importing values from your illustration.



Using a comprehensive analysis to advise clients on the amount and type of disability insurance they need will help to ensure there are no gaps in their financial security.

Suggested action for Yes answer:

- Use the Human Capital Analysis to compare the client's need for disability insurance to the amount of disability insurance (including group LTD) they own today.
- Add your recommendations to the client file. If you are running a cash flow model, add the annual premium to Step 1 / Lifestyle Needs using the Drill-Down feature.

3. Capital needs are greater than the Critical Illness Insurance you own:

When a client's critical illness insurance needs exceed the amount of insurance they have, it creates a gap in their financial security that can leave them unable to maintain their standard of living and pay their mortgage or other debts should they survive an insured illness.



Using a comprehensive analysis to advise clients on the amount and type of critical illness insurance they need will help to ensure there are no gaps in their financial security.

Suggested action for Yes answer:

- Use the Human Capital Analysis to compare the client's need for critical illness insurance to the amount of insurance they own today.
- Add your recommendations to the client file. If you are running a cash flow model, add the annual premium to Step 1, Lifestyle Needs using the Drill-Down feature.

4. Capital needs are greater than the the Long-Term Care Insurance you own:

When a client's long-term care insurance needs exceed the amount of insurance they have, it creates a gap in their financial security that can impact both their retirement lifestyle and estate goals.

Using a comprehensive analysis to advise clients on the amount and type of long-term care insurance they need will help to ensure there are no gaps in their financial security.





Suggested action for Yes answer:

- Use the Human Capital Analysis to compare the client's need for long-term care insurance to the amount of insurance they own today.
- Add your recommendations to the client file. To model the cost of long-term care, in Step 1 of Data Entry, use Passive Retirement to illustrate an increased lifestyle need that includes the added cost of long-term care.

5. Current debts are greater than the total life insurance you currently own:

When a client's total debt exceeds the amount of mortgage/debt insurance they have, it creates a gap in the financial security of their family that can impact their standard of living and leave them with debts they are unable to pay.

Using a comprehensive analysis to advise clients on the amount and type of mortgage/debt insurance they need will help to ensure there are no gaps in their financial security.



Suggested action for Yes answer:

- If you subscribe to RazorPlan Advanced, ensure that any bank-owned mortgage insurance is added to the life insurance they own in Step 5 of Data Entry. Mortgage insurance will track the outstanding balance of the mortgage it is attached to.
- Compare the client's need for mortgage/debt insurance to the amount of life insurance they own.
- If the insurance they own is from the bank they have their mortgage with, compare the cost of an individual policy to what they are paying now.
- If you subscribe to RazorPlan Advanced, add your mortgage insurance recommendation in Step 5 of Data Entry by importing values from your illustration.

6. Deferred taxes are greater than the permanent life insurance you own:

When a client's deferred tax on their estate exceeds the amount of permanent life insurance they have, it creates possible liquidity issues for their estate should they have a business or significant fixed assets.





Using a comprehensive analysis to advise clients on the amount and type of permanent life insurance they need to pay all estate taxes and related expenses, can help to preserve the full value of their assets.

Suggested action for Yes answer:

- Compare the client's projected estate taxes to the amount of permanent life insurance they own.

Pro-Tip:

By subscribing to RazorPlan Advanced, you can add your permanent insurance recommendation in Step 5 of Data Entry by importing values from your illustration.

Next Steps



6 Elements of Financial Advice



With the initial assessment completed, you are ready to address the client's other financial planning needs and provide them with suggested next steps tailored to their unique situation.

Recommendations may cover one or more of the 6 elements of financial advice:

1. Financial Management
2. Risk Management (Insurance)
3. Investment Management
4. Retirement Planning
5. Tax Planning
6. Estate Planning

After reviewing the above questions, you should now be in a better position to recommend which aspects of their financial situation should be focused on in the short, mid, and long term.



Financial Management



Financial management is the cornerstone to achieving financial independence. It can determine the lifestyle a client can enjoy today and the lifestyle they will enjoy in retirement. Effectively managing their wealth will allow them to take control of their finances, so that they can achieve their personal and financial goals.

Based on your analysis of the client's financial situation and goals, the following are suggested next steps for Financial Management advice.

- **Short-term:** Your client is not on track for their goals and requires an emergency fund, budget, and/or net worth statement.



- **Mid-term:** Your client appears to be on track but has some need for cashflow planning and/or debt elimination.
- **Long-term:** Your client is in reasonably good financial condition and is focused on retirement and/or estate planning.





Risk Management (Insurance)



Risk management involves the identification and assessment of a client's exposure to unexpected financial loss due to an unfortunate event. You should compare the client's exposure to risk with their current insurance coverage to determine if there are any gaps that may adversely affect their financial security.

Based on your analysis of the client's financial situation and goals, the following are suggested next steps for Risk Management advice.

- **Short-term:** Your client does not have the appropriate amount and/or type of coverage they need for the financial security of their family.



- **Mid-term:** Your client has the coverage they need today but this may change in the future due to the renewal of term insurance or changes in their financial and/or family situation.
- **Long-term:** Your client does not need additional insurance or is properly covered today for the risks you have identified in your financial analysis..





Investment Management



Investment management is an important part of financial planning and includes consideration of not only a client's investment and retirement savings but also any pension assets they may own. How you manage their investments will largely be dictated by their goals, attitudes, investment experience, risk tolerance and time horizon, which should all be documented using an Investment Policy Statement.

Based on your analysis of the client's financial situation and goals, the following are suggested next steps for Investment Management advice.

- **Short-term:** Your client has one or more investment accounts but does not have a documented risk profile or investment policy statement.



- **Mid-term:** Your client does not understand the fees on their investments, and/or how these fees can impact the return on their investments.
- **Long-term:** Your client's risk tolerance, asset allocation and expected return appear to be inline with the goals they have.





Retirement Planning



Retirement planning is the process of managing a client's assets with the goal of helping them achieve financial independence so that earning an income is optional rather than a necessity. Although impacted by all areas of financial planning, it is highly integrated with financial management and investment management due to the dependency on available cash flow and the growth of investment savings.

Based on your analysis of the client's financial situation and goals, the following are suggested next steps for Retirement Planning advice.

- **Short-term:** Your client is retired or planning to retire within the next 5 years and does not have a plan to create cash flow that meets their lifestyle needs and estate goals.



- **Mid-term:** Your client has recently paid off their mortgage and other debts and is now turning their focus towards retirement accumulation planning.
- **Long-term:** Your client is more than 15 years away from retirement and has a mortgage and/or consumer debts they are still making payments on.





Tax Planning



Tax planning impacts all areas of a client's finances. Decisions involving the timing of income, the purchase and/or the sale of an asset, selection of investments and the way they save for retirement, all play a role in managing current and future tax obligations.

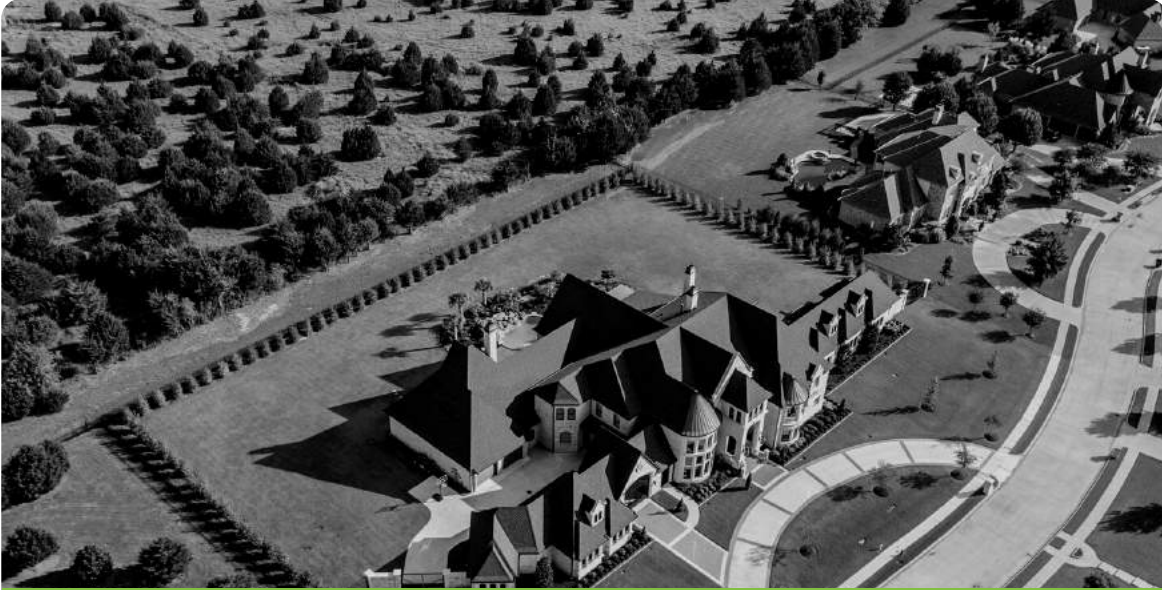
Based on your analysis of the client's financial situation and goals, the following are suggested next steps for Tax Planning advice.

- **Short-term:** Your client has high interest non-deductible debt and is actively investing where the expected rate of return is less than the interest they pay on debt.



- **Mid-term:** Your client does not know what their RRSP and/or TFSA contribution limits are and why they may want to contribute to one over the other.
- **Long-term:** Your client has a good understanding of the tax they pay and makes good use of their RRSP and TFSA contribution limits.





Estate Planning



Estate planning is a formal process whereby you help a client arrange for the orderly disposal of their assets to eliminate uncertainties over administration and probate. Although impacted by all areas of financial planning, estate planning is highly integrated with tax planning as all capital property is deemed to be disposed of immediately prior to death, triggering any deferred taxes.

Based on your analysis of the client's financial situation and goals, the following are suggested next steps for Estate Planning advice.

- **Short-term:** Your client does not have a current Will, Power of Attorney and/or Health Care Directive or they have dependents that will require lifetime financial support.



- **Mid-term:** Your client is unaware of the different types of income/assets that must be included in their terminal tax return and how much tax will need to be paid when they die.
- **Long-term:** Your client has a current Will, Power of Attorney and Health Care Directive and there are no pressing concerns related to dependents or estate liquidity.





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