JACKSON FINANCIAL PLANNING GROUP

Manulife Securities

Independent financial advisors helping
clients achieve independence since 1980.

FINANCIAL PLANNING - LIFE CYCLE APPROACH

The life cycle theory asserts that individuals go through four stages of life, displaying a different willingness to face risk at each stage. It is assumed that young people who have many years before retirement are less risk averse and more eager to see their wealth grow than an older client who has less time to recover from a downturn in the market.

The four stages are:

1. **Accumulation**.

The individual has just entered the workforce, has relatively few assets and is facing significant debts, such as a mortgage or the repayment of student loans.
The major asset is usually the equity in a home. Income is relatively low and priorities include meeting the expenses of daily living. Often, that income is reduced during child bearing and rearing and while paying off the mortgage debt. However, since the individual has a very long time horizon, he or she may invest in assets that could provide maximum growth.

2. **Consolidation**.

This occurs when income comfortably exceeds expenses, either because income has increased (as a career becomes well-established) or expenses have decreased (as the mortgage has been repaid, the children have become independent and the individual has bought almost everything he or she wants). A significant portfolio has been built and, even if retirement is many years away, a more balanced portfolio with a slightly heavier portion of fixed-income securities is adopted.

3. **Financial Independence**.

In this phase, an individual's living expenses are financed mainly through investment and pension income. The individual is no longer in the workforce and is, therefore, unable to make up for any significant losses in capital. Day-to-day income may depend entirely on the income generated by the portfolio, and any decline in income could mean sacrifices in lifestyle. However, the individual's time horizon may still be 20 years or more.
During this stage, the portfolio is invested in blue-chip securities, with emphasis on current income and protection of purchasing power.

4. **Gifting**.

As the individual realizes that his or her financial assets exceed his or her needs, he or she might decide to share the wealth with family or charitable organizations.
In this case, the time horizon becomes not the individual's personal needs, but the time horizon of the individual or institution to which he or she wishes to gift the money.
For example, assets to be gifted to one's children might be used to pay down the mortgage on a home or remain invested for the retirement of the children themselves.

Six Step Planning Process

In today's uncertain world, financial planning helps to effectively meet financial goals and enhance financial security.
Financial planning may result from a conscious decision to take control of one's financial affairs before a problem arises. Often, however, the realization that there is a need can be triggered by financial problems which have already occurred. The financial advisor responds to this need by building a careful plan to address the unique circumstances of the client and his or her goals.

Our clients, through the planning process, will come to understand:
• his or her current financial situation,
• realistic goals for the future, and
• the steps that must be taken to achieve these goals.

1. Establishing our client/Advisor relationship
2. Collecting data and information
3. Analyzing data and information
4. Recommending strategies to meet goals
5. Implementing recommendations
6. Conducting a periodic review or follow-up

1. ESTABLISHING OUR CLIENT-ADVISOR RELATIONSHIP

• Discuss the financial planning approach and how it will help our clients meet his or her objectives.
• Communicate to our clients that there will be choices and decisions to be made regarding alternative strategies for dealing with planning issues. Likewise, there will be alternatives in choice of product which should be dealt with by specialists in each area.
• Also disclose any areas where a conflict of interest may arise.
Ensure that our clients are fully aware of exactly what services the advisor will provide and what information the advisor will require in order to prepare a plan.

2. COLLECTING DATA AND INFORMATION

Data Gathering and Determining Goals and Objectives
Begin to gather the information required for the preparation of a financial plan.
Normally, this is done by having our clients complete a Personal Financial Review Questionnaire. It is of the utmost importance that the information gathered be as complete and accurate as possible in order to give good advice and help clients meet their goals.
Identify and prioritize our clients' goals and objectives:
These goals and objectives must be realistic as well as measurable.
Assess clients' present financial situation to recommend solutions

3. ANALYZING DATA AND INFORMATION

Financial Analysis – Clarify Our Client's Present Financial Status and Identify any Problem Areas and Opportunities
The analysis of our clients' financial situation allows us to determine their current financial status. A preliminary assessment of the net worth and income allows us to then determine whether the stated objectives are reasonable.

In addition to preparing the net worth, and income and expense statements, we can also prepare a preliminary budget, life insurance needs analysis, retirement needs analysis, tax projections and an investment portfolio analysis.
A review of risk management needs and coverage for items such as a terminal, long-term or critical illness must be explored. A disability needs analysis may also be completed.

4. RECOMMENDING STRATEGIES TO MEET GOALS

Plan Formulation and Recommendations

Develop a plan that is tailored to meet our clients' goals and objectives, values, temperament and risk tolerance.

Provide alternative solutions which allow clients to prioritize goals.

The comprehensive plan should deal with a number of items as outlined below.

Goals and objectives – A summary of the goals and objectives identified and agreed to.

Planning analysis – An analysis of each of the components of the financial plan.

- Budgeting and savings
- Insurance
- Taxation
- Retirement
- Estate
- Investment management
- Special needs

Recommendations – A summary of the recommendations to deal with each area of the overall plan.

5. IMPLEMENTING RECOMMENDATIONS

Plan Implementation

Identify the strategies which will help meet our clients' goals.

As well, the types of products to be used and the professional team and other specialists are identified where required, and an action plan of the specific steps which must be taken.

6. CONDUCTING A PERIODIC REVIEW OR FOLLOW-UP

Monitoring and Plan Review

Financial planning does not end with presentation of a report or a comprehensive plan.

Our clients' financial condition, personal situation and other factors change with time. Therefore, the progress that the client is making should be monitored on a regular basis to determine whether the plan is achieving the desired results.

The plan is reviewed periodically to determine whether our clients' situation has changed and new circumstances warrant changes in the plan. Generally, an annual meeting to review the factors which affect the plan is reasonable.

If a major financial or personal change occurs, such as a birth/death in the family, illness, divorce, retirement, changing tax laws or economic circumstances, the plan should be reviewed at that time. If warranted, new recommendations should be made to accommodate new or changing circumstances.

Simon J. Jackson CFP, CPCA
Senior Financial Advisor, Life Insurance Advisor
Manulife Securities Incorporated, Manulife Securities Insurance Inc.
390 Brant St., Suite 400 Burlington Ont. L7R 4J4
289 245-1003 #221 Toll Free 1 866-840-9422 Fax 289-245-1009