

Enhancing the relationship with your financial advisor

# Financial changes by life stage

Use this guide to help you decide which changes in your lifestyle and finances to discuss with your financial advisor. Determine your life stage, and then check the items that apply to you. Take the checklist to your next meeting with your advisor. It can also be used as a roadmap to indicate where your financial plan might take you in the future.

## Stage 1: getting started

When you're young and you've just joined the workforce, it's time to establish financial priorities. You'll have plenty of decisions to make. But at this age you'll face conflicts between spending your income on life's essentials and saving for investment purposes.

### Your major financial obligations may include

- Rental accommodation
- Purchasing household furnishings and other necessities
- An automobile
- Repaying student loans
- Income taxes

### Your financial priorities may include

- Getting started on basic budgeting
- Establishing a relationship with your financial institution
- Applying for credit cards
- Saving for a house
- Contributing to a Registered Retirement Savings Plan (RRSP)
- Taking out appropriate insurance

## Stage 2: the family years

In your twenties and thirties, you and your partner may face the costs of raising a family and moving up in the housing market. But your income will be higher, so financial planning can focus more on saving and investing.

### Your major financial obligations may include

- Mortgage payments
- Home renovations
- Income taxes
- Raising children (including daycare)
- Automobile(s)

### Your financial priorities may include

- Budgeting for maximum savings
- Getting maximum growth from your investments
- Life insurance
- Contributing the maximum to your RRSP every year
- Establishing a line of credit for lower borrowing costs
- Saving for your children's education
- Estate planning, starting with your will

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### Stage 3: The peak-earning years

As your children grow up and the mortgage is paid off, you can focus more on your savings and investments. Your income will likely be close to its peak.

#### Your major financial obligations may include

- Reduced or eliminated mortgage payments
- A vacation or retirement property
- Repaying home equity loans
- Costs associated with a more affluent lifestyle (such as golf, sailing, travel)
- Financial care of aging parents
- Income taxes
- Automobile(s)

#### Your financial priorities may include

- Reducing income taxes
- RRSP contributions
- Planning your retirement
- Reducing investment risk so you won't jeopardize your retirement savings
- Estate planning
- Downsizing in the housing market to free up capital
- Income splitting

### Stage 4: Retirement

At this stage of life, chances are that you'll have left the workforce. You'll be relying on your retirement savings and pension for income. At the same time, your lifestyle will change significantly, and your spending patterns will be altered.

#### Your major financial obligations may include

- Converting RRSP assets into retirement income
- A retirement property
- Increased travel and leisure expenses
- Increased health care costs (including medical insurance)

#### Your financial priorities may include

- Reducing the risk level of your investment portfolio
- Budgeting to preserve retirement income
- Tax planning
- Estate planning and reviewing your will
- Arranging a reverse mortgage on your home to generate income

#### Special circumstances

There are a number of events that can take place at any time during your life that may also cause you to rethink your financial strategy. These include

- Marriage
- Divorce
- Birth of children
- Death of a spouse
- A new job or career
- Job loss
- Relocation
- Major illness
- Major changes in taxation rules