

Setting Goals and Recognizing Values



Evaluate your values and goals; values versus goals; developing a relationship with your advisor; money and its purposes; modifying goals over time; keeping records

ARIZONA?
BUY?
SELL?



It is plain to see that exercising prudence in planning an investment portfolio and being frugal in devoting scarce resources to your investments are virtues for any investor. But for a young woman like Kate, it is clear that every dollar not invested now represents a huge opportunity cost down the road.

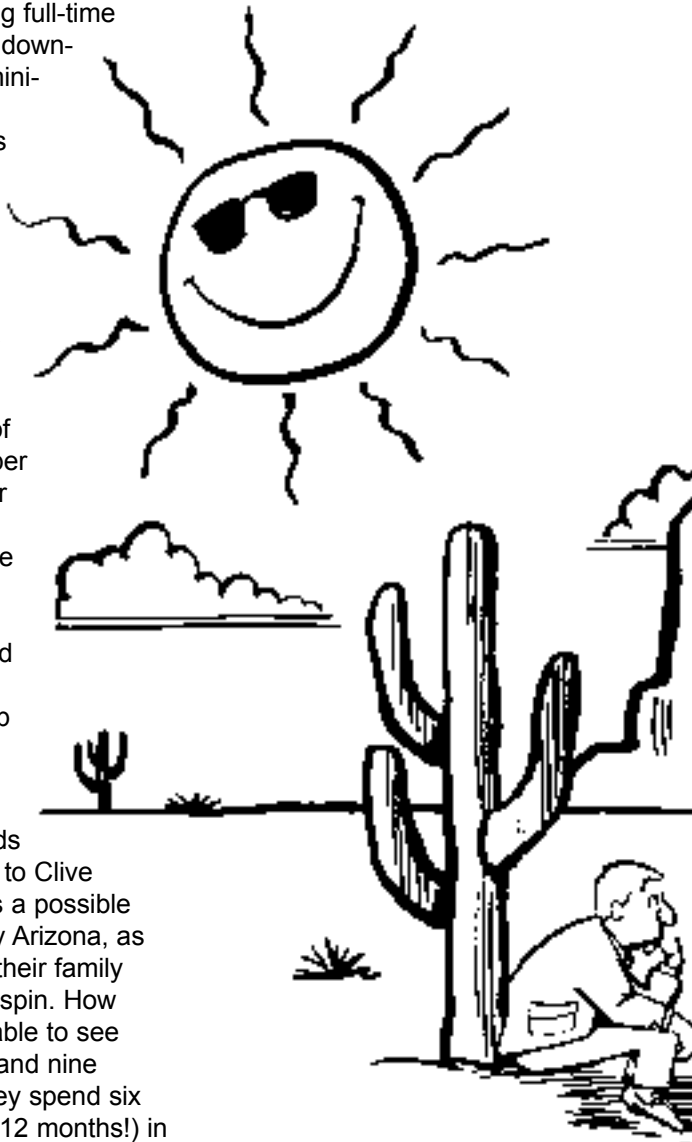
At the other end of the spectrum, Clive is now benefiting from his wise and prudent investment practices over previous decades.

For each of Kate, Jack and Clive, it is now time to take the next step and - perhaps armed with a pen and notepad - contemplate their near- and long-term investment goals...

We catch up with Clive and Ida sitting down at their kitchen table, and Clive has a pencil poised in his hand. On a fresh sheet of paper in front of them, the couple sets about making a list of the pros and cons of selling their Canadian home outright and moving full-time to Arizona, versus downsizing to a condominium in Canada and using the proceeds from the sale of the family home to lease or buy a condominium down south. The process prompts a moment of reflection. "Clive", Ida says, taking hold of his hand, "remember we sat down at our kitchen table 42 years ago, we were just newlyweds then, and debated whether you should go into business for yourself or keep your job at the hardware store?"

Family and friends are very important to Clive and Ida, so it gives a possible move to sunny, dry Arizona, as recommended by their family doctor, a negative spin. How often will they be able to see their four children and nine grandchildren if they spend six months a year (or 12 months!) in

Arizona? And it has been dawning on Ida that she would really miss her weekly club. She and the other members of the club have been getting together since 1959 and gone have through pregnancies, illness, deaths and the birth



of a new a whole new set of youngsters, their grandchildren. Do they really want to move so far away and give up old friendships and break up familiar routines?

How times have changed from even five years ago. At that time, when Ida was in perfect health, they had figured that Clive could gradually ease out of his commitments to his picture-framing business and hand the reins over to his son-in-law, who was interested in becoming a partner with the possibility that he would eventually buy Clive out. Clive enjoys working with customers and also spending time in the back workshop filling out orders. If everything had gone according

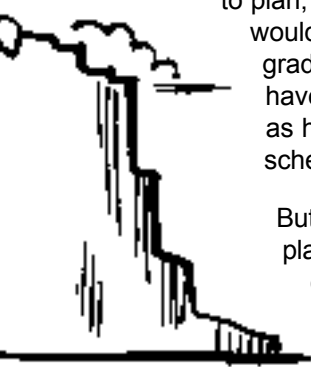
to plan, his retirement would have been gradual and he could have kept himself busy as he set his own work schedule.

But things didn't go as planned. Ida's emphysema changed everything. She had spent a month in the hospital and then once she was home found she didn't have nearly the energy she used to have to perform even simple household chores, so they had to have help in the house. Thank goodness Clive, sensible as ever, had sat down with his

financial advisor a few years earlier and considered the possibility that one of them, Clive or Ida, might one day need extra health care. Clive had decided to purchase some long-term-care insurance and so the extra hospital bills were not a burden.

But now Ida's doctor was advising her to think about heading south for the winter. So much for Clive's plan to work part-time into his 70s - staffing would be hard to arrange if he was out of the country for five or six months. In fact, all financial arrangements were up for reconsideration.

You see, the point is clear for others making long-term financial decisions: investors should realize that changing times, including new government policies, national or economic realities, or new personal circumstances, may force them to reassess goals and take a second look at the assets in their portfolios. Remember when the federal government put a proposed new pension program known as the Seniors Benefit on the table in the mid-'90s? The program would have reduced benefits for older Canadians if their income from all sources surpassed a minimum level. Clive and many other seemingly wealthy seniors were sent scrambling to their financial advisors and accountants to look for advice in adjusting their streams



of retirement income. He was relieved when the proposed program was withdrawn.

Clive's wife Ida has been doing a lot of thinking about leaving a legacy for her precious grandchildren. With her health problems in mind, she has taken the bold step of calling each of her four children and asking them what they expected would be left to them out of her and Clive's estate. Thinking hard about one's death isn't exactly a pleasant thing to do - but it had to be done. What if she and Clive decided to spend a lot of money flying back and forth to Arizona as well as renting a condo down there, and started to eat away at the capital of their estate and the planned legacies?

Ida also has it in the back of her mind to leave something in her will to the Lung Association. Her mother before her had lung problems and for many years Ida had canvassed for the lung association and served as a fundraiser on the local board. And when she was diagnosed with emphysema, the lung association was right there supporting the advice of the doctor with information packages. Somehow, she feels she must find a way to support her charity of choice.

Like Clive, Jack and Kate would be well advised to get out the pen and paper and list their short- and long-term financial

goals before they start drawing up blueprints for their futures. In order to be in a position to make decisions on how their money is going to be invested, for what period of time, and what return on investment is anticipated, they have to first decide on their goals for the future. It's easy to understand - you have to know where you are going before you decide how to get there.

The fact is, a dollar is not just a dollar, it means something different to everyone. Take Clive and Kate. Both of them will ask themselves what they want to achieve with a dollar invested and come up with different answers. There is health-care money, travel money, condo-rental money and home-down-payment money. What they do with an investment dollar, what they want to achieve, is determined by the ultimate purpose for the money. It is tough to make good investment decisions if you no idea what the money is earmarked for.

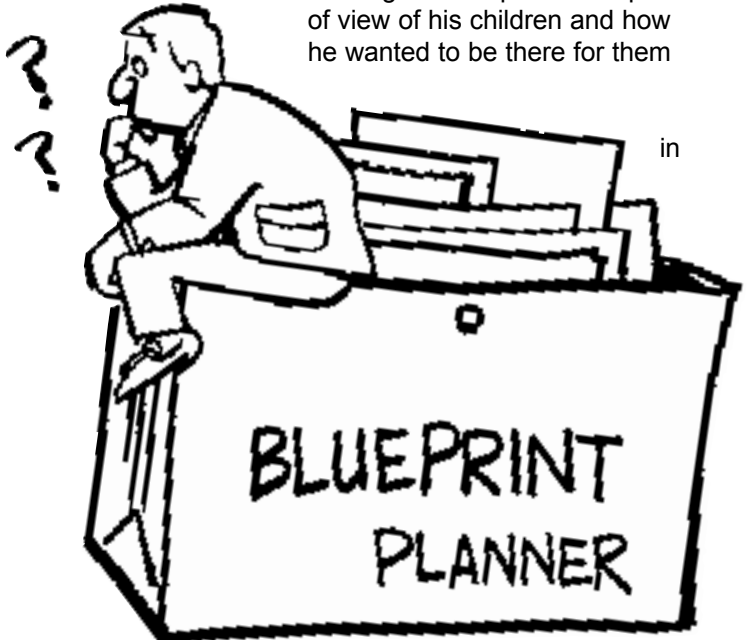
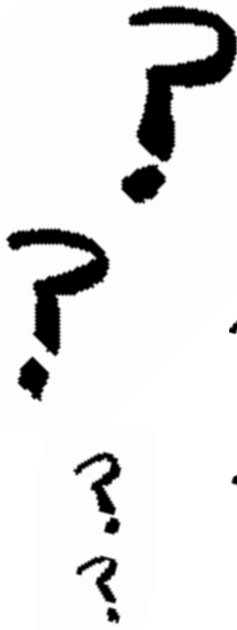
Good guidelines and goals that are personal to your situation permit you and your financial advisor to make corrections and tailor future recommendations to fit your needs. The clearer the definition of your goals, the greater the chances of your investment success.

Today is D-Day for Jack - Decision Day. He has booked off the whole morning from work

and made an appointment with a financial planner. Into a manila envelope he has placed his company pension statements, his pay stub, his tax return and his divorce agreement.

Jack has also jotted down the details of his informal monthly budget.

Fifteen or so minutes into his meeting, though, Jack is perplexed - the conversation between Jack and his advisor has taken a turn that Jack didn't expect. He was prepared to learn about segregated funds and front-end loading and other things his poker buddies talked about, but here he was telling this stranger all these details about his personal life, about how he felt guilty about his marriage breakup from the point of view of his children and how he wanted to be there for them



their teenage years. Thus the importance of helping them get through college.

He was learning, upon the prompting of his new advisor, that any meaningful discussion of finances should start from the heart and the soul, not the pocketbook, with a frank discussion of personal values.

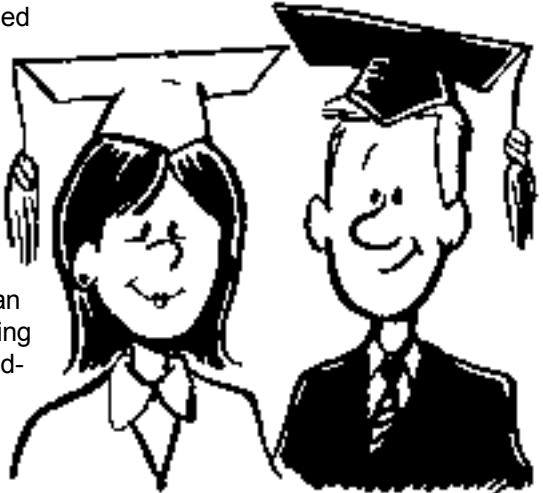
What is your purpose in life? Do you want to provide security for your family? Do you want to be rich? What are you prepared to sacrifice to get rich? Are you prepared to give up extended family vacations now in exchange for retiring at 55 and playing golf all winter in Florida?

These are all questions that investigate values, as distinct from goals. Delving into this abstract territory can pay dividends both in creating greater trust and understanding between you and your advisor and also in identifying practical steps toward creating an investment blueprint.

The financial advisor, ideally, is much more than a number cruncher. The best environment is one where you and your advisor can talk candidly on personal and even spiritual matters and reach a good level of understanding.

In general conversation, goals

and values are often used interchangeably, but as you develop a financial plan it is worthwhile to make a distinction. Goals are adaptable, subject to being reconsidered in changing circumstances, while your values go to the very core of your beliefs. Clive and Ida, and Jack as well, feel intense obligations toward their children, and are prepared to make sacrifices to fulfill those obligations. The elderly couple wishes to arrange their finances to ensure that as large an estate will be left to



their offspring as possible, and at the same time they are personally debating how selling their business and family home and buying a condominium would impair their ability to host the children and grandchildren on special occasions such as Christmas. Clive has ensured that they had a plan for their retirement years in place, but

Principle Four: Setting Goals and Recognizing Values <19>

with Ida's illness, the plan will have to be adjusted, with the business and possibly the family home sold earlier than was originally planned. Their values remain the same, but their circumstances have changed and so their goals and actions have to be modified.

Each of their decisions - on selling the home and business, buying property in Canada and/or the United States, and even setting up trust funds or education savings plans for their grandchildren - has personal and financial implications. In consultation with their financial planner and lawyer, they will have to develop a revised plan with new financial targets for the next 10 or 15 years that satisfies their needs and is consistent with their values.

Whatever investment decisions they may make as they enter their 70s, considerations of family will be of prime importance.