

# THE HUMAN DIMENSION OF FINANCIAL ADVICE



#GetAnswersToToughQuestions

## KEY FINDINGS



**TURN TO A FINANCIAL  
ADVISOR FOR ADVICE**



**OF THOSE WHO CONSULT A FINANCIAL  
ADVISOR SAID THAT RELATIONSHIP  
HAD A POSITIVE IMPACT**

**The ads are everywhere: invest online and cut out the middleman. Yet, an overwhelming majority of Canadians believe that financial advisors have a positive impact on their clients, their families and their futures.**

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In a recent poll of 500 Canadians who were at least 30 years old with \$100,000 in minimum investible assets<sup>1</sup>, 75 per cent said they turn to a financial advisor for advice. Anyone who's ever bought a house, started a family, built a business, sold a property or business, contemplated retirement, or transitioned wealth to their next generation – just to name a few significant milestones in life – will likely be familiar with that desire for good advice. Additionally, the survey found that 82 per cent of people who consult a financial advisor said that relationship had a positive impact when it came to achieving their key financial life goals.

## THE VALUE OF ADVICE

Financial advisors impact the lives of their clients in many ways, and different investors see different advantages in working with a financial advisor.

Among those surveyed, the three top reasons for having a financial advisor were:



ensuring their investments withstand market volatility,



staying on top of their financial situation, and



receiving timely financial information and education for them and their family.

But there are other, less tangible, reasons for working with a financial advisor. Advisors provide a return on life, not just a return on investment. They are experts in their field and are trained to take an all-inclusive approach when assessing a client's financial situation, rather than just analyzing their investment accounts. A good advisor, one who focuses on nurturing deep relationships with their clients, will help them make decisions about their wealth for the immediate future, middle future and distant future. They will also focus on helping the next generation accumulate and grow their wealth or prepare to inherit and protect their family's legacy.

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not just a return on investment.





## THE VALUE OF ADVICE

A valuable advisor doesn't just provide investment advice; they share wisdom. For instance, they can help a client give their children the bulk of their inheritance to manage tax opportunities while still living, but also ensure the primary client can confidently have enough to live and enjoy the rest of his or her own life. That's because an Advisor takes the time to gather intimate knowledge about the primary client, understand their personal preferences, recognize their fears or hopes, and gain knowledge about that client's heirs before they provide any advice. This is where the true value of an advisor emerges.

An Advisor takes the time to gather intimate knowledge about the primary client and their heirs before they provide any advice.

## LIFE EVENTS THAT CAN BENEFIT FROM ADVICE

When asked about the most important moments in life where financial advice can be valuable, respondents said:

**67%**

**WHEN APPROACHING  
RETIREMENT**

**64%**

**WHEN RECEIVING AN  
INHERITANCE OR WINDFALL**

**58%**

**WHEN YOU BEGIN  
EARNING**

As people move through life, their situations change – often becoming more complex as assets are accumulated and families grow. Plans change too, and they're not something you "set and forget." An advisor can help you adjust your plans as your circumstances change but, more importantly, good advisors help investors stick to their plans when market volatility makes them waver.

Events beyond our control, such as changes in mortgage rules, changes in lending rates, and updated TFSA and RRSP contribution allowances, can have a direct impact, either positive or negative, on a person's finances, too. For those with a financial advisor, it can be reassuring to know that advice is always just a phone call away.



# Advice When Money is in Motion

The events that affect one's finances happen from the time a person starts making money to the time they're drawing down their savings. Financial advice is needed any time that money is in motion.



Get the Infographic: Review the Average Costs of Some Major Life Events



## INTERESTING FINDINGS



PREFERRED TO DEAL WITH  
REAL LIVE FINANCIAL ADVISORS



FELT PEOPLE WITH FINANCIAL  
ADVISORS WERE BETTER OFF  
FINANCIALLY THAN THOSE WITHOUT

## THE HUMAN DIMENSION

Google is great for background research and podcasts work well for one-way conversations. But 81 per cent of people polled said they preferred to deal with real live financial advisors rather than going online or doing it themselves. Formula-based computer programs tend to funnel people into investments based on their answers to a set of 10 to 12 standard questions. Human advisors, on the other hand, have the ability to ask dozens and dozens of questions to really understand their clients and ensure their financial needs are addressed holistically, from every angle.

Indeed, humans “go deeper” because they can engage in a two-way dialogue. After asking a client when they want to retire, for example, advisors go deeper by asking them to think of people whose retirement lifestyle they admire and those whose retirement they don’t. This, and other relevant information, gives an advisor greater insight into their client’s aspirations and how to fund a fulfilling retirement.

### PREFERRED SOURCES OF INFORMATION

When it comes to which sources of information people prefer to use for learning about finances, respondents said:



The oldest group surveyed, those over 70 years, indicated they were most likely to seek advice from a financial advisor. Not surprisingly, the youngest cohort was most likely to seek advice from family members, books and online sources, such as blogs, social media posts, YouTube videos, and traditional news sources.

## ADVISORS CAN BE INSTRUMENTAL IN PREVENTING INTER-GENERATIONAL FRICTION

There are differences in the behaviour of people who are just starting out in their careers and ramping up their savings versus those who are beginning to draw down on their investments, after a lifetime of work and life experience. It's natural for people of different ages to want to do things differently, but that can sometimes cause friction in a family.

On one side, younger family members might be taking on large mortgages, furnishing a home and using significant portions of their cash flow to pay for daycare or other kids' activities. On the other side, older adults are conserving their money for 20-plus years of retirement or thinking of how to make a positive impact on their estate.

A financial advisor, who sees the needs and wants of people in different life stages, can help reduce friction and build an integrated financial plan that ensures family members appreciate and understand one another's goals. In fact, good advisors will conduct family meetings, where multiple generations of one family get together to learn and share ideas. A multi-generational discussion, face-to-face, around a shared table, is another example of the human touch that financial advisors bring.



**Read our Guide: “How to Talk to  
Your Heirs About Their Inheritance”**





## KEY FINDINGS



UNDERSTOOD THE COSTS OF HAVING  
A FINANCIAL ADVISOR



INDICATED THEY ARE WILLING TO  
PAY FOR FINANCIAL ADVICE

## BALANCING COSTS WITH VALUE

For 58 per cent of those surveyed, fees do indeed have an impact on their willingness to seek financial advice. However, almost three quarters (74 per cent) said they understood the costs of having a financial advisor, and close to seven in ten (69 per cent) indicated that they are willing to pay for financial advice.

Not paying someone to help with financial plans and guidance can have a cost, too. One IPC Advisor shares the example of a client who had enough resources for a comfortable retirement. But, by following a custom recommended plan, the client was able to save a significant amount of money in taxes, which far outweighed what they were paying in fees.

It's important to recognize that the kind of advice provided by good financial advisors goes well beyond stock picking and investment recommendations for short-term gains. Financial advisors provide robust, relationship-based guidance for individuals and families over years and decades. Throughout the years, the advice they give can have a very significant impact on the lives of their clients.

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# Finding the Right Fit

Financial advisors aren't one size fits all. Here are six tips for finding a financial advisor who can help you achieve your goals:

## **1 Ask friends and family for recommendations.**

The people closest to you share a lot of your interests and want what's best for you. Find out whether they have a trusted financial advisor, why they like her or him, and whether they think their financial advisor might be right for you.

## **2 Interview more than one contender.**

Set up a phone or in-person meeting with at least three candidates. Remember, you'll likely be working with this person for several years or more, so you want to ensure a good match.

## **3 Do a credential check.**

To narrow down your candidates, find out what kind of credentials they hold. Financial advisors can be accredited as Certified Financial Planners and they can hold other designations as well. If you don't know what a designation stands for or means, just ask.

## **4 Look for a listener.**

When meeting with potential financial advisors, make sure they're listening to you more than they're talking at you. You don't want to hear a standard speech. You do want to hear that they're taking the time to understand who you are and what you need.

## **5 Look forward and back.**

Your chosen financial advisor should know your financial history and your future goals. Just knowing your current investible assets isn't enough to help craft a complete financial plan.

## **6 Beware of product talk.**

If your advisor talks about financial products in your first meeting, you should question their intentions. First meetings are about exploring and making big-picture plans. Financial products are just one small piece of the puzzle and should be decided on only after a plan is created.

# Let's Start a Conversation



1. Based on an IPC survey of 500 investors with over \$100,000 in investible assets. Survey conducted by Environics Research Group, April 2019.

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