

# The Just Word Podcast

## Transcript of Episode 13 – Your Life, Well Spent (pun intended)

**Pat Bolland** 00:00

Sandi It's a pleasure to meet you, at least virtually, can you give me kind of an elevator pitch on why people need a financial plan? And we're gonna kind of go from there?

**Sandi Martin** 00:11

Sure. Well, the plan itself isn't the thing that people need. People need the financial planning process. It's kind of like saying people need legal advice. They don't need to sue someone. Suing someone is the end result. But the legal advice and in our case, the financial planning process, asking people questions, helping them sort out what they have and don't have and how to make those two things meet. That's what they need. And the financial plan is one of the pieces that supports that process.

**Pat Bolland** 00:42

Okay. But wouldn't it be a lot easier, and easier for people to understand, if they just said, 'Let's save as much money as we can'? I mean, that's what it's all about, isn't it building up your wealth?

**Sandi Martin** 00:54

Is it? Because that's not ... everybody uses money as a scorecard? So yes, absolutely. People need money to reach the goals that they have. And probably for most people who don't have trouble with just saving as much money as they can, they're going to be okay. They don't, I definitely don't think that every single person is going to fail at money, if they don't pay somebody to do financial planning with them. However, not everybody needs to ... like ... so let's even use an example. So when when young people have kids and a mortgage, they can't save as much money as they possibly can. And often they'll come to us and say, oh, man, I'm totally failing at this. I don't have any money to save, where can I cut back? But you still need to eat. And don't worry, because for the first seven years, nobody with a mortgage and two kids can save a lot of money, all you need to do is get to the end of it, and then we can figure the rest out. That's, for some people, that's mind blowing, because all I've ever heard is save as much money as you possibly can, and then you're going to be fine. But that's not the scorecard they're keeping. So our job as financial planners is to help them identify what the scorecard is, and then use their money to reach those goals.

**Pat Bolland** 02:11

Okay, you talk about a process, though, is the process a lot of work either in time or effort, because I know you can just walk into a bank, they're going ... and ask for advice ... And they're going to pop you into a mutual fund or something along those lines, and probably their own mutual funds for that matter. What benefits does working with a planner actually bring? Number one? And what does all that cost? What does a planner cost?

**Sandi Martin** 02:42

So can we go back just for one second to the question about how much work that it is? Do you mean how much work it is? I have the same conversational style, I'll ask 17 questions in one sentence ... how much work it is for the planner or for the person kind of the client?

**Pat Bolland** 02:57

Why I assume for a planner, you do it every day? I would think it'd be fairly easy. It's for the client, because the clients got to put in the time and the effort, don't they?

**Sandi Martin** 03:05

Absolutely they do. So that's one of the hallmarks of success. At Spring, we talk a lot about who are the clients we really want to work with? Well, most of the clients we do our best work with are the ones who are willing to put in their own work, too. Because if you came to me and said, I want to know when I can retire. And one of the questions might be well, how much are you going to get from your pension? And from, if you have one, and from CPP and 'Oh, you got here 28 years ago in Canada'? So how much are you going to get from old age security? If you didn't know the answer to that, I could tell you how to start looking for the documents that would help me give you that answer. But if you don't look for the documents, or if you give me the wrong documents, or don't bother getting them or whatever, then I can give you an average number. And I remember back in my banking days, that was all I was equipped to do. And it's not because you know, I was, you know, in nefariously trying to do something else. But I didn't know how to go calculate those numbers. So without client participation, I mean, that's it just a small view of one piece of the planning process, but without clients who are willing to say, Oh, good, now I know how to go find that information out. Let me equip you, planner with the information you need to do your job. I'm gonna give you average numbers. I don't know how useful it's going to be and why it would be worth paying me to tell you well, on average, you know, people receive \$6,400 a year from CPP Well, are you average? I don't know. I think Pat that you're not average.

**Pat Bolland** 04:32

So it's a it's a function of garbage in - garbage out.

**Sandi Martin** 04:37

Absolutely. I mean, think of your your tax preparer. Or if you have an accountant who does kind of, you know, a bigger focus if you don't give them your T4, how can your accountant do their job? They can't. So garbage in - garbage out for sure. And in that case, I mean the CRA shows up right away with penalties so it's not quite, doesn't feel quite the same way when you're doing financial planning with garbage in - garbage out. But you're paying money that's, you know, you assisting in finding out some answers for yourself and supporting the decisions you need to make. And if you aren't also willing to invest your own time and engagement with the process. Why? Why are you paying us money? I don't understand that.

**Pat Bolland** 05:18

Yeah, I kind of baited you a little bit to be honest Sandi, because I knew you had a banking background, so I wanted to get to that. I wanted to get that banking question in there, because you can walk into a bank and get advice. But you left that industry?

**Sandi Martin** 05:35

Oh, well, I liked the advice part. But I was ... that industry ... the business model is not designed for me as the person working there to ask all the questions that I want to ask and get all the information that I want to get in order to take the look at all the pieces as they need to go together to create answers for that person sitting in front of me. In the bank, I had an hour, I had a manager sometimes a good one most of the time, not who after that hour long call with the client or discussion with the client. If nothing was sold at the end of that I was called to task in my meeting with my manager. Well didn't even ask if they needed a credit card. That wasn't the conversation. But I didn't ask that question. So I left making because I couldn't do a good job for the people across the desk for me and be a good employee at the same time. And that might not be true for everybody in banking, but it was definitely true for me.

**Pat Bolland** 06:25

Wow, listen, though, and I have a real problem with this, I've had it at a lot of venues ... athletics, for instance, I am not a goal-setting, sort of a person. I'm a process-oriented one. And budget. Hello, I have never been able to work within a budget, I guess I don't have those constraints within me. How do you as a planner, work with someone like me?

**Sandi Martin** 06:52

Well, I mean, I can zoom right in on the word budget, for example. So so I'm going to borrow something ... my dad as an executive coach, he uses this a lot. So for a lot of people, they mix up goals with directions. So you don't, you couldn't necessarily say, I want to retire at age 60 with X amount of dollars spending and I want my, I want to send two of my kids to undergraduate ... it's going to cost this amount of money. And like, those are very, those are SMART goals. Right? They're specific. They're measurable, they're time-bound. I don't remember all the things that SMART stands for, but you know, most people do ... not most, I shouldn't say that there are some people who definitely have those kinds of goals. And it's, you know, in some ways, it's quite easy to work with them, because we don't have to help them define what those goals are. Most people come to us, like you, I just know how I want to live my life. I know the direction. I might not know exactly. It's kind of like, you know, you can go down a river. And you might stop there for lunch. Or you might decide to stop early in camp. But you know, generally the direction you want to head in, and you'll know it kind of in your bones in a way, right? I hope I'm living according to the things that I value. And I know what my scorecard is to call back to earlier in this conversation. And as long as I'm kind of aligning what I do with what I want, I'm happy. Other people are happy when they reach those SMART goals. And so our job as planners isn't to get you to tell us exactly when you want to retire unless that's specifically a goal that you've come to us. Most people come to us and say, when is it reasonable for me to think about that? I have no idea. That's why I'm asking you planner. That's our job.

**Pat Bolland** 08:34

Right, right. And I kind of, I understand and I get that, you know, all plans or most plans center on milestones, as you pointed out, kids or education in school, or even real estate purchases have to be built into those kinds of things. But some things cannot be planned for, like COVID, or injury, or even falling in love. And presumably the wedding that comes after that. How do you and when do you know, to adjust the plan? And when do you blow it up and just start from scratch?

**Sandi Martin** 09:08

Oh, that's a great question. So, it's hard to say that in advance, it's very difficult to deliver the part of the financial planning process, that is the document, and have that document say ... when this happens, specifically, come and talk to us or that's when you'll know that you need to adjust it. Because as you say, well there's a whole list of things that could happen and most of the things that have happened in the last year and a half weren't on anybody's list. Right?

**Pat Bolland** 09:37

Right. Right.

**Sandi Martin** 09:39

Oh, good. I'm glad because if it was on your list, I would have liked to have known about it.

**Pat Bolland** 09:43

I'll phone you next time Sandi

**Sandi Martin** 09:46

Awesome deal, deal. So something that a financial plan has to do, or the financial planning process has to do, is not only give direction on how to reach those milestones that are important, in a way that feels right, it also has to say, and here's all the different ways that we could really blow this plan up, as you say. And here are the risk management strategies that we think you need to put into place to protect yourself from that. So for some people that might be insurance, for other people, it might be insurance in an emergency fund, or just an emergency fund, it might be all of the risk management tools that we have. And there's well more than just those two things. People generally have a sense that something is happening to their finances, they're either earning a lot more or a lot less. They've encountered one of these risk things. And they already know that that is when they need to come back and adjust, even if it's not. So we have lots of clients that come back year after year after year. And you know, sometimes the conversation in that annual review is ... nothing really happened. Still chugging along, things seem to be about where we thought they'd be, you know, give or take. And other people say, I need to talk to you right away. Because, you know, I know there's 1000 different reasons, but because of COVID, for example, like this time last year, we had quite a number of client calls, right. And generally, people don't need a planner to tell them when they need a financial plan or when they need to change their plan, they already know. And that's why they've come to us in the first place. And we just equip them with our phone number and email address. And then when something happens, they come to us and we adjust it again, right? Does that make sense? Or maybe I answered a totally different question.

**Pat Bolland** 11:28

No, no, no, that's good. But you did bring up a concept, the concept of risk, and I used to be a stockbroker, and people talked about 'know your client', and getting a risk assessment done. Do financial planners have a concept or a construct for risk? And how an individual assesses their own risk, because you you did it within the context of insurance, for instance, and and those kinds of things, but and we did it in the context of investment. But how do you measure risk?

**Sandi Martin** 12:00

I mean, in the broadest sense, risk is the probability that you will or will not reach the goals or the milestones that you set for yourself. So risk isn't necessarily ... 'I've lost my job' if losing your job doesn't signify, for most people it does, and let's be honest, right? So whether it's the, I mean to go back to the know-your-client kind of stuff in investing, the risk is, I mean, risk, of course, is much more complex than this in some ways. But also, it is exactly this simple. You know, how much can you afford to lose? And how much can you afford to think you might lose from an emotional or mental standpoint, and those two things interact. And you and I both know that the kind of the KYC quizzes that anybody is given in an investment kind of arena these days, there's actual, you know, kind of academically supported risk assessments, which are very few down on the ground. And then there's kind of the Cosmo quiz questionnaires that people could fill out on the back of a magazine and getting sort of a rough answer, and it satisfies the KYC requirements, but it doesn't actually describe how somebody would actually engage with risk in real life, you're gonna have to punch them in the face first and get their stress response. Anyway, so that's a sidebar, I tend to do that. So yeah, I mean, so again, to go back to people who don't have SMART goals, for example, that's our job is not only to talk about, what are your values? And how will we know that you're successful? But also, what are the things that are true risks to you? And it's not just always investing is not just always kind of loss of job. It's all it might be, you know, there's a big risk that I actually will be stuck in a in an earning position forever, or I have to earn this amount of money, because I've never really address,ed how I spend my money. I don't have control over the boundaries that I want to set there. And therefore, I always have to earn \$200,000 a year. I don't have any choice. That's a risk to me, because I don't want to be stuck there.

**Pat Bolland** 14:01

Yeah, yeah, it's interesting. And again, you brought up an interesting concept, the concept of stress. And people say you should have a financial plan, because it will reduce stress overall. But couldn't it also create stress?

**Sandi Martin** 14:19

Absolutely create stress, especially in that part where we were talking about the amount of work that a client has to do. Because a lot of people don't actually know what is or isn't relevant in terms of the information they need to know about themselves. The documents that they have, like if you get 14 different statements from your, you know, your various investments and insurance and whatever, which ones are important to keep or know about, and which ones are just like more paper that you can safely ignore. So at the beginning, it is absolutely stressful for most people to provide the kind of answers that planners need to know to give good advice. But if it's done well, then the result is not only 'I know more about myself', just giving information to somebody about myself tells me what isn't isn't relevant. But also, it should result in a client feeling more organized for the next time. And we all, like your accountant, your insurance person, your other people, your mortgage broker I guess, everybody needs some version of the same documents. Your executor, your attorney, they all need the same documents so that they can either make decisions on your behalf if you're incapacitated, take care of your beneficiaries if you're dead. Issue a new mortgage, whatever, you should come out of the planning process where you're going through the stress of finding all your documents, and be more organized in end. Stress isn't always a bad thing. I mean, exercise is stress on your body with the end result that your muscles are stronger. So this is stress on your mind and your financial muscles. So that in the

end, you have better answers for yourself that you don't always have to go back to a professional to interpret for you.

**Pat Bolland** 15:58

Yeah, that would place me in the category of probably a couch potato, then,.

**Sandi Martin** 16:02

I'm saying that I've seen

**Pat Bolland** 16:04

How many, and this probably isn't a fair question, But how many as a percentage of Canadians actually have a financial plan or a financial planner, do you have...

**Sandi Martin** 16:14

Actually do not know, I know that financial ... FP Canada, did a survey on that a couple of years ago. And I want to say that it's like 40%, or something. But I have to tell you that when somebody ... imagine somebody calls you, or like sends you something in the mail, or like buttonholes you on the street, 'Do you have a financial plan?. But one of the issues and one of the reasons that we at Spring for a long time have been involved in kind of professionalizing financial planning, is that people don't actually know, what exactly is a financial plan in the first place. Like if somebody printed out some projections from, you know, a calculator from me, is that a plan? Or if I went to the bank, and they told me that I needed to save a million dollars, because education costs a lot of money, is that a plan? And so if you if the regular person on the street, who generally has not really been served by comprehensive financial planning that looks at their risk management and their values, and all those things we've been talking about, and gives them decision-making support to kind of live their values. That's what a financial plan is. Then, if they're asked what is a financial plan, they will say, they'll give answers based on not actually understanding the question. And so I question whether those surveys, 'what percentage of Canadians actually have a financial plan' could possibly be accurate? Because I doubt that they're spending time defining what a financial plan is in the first place before they ask the question.

**Pat Bolland** 17:42

Right. And another tough question is, how do you know when you have a good financial planner or not? And how do you find a good one?

**Sandi Martin** 17:50

Yeah, that's a very good question. So. So in my past life, I might have gone on a bit of a cynical diatribe about, like, wow, 'Nobody that has a conflict of interest can possibly be a good financial planner', which I mean, I still kind of believe. But financial planners should be like lawyers, and accountants, any kind of professional, they should have a standard of ethics. And they should not only live up to the spirit of that standard, they should be constantly pushing, so that their profession just gets better for them as practitioners. But mainly, the argument should be, because it benefits the people that we serve. And I would argue that, you know, there are certainly practitioners who have been pushing for changes, or pushing against changes, because of protecting the practitioner more than protecting the client. So to actually answer your question, I think that you can identify, it's very difficult to identify what's going to be

a good financial plan if you don't know what a financial plan is in the first place. So number one, do some research about what actually should I be expecting from this engagement? Number two, you should look for somebody who is very involved, or at least peripherally involved in pushing the profession of financial planning into better and better places, the strictly for the benefit of clients, really. So look for people who serve on boards, or who comment on, you know, government like regulatory submissions and those kind of things, right. Look for people who are members of the Financial Planning Association of Canada, for example, which is an organization that's exactly doing that ... professionalizing the industry. The next thing you should look for, as you would with any professional, is, what exactly is the scope of like, Is there a proposal that outlines exactly what we're going to do together? Do they do these people spend the time to get to know me? Did our first conversation have to do with what they can do for me, or them asking what I need from them? Those are all hallmarks of a good professional because they're paying attention to what you need. Not just ... I put you in a box and put the numbers out, put the plan done, baby ... You know? It's I mean, I, I wish I had a very simple formula, but it's complex because people are complex. We don't have a very straight answer for you. I don't think,

**Pat Bolland** 20:18

Sandy a good answer nonetheless, very revealing. Thank you so much for your time today. And all you do, I guess, for your clients as well.

**Sandi Martin** 20:27

Yeah, well, I mean, it was my pleasure. I mean, like I said, anytime I get to talk about this stuff, you kind of have to pull me back to stop from hours of conversation. So thank you for the opportunity.

**Pat Bolland** 20:37

My pleasure ... Sandi Martin, financial planner with Spring Financial Planning, a nationwide financial planning firm.