

The Just Word Podcast

Transcript of Episode 21 – Getting Into Financial Planning

Guest: Michael Fox

Pat Bolland 00:00

Mike, a real pleasure to meet you. And I gave a little bit of the backstory, if you will, when I did the introduction that you came out of the grocery industry, but maybe you tell me your story.

Mike Fox 00:11

Oh, thanks for having me, Pat, I really appreciate the opportunity to ... no we had a young family with four kids. And we just found that we were getting consistently poor advice or advice that was .. with products ... now that I'm in the industry, realized that just had a very high commission rate to it. And so we'd go to the bank and say, hey, I want to do this. And they would say, 'Oh, no, that's impossible'. And I would say, really, what if we tried this? And they said, 'Oh, yeah, that'll work'. And so then I started wondering, well, why am I asking them for advice? And same thing, we had an insurance guy that sold this two different products before we finally went ... no actually we want the term product, that's the best fit for my family and he said, 'Oh, I can do that'. And I said, well, no, you had your chances. And that's where I decided to get licensed and start doing it on my own. And then kind of dipped my toe in the water when my wife had a job opportunity. So I actually took some paternity leave, finished my education and, and started on the financial planning side ... decided this is something I'm just going to do for my family or to do it as a career. And after my daughter turned one, I went full time and made it a career haven't looked back since.

Pat Bolland 01:18

Interesting. You chose the mutual fund industry to start in. And you've moved on, as you point out to financial planning. But what was it about the mutual fund industry that attracted you ... Did you have a, I know family history in that space, and you knew it?

Mike Fox 01:33

Well, my mother worked in the bank for years, and my dad was in finances as well. But I just went, at the time, that was kind of the the main source, that was back in 2004. And that was the main thing. But I also looked for a company that had access to other planning software. So, is there access to banking products, whether their banking product was the best or not, it was nice to have the full service along with the insurance side. So that I could actually advise people on the full spectrum. And then of course, use the products that were available to me. And then over time, I just kind of, how JustWealth got started up, I just thought there has to be a better way. So I've been looking for the last three years to find a better fit both for me and for the clients. I just found there was a bit of a values conflict, where you know, you have set certain expectations with a set of numbers, no arbitrary setting, and you were a good consultant if you hit the numbers, and you're a bad consultant if you if you didn't hit the numbers, regardless of how you cared for your clients, or what advice that you were giving or the impact that you've had. And so yeah, that's that's where I decided to make the change and go independent.

Pat Bolland 02:36

So when you say the values were misaligned, what are you talking about corporately? Like the mutual funds, were charging too much or treating your customers? Well, or was it something you saw in the office?

Mike Fox 02:47

Yeah well, I would say that just the the pricing of the product, and then just the the arbitrary expectations where - if you don't sell certain amount of products, or if you do this, you get paid more and less. So there's a built in conflict of interest, in my opinion, just the way the reward system went. And then it's also came down, and this the trend in the industry, where if you don't have \$250,000, or \$500,000, don't and some companies are actually moving anybody under \$100,000 has to be sent to a call center. And to me, I didn't feel that somebody only had value, if they only had a certain amount of cash behind them. And to me, that's where the biggest value conflict is, is people's value, right with people. I mean, like my niche in the market is kind of that \$100 to \$500,000 reach - under serviced in the market, not really getting advice. But I find that I can make the greatest impact with them.

Pat Bolland 03:40

But if you talk to the mutual fund industry, Mike, and I do frequently, they'll take any dollar value, you know, down to like \$500, where's the disconnect?

Mike Fox 03:50

Well, if you want, they'll take any money that you want to get in. But if you really want advice on financial planning, then generally it's a \$250 to \$500,000 limit, especially if you go to the big banks, and even a lot of the independants or the larger other chains. actually pull it financially. Yeah,

Pat Bolland 04:06

I see, the guys who are providing the mutual fund. So it's not the mutual fund industry that's at fault, necessarily. It's the advisors.

Mike Fox 04:14

And a lot of that happened with the regulatory - so the more you had to put work in, then people wanted to make sure they were compensated for their time. But that's certainly - that's the trend in Australia, in England, where you have a lot fewer people getting advice, and it's affecting the savings rates and the performance of most clients as well.

Pat Bolland 04:33

Yeah, but the dealers will tell you - listen, compliance is expensive. And that's why we have to charge those things.

Mike Fox 04:40

Yeah,

Pat Bolland 04:40

You agree with that?

Mike Fox 04:42

Yeah, well, yeah. Yeah, but it's come ... find ... becoming that balance. Right.

Pat Bolland 04:47

Right. Okay. Describe - you kind of gave us the dollars and cents - but in terms of an ideal client. Do you like people that haven't been in the marketplace before? Do you like experience? What's your preference?

Mike Fox 05:00

Doesn't matter if they're in the market before or not, I look for clients that are proactive, that I'm not just a cashier, providing a product, that they're .. they want to learn, go active in their financial space, right? So that when I provide advice that, you know, sometimes they take my advice, sometimes they don't. But if they're not going to value my advice, I'm not bringing any value to them. And so they shouldn't be working with me.

Pat Bolland 05:27

In terms of your ideas on personal finance, not working with you is probably not what you prefer to do - personal finance - but what's your number one, I don't know, initiative in personal finance ... is it savings, for instance,

Mike Fox 05:44

I try and go for the full tax plan. So what's going to make the greatest impact for the client, so I started coaching sports when I was 15. And so as a coach you want to draw out ... you see value in people that may they may not see in themselves, and you want to draw that out. So my goal for each client is position them for their best chances of success. And so that's helping them manage their emotions through the investments, making sure it's the right fit, it's kind of like go when it comes to products or risks. A lot of it's like picking clothes, you know, you don't wear sweatpants to go to a five star restaurant, you don't wear a tux to go to Tim Hortons. No, it's finding that right fit to position them for not only where they are now and where they want to go. It's finding the right product that suits them for what they want to do going forward. And it's not always the flashiest thing on the shelf, is the thing that's going to actually - they're going to be comfortable wearing - that they're going to walk through. And that's the biggest thing is how do you draw these people out when you sit down and you talk to them? is how do you position them for success, knowing what their goals wants, needs desires are? And if they're proactive as well, then it's a great fit moving forward. It's got to be a win-win situation, or it's not worth doing business?

Pat Bolland 06:52

How do you start doing business? Do you have a conversation with somebody - a cup of coffee, find out what they're all about?

Mike Fox 06:57

Yeah, most of my business has actually been built by referrals. So it's a much easier conversation than we have that talk. And then at the end of the conversation, we decide, hey, are we a fit moving

forward? Are we not? And it's okay to tell me No. And that way, you know, we have that agreement moving forward. But it's the conversation and a lot of questions - asking them, where are they now? What do they like to do? what's important to them?

Pat Bolland 07:21

Yeah. Now, a financial plan is more than stocks and bonds, or even as you've indicated earlier, insurance, it's real estate, it's a lot of different areas - law, for instance - how do you handle that part of the business?

Mike Fox 07:36

Well, any place where I don't have expertise, and I refer them off to, you know, at least three different references for say, accountants, lawyers, real estate agents, depending on what the, what the need is for the client, because I can guide them, but I only have kind of more general knowledge in those areas. And we need the specific so I liken it again, to sports where I'm kind of like the coach, you know, the lawyer is the referee, making sure everybody follows the rules, the accountant's the ones keeping score. And so it's a matter ... we can't play the game without everybody taking their part. They're the ones doing the the major activity, and then everybody else has to be involved to make sure the game gets played.

Pat Bolland 08:13

How do you measure your success with a client then? I mentioned this, but the the difference that I've made, because you can't measure it necessarily on what the markets doing. But you look at - and one of my most favorite ones is I had a couple of clients that they were going to university, and just through some advice, and you know, and they use their student loans, but they didn't really need them. And they invested in a TFSA. And when they graduated, they paid off their student loans and had enough down payment for a house. And now he's a professor and she works at a university as well. And, but it's nice to take them from people that had nothing, but were really proactive, and basically helped them those little dreams come true. And yeah... Okay, so you mentioned it, investments per se. Do you have an opinion on the stock market or the bond market? How do you handle that?

Mike Fox 08:45

Well, you're trying to answer in general as as possible, but it's always assessing risk when it comes to financial planning. And then you want to have a discipline forum and that's where I partnered with JustWealth is one of my providers, with Andrew recommending the portfolios and then James designing them because they're the ones that are looking at it a daily basis. I'm assessing the risk of the individual client - going when do you want to spend this money? No ... Do we need to make the adjustments, things like that. But of course there's a general risk you know, if interest rates are expected go up, you know, you might want to have a few less bonds in your portfolio, things like that, but it still comes down to I trust James when he's designing the portfolios, and I'm just making sure the fit and what they're invested in fits the risk profile for what their goals are.

Pat Bolland 9:30

Mike, what you're describing though is, you know, I think typical of a lot of financial planners. Do you see yourself as exceptional per-se and I'm not trying to get you to downgrade yourself but what I'm trying to do is explain that all people need financial planners so there's lots out there ... right

Mike Fox 9:49

Yeah, so where we differentiate is a lot on the tax planning. I buy an accountants tax programming a year ... do that ...we have, still have, the you know the full financial planning software. Do the detailed plan and try and make it as simple and word-picture so people can grab it and run with it so it's easy as that way that's where we differentiate ourselves. And then of course the the products and the pricing comes in as well. It's not the main reason you do it but when you bring good value to the client, that's where the biggest impact happens.

Pat Bolland 10:18

Yeah, I'll tell you my problem with the industry overall, not you or anybody else in the mutual fund industry, is one that crosses the mind, is when mutual funds charge two and a half percent and you're not getting a lot of advice when you pay that two and a half percent. Fees for a financial planner, what should a client expect to pay?

Mike Fox 10:39

Well, with as you said, with the mutual funds you're paying, you know, two to two and a half percent for the cost of investing but you're paying, depending on the firm, anywhere from 1% typically two even up to one and a half or 1.6% for the advice and it really comes down to value. But if you if you look at the banking sector, where generally if you're under 100,000 it's 1% for the advice that you're given and then it varies up as you go up over you know, \$500,000 or a million and we have a prorated schedule but we also, we adapt to each individual client and their situation. But you want to make sure you get value for what you're paying for so my most recent calculation is our our clients are gonna save a minimum about \$180 to \$200,000 a year just in fees over the next year

Pat Bolland 11:26

You know what's amazing about fees is that you know, you buy a house, you pay the commission, which in many cases could be as high as 6% but you pay it once. In the investment industry you pay it every year ... do you think that's right?

Mike Fox 11:39

Do I think it's right? It's a matter of getting value. When you start looking at the all the statistics about working with an advisor your financial situation is better so it really comes down to ... are you getting advices impacting you? Are you getting a little bit of tax advice that puts a little bit more dollars in your pocket? By working with an advisor are you more disciplined and you're actually doing the savings that you've might not have done otherwise? Do you have that kind of that sober second thought to make sure that you don't go and splurge where a lot of people put themselves on a financial diet and like anybody that goes on a diet which generally six months, a year later you're worse off than if you never dieted at all and that's ... I find that a lot with finances they get so disciplined and then they go and splurge and then you get the yo-yo effect especially with debt where they they pay debt down and then they borrow back and they either never have their debt decline or they end up with more and they just

keep refinancing and that's where the danger comes in is you know. It's the Tim Hortons advice for, you know, they say this, they say that, and then you end up running around and following your emotions which, you know, it's the end up, you know, selling low and buying high and those types of things which tend to work against you. Financial planning in the moment if it generally feels wrong but it's normally the right thing to do but in the moment it doesn't always feel right

Pat Bolland 12:59

Your point is well made though because it's the media that often is at fault because they hype up what the stock market's doing, whether it's going up or whether it's going down and people's emotions as you point out, get caught up in that overall. In terms of your timeline, what do you look at? do you look at a year three years, five years?

Mike Fox 13:20

Are you looking for people's investments? their goals? where they want to hit?

Pat Bolland 13:23

yes yeah their goals.

Mike Fox 13:25

Okay, so we try and get at least a five year plan going but you have to do it bite size. So it's kind of the Steven Covey begin with the end in mind. So we need to know where they end up, so the first step in the financial planning process, so you're lost in Vancouver and you have a map but you don't know what street you're on the map is useless. So the first thing we have to know is where your starting point is. And then we need to know where you want to go so we can start mapping out a route and then really it comes down to what type of investments it's what are you most comfortable owning Now are we taking a cab? Are you taking a bus? Are you taking a plane? You know, if you don't flying then we can't take a plane to get there. And so we can still get you to your destination. The only difference, depending on the mode of transportation , is a matter of not a time that takes to get there. Right. And our goal is to make progress. So are we closer to your goal today than we were yesterday? And even if the markets aren't cooperating, are we doing the right things? Are we following the process that historically has done well that if you keep following the process, you're going to end up where you want to go regardless of what the outcome is in the moment. Because if you're just looking at the immediate outcome, then you're more likely to bounce around like that Yo-yo, and just change your mind and change directions and you never have that consistent application of doing the right things. But then in this industry, you can do all the right things and have in-the-moment looks like everything is wrong. And that's probably the biggest challenge in this industry.

Pat Bolland 14:49

You take a, you took a big leap when you moved from the grocery industry into financial planning. Have you been happy? Is your family family life changed? I don't I don't know.

Mike Fox 15:00

Oh, it's been fantastic change. Like, we had four kids and I was working a lot of evenings and weekends and we couldn't get them out to their kids sports and that and so after I made the change, we

had dinner at home together every night I was able to coach all of my four kids in the various sports. They played hockey, soccer, lacrosse, anything like that so ... and even my oldest kids came back and helped me coach my youngest kids at times as well so it's been, it's been a nice process. And just the amount of times and ... as I got more successful in the business we started taking Friday afternoons off in the summer and you know we went camping together and and that was that so ... it was nice to have that transition for family time. That it wasn't just about making money, it was providing service that you could get a lifestyle Which is the main goal when you're working with people is, it's not just about I want the money, it's I want what money can do for me. I want the relationships that can go. I want to be able to help people and that's the the main goal of when we're in there, is how do we position you to get that extra joy out of life to make sure you have the the resources available to do it.

Pat Bolland 16:07

Mike, we'll leave it there. Wish you continued success.

Mike Fox

Thanks very much Pat. I appreciate the opportunity.

Pat Bolland

Mike Fox, yourplanfinancial.ca