If you read our Summer 2016 Newsletter, you will recall the discussion about the importance of a financial plan when riding out unpredictable markets. Your financial plan can be compared to a “guiding light” during a “market storm.” It may be easy to get distracted from the market noise happening all around you and the pathway to success may no longer seem so clear. But if you focus on the plan it will guide you through, leading you out of the storm.

This brings up the important question, what exactly is a financial plan? It is quite interesting to see how the meaning of a financial plan can vary considerably depending on who you talk to. If you feel unsure about what a financial plan encompasses, no need to worry. We are going to provide some clarity around the definition and discuss why a comprehensive financial plan is critical for your financial future and overall emotional well-being.

**Comprehensive Plan vs. Limited Plan**

Many Canadians think they have a financial plan when in fact what they have is a segmented plan or limited plan. It is not uncommon for Canadians to have no plan at all! A limited plan includes components of a financial plan (i.e. retirement plan, investment strategy) but does not include a thorough analysis of the entire picture.

Many Canadians also have various professionals helping them with different areas of their life. They have a financial advisor help them with one or two components of their financial plan and have a lawyer, accountant etc. look after other areas of their plan. When there is no communication between professionals the plan is limited because no one is seeing the full picture. Items get missed, strategies may contradict one another and conflicting guidance can cause confusion.

A true financial plan is comprehensive. This means there is a main financial advisor, possibly liaising with other professionals, who has provided financial planning for major life goals and events with components like household budgeting, tax, retirement, estate planning, investing and debt or risk management.

**Crystallization Elements™**

To make sure our clients have a comprehensive financial plan, we created the Crystallization Elements™. Our team utilizes these elements to help clients understand what a comprehensive financial plan is and also to put their mind at ease knowing they have evaluated all the necessary components of their plan.

All 6 components of the crystal are required to minimize uncertainty. Without reviewing one piece of the crystal, the foundation and strength is compromised. Here are the vital components.

**Debt Management**

Effectively controlling and reducing the amount of money you owe.
Can Deal with Bumps in Life
Those who have comprehensive financial plans are more confident that they are prepared to deal with the challenges and bumps in life, such as unexpected financial emergencies, tough economic times, and ensuring loved ones are financially looked after if something should happen to them. Prepared to deal with:

- Unexpected financial emergencies: 60% (CP), 53% (LP), 29% (NP)
- Tough economic times: 65% (CP), 57% (LP), 39% (NP)
- Loved ones looked after in the event of their death: 78% (CP), 69% (LP), 41% (NP)

| Unpaid bills        | 62% comprehensive planning
|---------------------|------------------|
| 59% limited planning
| 48% no planning     |
|                    | 60% comprehensive planning
| 53% limited planning
| 41% no planning     |
|                    | 59% comprehensive planning
| 52% limited planning
| 39% no planning     |
|                    | 56% comprehensive planning
| 51% limited planning
| 36% no planning     |
|                    | 50% comprehensive planning
| 45% limited planning
| 32% no planning     |
|                    | 48% limited planning
| 42% no planning     |

The FPSC Study
Close to 15,000 surveys were conducted over a three-year period:

- Respondents who feel on track with their financial affairs:
  - 81% of respondents with a Comprehensive Plan (CP) feel on track
  - 73% of respondents with a Limited Plan (LP) feel on track
  - 44% of respondents with no plan (NP) feel on track

Respondents who feel on track with their retirement plan:

- 50% Comprehensive Plan (CP)
- 39% Limited Plan (LP)
- 22% no plan (NP)

Those who have comprehensive financial plans are also more confident that they are prepared to deal with the challenges and bumps in life, such as unexpected financial emergencies, tough economic times and ensuring loved ones are financially looked after if something should happen to them. Refer to the chart above.

Based on our many years of experience in the financial services industry and the compelling results from the FPSC study, we cannot emphasize enough the importance of a comprehensive financial plan. Financial planning is the sum of all of its parts, interacting together. Your financial advisor needs to see all the components to create a plan that is effective for you and your family. If you feel that you might be missing something in your financial plan, please contact us today.

For more information on the details of the FPSC study, “The Value of Financial Planning,” you can find it on our website at www.clearrockfinancial.com under Resources.

Words of Wisdom
With the arrival of September and the dog days of summer behind us, we thought we’d take a break from reporting on industry news and offer up a few words of wisdom.

All financial success comes from acting on a financial plan. A lot of financial failure comes from reacting to the market.

Nick Murray
To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insight, or inside information. What’s needed is a sound intellectual framework for decisions and the ability to keep emotions from corroding that framework.

Warren Buffet
The fact that other people agree or disagree with you makes you neither right nor wrong. You will be right if your facts and reasoning are correct.

Benjamin Graham

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