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Understanding the Importance of Risk for Financial Planning

Research summary

This study, conducted by Dr. Bonnie-Jeanne MacDonald of Ryerson University, explored the sources of risk in retirement planning, how these should be addressed and the degree to which individuals can improve financial outcomes by adjusting factors they can control.

Practice Tips

Here are tips on how to use this research with your clients or prospects:

- 1. Proactively engaging in retirement income planning** with your clients who are approaching retirement in the next 5 years.

This provides opportunity to understand client's planned lifestyle and income needs and avoid missing key decision opportunities where clients will inevitably require sound financial advice from a professional, including timing of taking Canada Pension Plan (CPP)/Québec Pension Plan (QPP) and Old Age Security (OAS), retirement income solutions and possible decisions related to home ownership.

- 2. Discuss the importance of reviewing your clients' retirement income plans regularly and set up regular follow ups**

A common challenge is that people who depend on financial planners may not return year after year to revisit their strategies nor check in with financial planners when making key decisions that can impact their retirement income for the rest of their lives.

It is incumbent on you to be proactive in following up with clients and impress on them the significance of professional advice and regular review to help ensure they continue to have confidence in their financial futures.

It is important to follow up with clients annually at a minimum or when their circumstances may change as to health or the health of loved ones or the onset of unexpected expenses. This could be the difference between a comfortable retirement or one where clients are struggling at times when they can least afford to be.

3) Proactively advise clients on key, one-time, decisions that will have significant impacts on their financial well-being in retirement, including when to take CPP/ QPP and OAS, whether to convert assets to an annuity for predictable cash flow in retirement, homeownership decisions and money transfer or gifting decisions.

Want more information?

Additional materials on this topic and other research projects are available for you to download at:

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Research Paper

Executive Summary



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