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Professional services

Got a million? You need a team to tend to it

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According to the 2011 World Wealth Report from Capgemini/Merrill Lynch Global Wealth Management, Canada is home to 282,000 high-net-worth (HNW) individuals, those with \$1-million (U.S.) or more of investable assets.

Canadians who have recently joined this affluent group may discover that their approach to personal finance has not kept pace with their rising net worth, and the group has attracted a number of professionals dedicated to helping them manage their money.

Expert advice on navigating Canada's income tax regime is essential for those with substantial financial assets. Many adult Canadians have an accountant who prepares their income tax. HNW individuals should ensure that the accountant they retain has the knowledge to appropriately advise them on tax planning and special issues, such as succession planning for family enterprises.

One of the easiest ways to access wealth management expertise is to sign on with an organization that offers a comprehensive suite of services all under one roof. At these firms, a client is typically assigned a dedicated adviser to meet their financial and investment needs. Other professionals within the firm are consulted as needed.

Another approach to managing substantial financial assets is to consult independent professionals as soon as they are needed. Jason Heath, a financial planner at E.E.S. Financial Services Ltd., believes this is a good way to reduce the potential conflict of interest inherent in firms offering all services together.

No matter the chosen approach to seeking advice, HNW individuals should begin with a financial game plan. A qualified financial planner will work with a client to prepare a customized financial plan designed to achieve the client's personal life goals. A good planner will also identify areas where clients would benefit from additional advice.

Invariably, HNW individuals will need advice on how to invest their wealth. A person with \$1-million in investable assets is no longer limited to stock brokers and advisers selling mutual funds. They can take advantage of the money management expertise available from portfolio managers (also known as investment counsel).

According to Norman Levine of Portfolio Management Corporation, investment counsel differs from the investment advisers most people are familiar with in several significant ways.

Their only business is managing investment portfolios for private clients, i.e. individuals and families with significant financial assets, and foundations, endowments and pensions.

Once a client agrees upon an investment plan, the manager has total discretion to decide how the client's money is invested.

The management fees are typically 1% to 2% of the assets under management and are usually tax-deductible. Additional fees may be charged for trading commissions and for the safe custody of client holdings at a third-party financial institution. The overall cost is often lower than the fees of mass-market financial advisers.

Most portfolio managers hold the highly-regarded Chartered Financial Analyst designation.

Portfolio managers have a fiduciary duty to their clients, i.e. they must act in the client's best interest. By contrast, many financial advisers are only obligated to offer clients suitable investments.

Estate planning is another area where HNW individuals can benefit by seeking out professional advice. Family business succession, providing for children from first and second families, establishing a charitable foundation or arranging assets to minimize taxation are examples of situations where expert advice is beneficial.

Chartered Life Underwriters, specialists in life and health insurance and estate planning, and advisers holding the Trust and Estate Practitioner designation can advise on such matters.

Once estate plans have been fleshed out, HNW individuals should retain the services of a lawyer well-versed in wills and estates to properly document their wishes. Where significant financial assets are involved, a well-crafted will helps to ensure the timely dispersal of an estate in accordance with the wishes of the deceased and with a minimum of problems.

Where to find help:**• Accounting:**

Professional accountants who are qualified to practise in your province and have stated expertise in tax planning for individuals.

• Financial Planning:

Certified Financial Planner, Registered Financial Planner

• Insurance and Estate Planning:

The Financial Advisers Association of Canada

• Legal Advice:

Contact the law society in your province. Request a list of lawyers specializing in estates and trusts law.

• Portfolio Management:

Portfolio Management Association of Canada.

• Trust and Estates Specialists:

Trust and Estate Practitioner.

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