Isaiah planned to make his annual Registered Retirement Savings Plan (RRSP) contribution during his appointment with Collette, an FPSC Level 1 Certified in Financial Planning with ABC Bank. At the meeting he mentioned that he was planning to retire in three years. While he expects his pension income to cover half of his retirement income needs, he is not confident that he has enough assets to fund the other half. With three RRSP accounts and two Tax-Free Savings Accounts (TFSAs) spread across two financial institutions, Isaiah also worries about managing withdrawals from so many accounts. Isaiah explained that he holds his investments across multiple financial institutions because he believes in “diversification”. He does not like to put all his eggs in one basket. He thinks this is a good idea given the failure of American financial institutions that were once thought too big to fail.

Isaiah has $98,000 in guaranteed investment certificates at ABC Bank and $96,000 at another bank. He also plans to open a third account at another financial institution so that he can take advantage of the $100,000 insurance limit provided by the Canada Deposit Insurance Corporation (CDIC). The ABC Bank offers deposit protection under three separate entities—the ABC Bank, the ABC TrustCo. and the ABC Mortgage Corporation.

Isaiah owns $180,000 in mutual funds, split between ABC Bank and another financial institution. All funds are held within regulated accounts under the Mutual Fund Dealer Association of Canada (MFDA). The portfolios are similar, with 50 percent invested in North American equities, 10 percent in international equities and the remainder in fixed-income investments.

Isaiah brought his daughter, Mikaela to the appointment. He has encouraged her to start thinking about her future. She has talked to her dad about wanting to buy a house within the next five years and enjoying a vacation once a year. Mikaela anticipates retiring at 65 with her own savings and an inheritance from her father.

Knowledge Expectations – Financial Planning and Professional Responsibilities

The FPSC Level 1 Certificant in Financial Planning and CFP Professional should be able to:

- Identify that Isaiah and Mikaela would benefit from financial planning.

- Explain that financial planning is a disciplined, multi-step process. It relies on assessing people’s current financial and personal circumstances against their desired state in the future, and developing strategies that help meet those goals, needs and priorities. Areas covered include financial management, insurance and risk management, investment planning, retirement planning, tax planning and estate planning.

- Explain that engaging in financial planning will provide clarity to Isaiah about his retirement. As part of the process, Collette will weigh Isaiah’s desired lifestyle in retirement against his current assets, planned savings and expected sources of retirement income. She will be able to tell him whether he will have enough money to retire on and live the lifestyle he chooses. Collette will also be able to make recommendations, such as the most tax-efficient or convenient method to draw down on his assets in retirement.
• Explain that engaging in financial planning will help Mikaela understand and develop next steps toward achieving her goals of purchasing a home, retiring at 65 and managing her cash flow that would enable her to travel once a year.

• Explain that engaging in financial planning will help Isaiah and Mikaela progress toward their respective goals. Collette will gather information required to assess their current situations, evaluate the strengths and weaknesses of those situations, perform required calculations and develop projections. She will identify and evaluate appropriate strategies that may help Isaiah and Mikaela advance toward their objectives. Then she will compile and present recommendations in a way that Isaiah and Mikaela can make informed decisions about how to proceed. Finally, she will discuss the necessary next steps and associated timelines required by all parties involved.

• Explain that, as an FPSC Level 1 Certificant in Financial Planning, she has an obligation to put Isaiah and Mikaela’s interests first. This includes disclosing any and all potential conflicts of interest. In this case, she would need to explain the potential conflict of interest between Isaiah and Mikaela related to Mikaela’s anticipation of her father’s inheritance within her own plans. Collette would need to ensure that the potential conflict was understood by Isaiah and Mikaela, and receive their informed written consent to continue the engagement notwithstanding the conflict.

• Explain that, as an FPSC Level 1 Certificant in Financial Planning, she is accountable to oversight by Financial Planning Standards Council (FPSC), which acts as the professional oversight organization for financial planning. She must adhere to practice standards and a code of ethics, including an obligation to ensure that confidentiality is maintained. Collette must also make sure that Mikaela’s information is kept private from Isaiah, and vice versa, should either of them wish this to be the case.

• Explain that engaging in financial planning is not a one-time occurrence. It involves an ongoing process of reviewing the individual’s progress toward goals, a re-evaluation of financial strategies in place and recommended revisions, where necessary.

Knowledge Expectations – The Regulatory Environment for Consumer Protection

The FPSC Level 1 Certificant in Financial Planning and CFP Professional should be able to:

• Explain that, while Isaiah has read about the failure of U.S. financial institutions, Canada has one of the safest banking systems in the world. This is, in part, due to the regulatory framework and measures designed to protect consumers if a financial institution becomes insolvent.

• Explain that diversification, generally, refers to a risk management technique that spreads investments across different asset classes to help reduce volatility.

• Explain that the CDIC protects up to $100,000 per eligible deposit for each member institution. Isaiah could consolidate his guaranteed investment certificates with ABC Bank under separate member entities and maintain full CDIC protection. This would provide the benefit of working with Collette, and the convenience of dealing with one financial institution while maintaining full protection in case of insolvency.

• Identify that Isaiah’s deposits are currently protected under the CDIC coverage.
• Explain that Isaiah’s mutual fund investments also qualify for coverage through the Mutual Fund Dealers Association of Canada Investor Protection Fund (MFDA IPC). Up to $1 million per account is insured if an MFDA member firm becomes insolvent.

• Explain that, by consolidating his mutual funds at ABC Bank, Isaiah could avoid the risk of duplicating his exposure to similar investments. As well, Collette could advise on appropriate asset drawdown strategies and their implementation in retirement. With her help, Isaiah could minimize the administration involved in receiving payments from multiple financial institutions.