

Financial Planning – What You Need To Know To BYOFA

The financial planning industry has a vested interest that you believe that financial planning is complicated and therefore the services of a professional are required. There is obviously a conflict of interest here. The industry generates revenue. Their revenue is your cost. We've seen how expensive cost is in the long run.

Broad Concepts – We all have at least a rudimentary understanding of the broad concepts.

- Net Worth – Everything you own less everything you owe. This can be simplified to everything you own that is not depreciable. Your \$30,000 car will be worthless in 10 years. The greater this number is, the greater your degree of financial safety. The goal is to grow net worth in the working years and to spend some or all of it in the retirement years.
- Cash Flow – Money coming in less money going out. If this number is negative, you have a problem that can't continue for ever.
 - Everyone has a rough idea of their cash flow. Everyone should have a detailed understanding of their cash flow. Start with your paycheque. Do you understand all the deductions? You should. Next, understand your expenses. Third, what can you cut? Forth, ask for a raise.
- Protection – Protection is insurance. If you die, your paycheque dies. If you are alone in life, this impacts no one. If you have family or other loved ones who are completely or partially dependent on you, how does your dying paycheque affect them? These are the correct question to ask to determine your need for protection.

Important Concepts

- Our Tax System- Play around with the EY Tax Calculator for 10 minutes then look at the rate sheet for another 10 minutes and you move from a rudimentary understanding to a reasonable understanding.
- The Three Accounts & Our Tax Structure-understand the basics of the RRSP/RRIF/Company Pension and derivatives, the TFSA, and the non-registered accounts and our tax system.
- Project the value of past and future savings to retirement date and approximate what sustainable annual income that can generate. The tools on byofa.com/resources help.
- Understand the concept of asset allocation and build your low-cost, broad-market, passively managed portfolio. [This can help.](#)
- Sit back, relax, rebalance, and revisit everything periodically.