



Take inventory of your assets and liabilities

Last month I discussed the basics of creating a good financial plan. The first and most important step to creating a good financial plan is to establish written goals. Each goal, I explained, should be applied to S.M.A.R.T., a handy acronym for assessing goals and objectives. In other words, each goal should be specific, measurable, attainable, realistic, and time sensitive.

Once we have established our goals and objectives, we must determine our current financial position. I like to call this equally important task, “taking inventory.”

Taking inventory means making a detailed list of all your assets and liabilities.

Of course, this isn't the most exciting process, but it is a necessary step to creating a good and effective financial plan. This list should include items such as bank accounts, RRSPs, real estate, GICs, bonds, term deposits, mutual funds, stocks, and any other investments you are holding. It should also contain interest rates, maturity dates, purchase prices, and purchase dates for appropriate investments.

A section of your inventory list should be dedicated to group benefit plans and individual insurance coverage if applicable. If you have a spouse or dependants, you need to be aware of the details of your life insurance to ensure your family is protected in the unfortunate event of death or disability.

Now for the section that we all like to avoid: liabilities. Of course, our inventory list cannot be complete without an extensive description of what we owe. You must outline all the terms of your debt, length of term, interest rates, and penalties for early pay out, and whether the payments are tax deductible.

Another key component of your list is your will. This is a sensitive and difficult issue to discuss, as it requires us to confront and accept our own mortality. However, a will can ensure that our family members and loved ones are cared for adequately, that our estate is allotted in a timely fashion, and that taxes at the time of death are minimized. Interestingly, approximately 60 per cent of Canadians do not have a current will. In future columns, I will discuss in detail the importance of creating and maintaining a current will.

We now have the basis for a good financial plan, as we know where we are and where we want to go. Put we have our written goals and objectives.

Next month, I will discuss how this information is used to create a good and effective financial plan.

I want to conclude this month's column with a question and answer section on RRSPs: What is the RRSP limit for this year?

The current maximum RRSP limit is 18 per cent of your earned income to a maximum of \$14,500. Please note that if you're a member of a deferred profit sharing plan or a company pension plan, you must decrease your RRSP contribution by the total pension amount earned during the year. If you're unable to contribute the maximum RRSP amount this year, you can carry forward the unused portion to a future year. Your unused contribution amount is outlined on your Notice of Assessment.

Please submit your questions to mtownshend@ipcc.org.

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