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# Financial planning basics for young adults

Canadian authors offer financial-management guidance, as well as life lessons in story form

**WHEN IT COMES TO teaching business and economics to young people, books all too often contain academic theory but very little about the application of that theory. As a result, teaching young people about money can be a daunting task.**

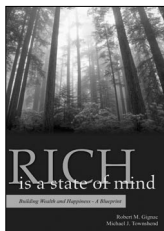
That's why I was pleased to receive *Rich is a State of Mind*, a book about and for people just beginning their financial lives. Advisors might recommend *Rich is a State of Mind* as a gift for clients' children or grandchildren.

The book's Canadian authors are an interesting pair, with each writer bringing a different perspective to the subject.

Michael Townshend of Waterloo, Ont., is a respected member of the financial advisory community whose knowledge probably provided the technical foundation for the lessons. His industry experience gives voice and conviction to money-management strategies. Robert Gignac of Aurora, Ont., describes himself as a "growth coach" who focuses on personal and organizational development.

He is also a long-time Townshend client and, in his words, a "student of the financial-planning process." His hand is evident in the theme of financial enlightenment and motivation to learn.

The book attempts to engage as well as educate the reader. It opens with the death of Richard, the somewhat eccentric but wise main character. Through the eyes of John, Richard's friend and financial planner, we return to the last year of Richard's life and the legacy he leaves his two young relatives. That legacy is, in part, financial, but Richard's greater gift is the time he spends teaching his 20-year-old niece and nephew about the whys and hows of money. It is



**Rich is a State of Mind: Building wealth and happiness – a blueprint**

By Robert M. Gignac and Michael J. Townshend; Wealth Advisory Services \$24.95

★★★★☆

not too much of a stretch to think that the co-authors are the role models for Richard and John.

The lessons take place about once a month for a year, with the settings alternating between John's financial planning office and Richard's self-constructed cabin in the woods. Each session has a specific topic, and the format is consistent. At the conclusion of each session, Richard provides a clue to the topic of the next session; the young folks go away to

research it and they reconvene to discuss their findings in detail at the following session. Each chapter covers one of these meetings, with topics ranging from the power of compound interest to asset allocation and minimum RRIF withdrawals.

While the range of topics is certainly wide enough for neophyte investors, the depth to which some of the sessions go seems designed to show the authors' level of knowledge rather than to impart information. That is not to say the details aren't important, but I'm not sure that describing, for example, how to withdraw money from an RRSP tax-free by using an offsetting leveraged investment program is something a 20-year-old needs to learn.

That said, there are many important messages that do come through. First, as the title suggests, having money doesn't necessarily mean being rich in the truest sense of the word. Considerable time is devoted to quality-of-life issues, creative thinking, personal motivation and the importance of cultivating habits such as punctuality. The importance of planning and persistence are central themes.

On the more applied side, we learn that inflation and taxes take a heavy toll on wealth accumulation, and inappropriate use of credit impairs the ability to

save. Asset allocation works to reduce risk, and borrowing money to invest can mean more money at the end of the road but it requires careful limitation to avoid severe consequences. These subjects, of course, are all familiar to experienced advisors and clients.

There are times when the book carries its storytelling to the point of melodrama and, I suspect, young readers will find it interesting only if they see it as a series of lessons.

The teachings in this book are universally sound and practical; those of us who have been around a long time may consider them obvious and perhaps uninteresting. But these lessons will be fresh — and very valuable — to people who are hearing them for the first time.

*Rich is a State of Mind* is available in most bookstores or from [www.richisastateofmind.com](http://www.richisastateofmind.com). Discounts are available for volume purchases by calling (866) 727-0634. **IE**

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