Expert advice to get you started on your own

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The client: A single woman, 49. She works as a teacher and earns a mid-level income. She owns her home.

The problem: The client recently inherited a large sum of money. This pushed her non-RSP portfolio to $110,000, which is all in cash. Her RSP portfolio holds $150,000, also mostly in cash (70%). Because she is a medium-high risk investor, the client knows she doesn't need this much cash. She'd rather have her money doing something.

The fix: Karin Mizgala, a fee-only advisor and CFP, president of Life Design Financial and co-founder of the Women's Financial Learning Centre in Vancouver, agrees that the inheritance shouldn't be left just sitting around. "As far as her RSP was concerned, the client, like so many other people, didn't really pay that much attention to it. But when people start to hit their mid-to late-40s, they realize that they should start planning instead of just panicking the week before RSP deadline." Because the client was interested in growing her portfolio, it didn't make sense for her asset allocation to be so heavily weighted in cash. "We looked at her retirement money and realized that if we maintained everything in cash, she won't be able to achieve her objective. As a result, a chunk of that inheritance went to topping off her RSP, part in GICs and part in a high-interest cash savings account. The RSP portfolio's asset allocation was changed to 10% cash, 30% bonds and 60% stocks. She encouraged the client to open a discount brokerage fund, which would provide a platform to buy the funds herself.

The client also had some short-term goals, including home renovations and a job transition within the next two years. Ms. Mizgala carved off $30,000 from the non-RSP portfolio, and put it into a high-interest savings account to keep it liquid. The other $80,000 was earmarked for the long term, including retirement at age 65. Because her risk tolerance was high-medium, she decided on an asset allocation of 40% fixed, 60% equity. The client was free to choose funds she was comfortable with. "She is interested in ethical investing, and prefers ethical exchange-traded funds (ETFs)." These function the same as regular ETFs, except they have a social screening for considerations around environmental issues, tobacco, alcohol, companies that have bad child labour laws, etc. "When it came to financial planning, she was reasonably savvy and knew a lot more then most people do" Ms. Mizgala says, "she wanted to choose the funds where her money was going. She is willing to do the necessary homework. I just helped guide her toward the right mix."

THE PORTFOLIO

RSP
$150,000.
-10% cash
-30% bonds, all ETFs
-60% stocks: 30% Canadian equity, 20% international, 10% specialty (resources)
Non-RSP
$110,000
-40% fixed income
-60% equity: half in ETFs, half in individual stocks