

# Are you getting investing advice or financial planning advice? It might be time to consider separate advice-only planner

**Bundling investment advice, financial planning services hit or miss, says David Aston. Some institutions use financial planning to sell investments.**

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Financial planning typically generates a huge proportion of the potential value you get from financial advice, yet financial advisers and their firms often focus far more on investing and don't give financial planning the attention it deserves.

That disparity is a natural consequence of the predominate way that financial planning is provided in Canada, as an add-on service provided by investment-focused institutions and paid for out of investment fees.

But it doesn't have to work that way.

If you're finding that your financial planning needs are being neglected by your investment adviser, it may be time to consider hiring a separate advice-only financial planner to ensure planning gets the focus it deserves.

This should ensure that the advice you get is objective, focused on the financial issues most important to you, and provided by a well-qualified financial planner of your choosing.

## **Bundled or unbundled?**

Advice-only financial planning (also known as "fee-for-service") generally means that the planner and their firm are compensated entirely by fees agreed to and paid by the client for financial planning, which is about as straightforward and transparent as it gets in the financial world. (Confusingly, "fee-based" and "fee-only" planners are distinct and may also manage investments and charge fees based on investments.)

In contrast, most financial planning services in Canada are provided by investment-focused institutions, such as banks, investment brokerage firms and mutual fund dealers. Planning

services are bundled with investment advice and mostly paid through fees based on the size of your investment assets. Often these institutions make financial planning secondary or use it as a lead-in to selling investment products.

Nonetheless, it must be acknowledged that some advisers and firms do an outstanding job at combining investment advice with financial planning. In general, those advisers and firms put financial planning at the forefront of their practice, rather than giving it secondary status. The problem is it's hit or miss as to whether you get great planning when the two services are bundled together.

### **Costs and value**

The cost for an advice-only planner to prepare a detailed financial plan for an average middle class family is roughly \$3,000 to \$7,000, depending on the scope and complexity of the plan. For affluent clients with many assets and complex tax, estate, or business issues, the fee for a detailed plan is typically \$7,000 to \$10,000 and sometimes more. Many clients also pay for follow-up and monitoring at additional cost.

While that's a lot of money, it's important to realize that the cost of financial planning at mainstream investment firms is not "free," but a component of the overall bundled fee you pay.

In many cases, you can unbundle the two services and pay an equivalent amount or less on a combined basis by making use of lower-fee investment options. That's most likely to be the case for do-it-yourself investors or investors at robo-advisers. But it can also apply if you use an investment management firm which doesn't offer financial planning and has relatively low fees.

One such low-fee investment firm, Steadyhand Investment Funds Inc., makes a point of actively promoting advice-only planners. That includes providing a useful list of advice-only financial planners on its [steadyhand.com](http://steadyhand.com) website. "We stick to our lane, but we value what these planners do," says David Toyne, Steadyhand's chief development officer.

### **Peace of mind**

The value of financial planning includes hard benefits (such as savings in taxes or investment fees), but that tends to be outshone by "soft" benefits (having confidence in a well-crafted retirement plan, for example).

"When we get compliments from clients, it's really about 'peace of mind'," says Jason Heath, managing director at Objective Financial Partners Inc., an advice-only firm, known for relatively complex plans.

While there are only about 100 or so active advice-only-planners in Canada, they tend to have an outsized prominence through media comments and blog postings. (As many financial journalists do, I often quote advice-only planners in my articles.) These days much of the client interaction is online, so Ontario residents can work virtually with advice-only planners from across Canada.

Most advice-only planners have lots of experience and strong professional credentials, which usually includes the respected Certified Financial Planner (CFP) designation. They operate as sole practitioners or in small advice-only firms (which, in a few cases, include tax accountants). The largest planning firm is **Money Coaches Canada**, which has 12 financial planners and two paraplanners.

## **Cash-flow**

Financial plans may focus on many different issues. Retirement plans are a common mainstay. Compared to financial planners at mainstream institutions, advice-only planners have a reputation for delving more deeply into issues that don't involve selling financial products, such as cash-flow planning or managing debt.

"Any plan that doesn't have a good handle on their cash-flow and their debt is going to be incredibly flawed," says **Karin Mizgala, chief executive officer of Money Coaches Canada**.

Preparing a retirement plan needs to go beyond taking the client's assumptions about saving, retirement spending, retirement date, and then just doing projections. That's particularly important if achieving your financial objectives is in doubt.

"It's not just about running numbers, and, oops, sorry, you can't retire when you want, or you have to save more money," says Mizgala. At that point the process should be: "Let's get really creative here! What are you willing to trade-off? What are your priorities? How do you feel about making this adjustment? How about this scenario? It's a very dynamic and interactive service and experience."

## **30s and 40s**

Focusing on cash-flow is also helpful for many clients in their 30s and 40s. At this stage in life, there's usually "so many things going on," says Owen Winkelmolen, founder of PlanEasy Inc., which has many clients in this age group.

They are often buying a home and starting a family, while trying to build savings, and managing a mortgage and possibly other debt. With limited cash-flow to apply to so many financial needs, they can't do everything at once and must set careful priorities.

"We know this period is a little bit more challenging," says Winkelmolen. "We have a road map to get through that. We know that we can catch up on those other things in the future, and we know we're still going to be okay."

## **Finding a planner**

Finding the right advice-only planner for the right situation can sometimes be challenging. Fortunately, online resources can help. For the steadyhand.com advice-only planner list, look under the "tools" tab, then under the "advice" sub-tab. Another listing is at

[adviceonlyplanners.ca](http://adviceonlyplanners.ca). In addition, [listofplanners.com](http://listofplanners.com) and [valueofsimple.ca](http://valueofsimple.ca) list advice-only planners alongside fee-only planners who also manage investments.