

SPRING 2021

DON'T CANCEL YOUR LIFE INSURANCE

Consider these options and secure your future

DEFINED BENEFIT PENSION PLAN

A plan that provides lifetime retirement income

IT PAYS TO HAVE A COACH IN YOUR CORNER

The 3 elements of your financial game plan

SKYROCKETING SAVINGS AND NEW GOALS

An opportunity to fast-track your progress



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Be ready.

LOOKING TO SAVE MONEY?

Don't do it by cancelling life insurance

Today's financial pressures have many people looking for ways to reduce expenses and create an emergency fund. In pursuit of that goal, life insurance premiums seem like an easy tap to shut off now and turn back on later. But before you consider cancelling your life insurance policy, consider what's at stake for you, your family and your practice. Below, we offer some options that let you avoid cancelling your coverage while still securing your financial future.

WHAT'S AT STAKE

Cancelling your life insurance policy has obvious and not-so-obvious consequences. Here are three risks that should make this a financial last resort:

1 You give up financial protection

If you cancel your life insurance policy now, you will have to buy a new one in the future. Because most people put off buying life insurance, it may be years before you get around to replacing the coverage you have today. Between now and then, you and your family will be uninsured and therefore unprotected against the financial consequences of your death.

2 Changes in your health could mean higher premiums

Any significant changes in your health could have a big impact on your ability to qualify for life insurance. And if your health condition is serious, you could be denied coverage or the premiums could be very high.

3 Your family assets could be in jeopardy

Life insurance protects your net worth. Without it, your family may be forced to liquidate assets, such as a cottage or investment accounts, that would otherwise continue to grow over time. This is particularly important if you are investing in a whole life insurance policy as part of your investment and retirement plan.

WHAT TO DO INSTEAD OF CANCELLING LIFE INSURANCE

Most people have either term life insurance or a form of whole life insurance. In both cases, the policy was likely recommended because it matched your need for coverage with your budget and your long-term financial plan. Here are two of the many options you can consider as alternatives to cancelling life insurance.

1 Review the amount of your coverage

If your financial situation has changed since you took out your policy, you may be able to find savings by simply adjusting the amount of coverage you have. If you're close to retirement or recently paid off a large part of your personal debt, you may need less coverage and the savings could be put to better use somewhere else in your financial plan; such as an emergency fund.

2 Temporarily cut back on investments

Reducing your contributions to a Registered Retirement Savings Plan (RRSP) or Tax-Free Savings Account (TFSA), or both, may not have a significant impact on your long-term financial security compared to the risk of going without life insurance. Your Lawyers Financial Advisor can help you determine the most tax-effective way reallocate your contributions well ahead of year-end.

Cancelling a whole life policy? What if it paid for itself?

A whole life insurance policy is a great investment because it combines insurance coverage and investment growth for life. If you've been investing in the policy for a number of years, the cash portion of your policy may be large enough to temporarily pay the premiums for you.

This could provide the temporary payment relief you want without having to sacrifice long-term goals or give up the security you enjoy with lifetime insurance coverage. Find out if this option is right for you.

The need to reduce costs and be prepared for emergencies is a real concern for a lot of people. How you go about saving money without giving up the protection of life insurance is a decision your Lawyers Financial Advisor can help you make with confidence.



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IT PAYS TO HAVE A COACH IN YOUR CORNER



If you're a golf or tennis fan, you've probably watched through your fingers as your favourite player mysteriously melts on the biggest stage. Golf and tennis are two of the few professional sports in which athletes are denied direct access to their coach while the game's on. When things go bad, they tend to go bad quickly — and the player has to rely on their own talent and experience to get back on track.

"That's how investors must feel when they manage the emotional aspects of money on their own," says Michel Dugal, a Lawyers Financial Advisor who, for many years, was also a head coach in the top tier of Quebec football.

For Dugal, coaching successful lawyers on money matters isn't that different from coaching elite athletes. "In elite sports, no one is there just to be a passenger," says Dugal. "Every player wants to get better and looks to their coach to create a personalized plan that balances team goals with individual goals."

"In financial planning, the 'team' may be your family or your firm but it's in the individual goals that coaching really comes into play," he says. "As a financial advisor, my job is to help create a game plan and motivate my clients to stick with it." Dugal says it comes down to three things:



1. LEARNING THE FUNDAMENTALS

The fundamentals of financial planning are consistent. You need savings, investments and insurance. And then you need a basic plan so your earnings can fund your retirement, protect your assets and secure your legacy. A good coach helps you set your priorities early in your career and develop the discipline you need to stay committed. When you're starting out, that means:

- Setting realistic short-term goals that make it easy to get started and stay on track
- Laying the foundation for a well-balanced, long-term plan
- Getting the right kind of protection (insurance) at the right time

"It sounds easy, but you can't really move on to more complex financial strategies until you've mastered the fundamentals," says Michel Dugal.



2. CREATING A GAME PLAN

Once the basics are in place, a coach can help you work on more complex strategies that begin to add tax and estate planning to the mix. "A complex plan has higher stakes and more opportunities to be creative," says Dugal. A good game plan prepares you to make better decisions about:

- Planning for major purchases
- Protecting your family and practice
- Saving for your child's education
- Paying off your mortgage
- Building a nest egg for retirement

"The sooner you create a plan, the better. It's impossible to guess when you'll need to change direction, but when you have a plan in place, you can adjust along the way," says Michel Dugal.



3. MASTERING THE MENTAL GAME

Financial planners, as coaches, help clients overcome the mental hurdles that are sure to pop up along the way. That often means helping clients:

- Stay focused on long-term goals
- Manage emotions that often drive financial decisions
- Ignore the chorus of voices (in headlines and online) and stay focused on the fundamentals

"A big part of our responsibility as advisors is providing emotional support when a client faces a tough decision. Our aim is to coach our clients through it, stay focused and demonstrate how better planning leads to better outcomes," says Michel Dugal.

Like an elite athlete, you never outgrow the need for objective advice from a coach who can keep you committed to the game at hand, focused on the basics and on track to reach your long-term goals.

SKYROCKETING SAVINGS

have some Canadians setting new goals

According to Statistics Canada, a surprising side effect of the pandemic is the highest household savings rate in history. Canadians have stockpiled savings somewhere between \$150 billion and \$200 billion.¹ That has many of us rethinking our financial goals.

If you've been spared the financial fallout of COVID-19 and suddenly find yourself with higher-than-normal savings, remember: extra cash doesn't change the fundamentals of your financial plan. Instead, it gives you a rare opportunity to fast-track your progress on the goals that mean the most to you.

Here are some ideas that can help you make the most of your extra savings.

STARTING OUT

Your goal: Find your balance

For many young lawyers, the No. 1 financial priority is tackling student debt. But it's not the only priority. Time is your most valuable asset — and almost every financial goal you can name (including retirement) will benefit from starting as early as you possibly can. A good goal for 2021 is to talk to a financial advisor about the right balance between paying your debt and paying yourself.

Advisors can help you decide exactly how much of your income should go to debt repayment and savings, so you can make the most of every dollar.



CAREER GROWTH

Your goal: Review your priorities

Lawyers with established careers are likely to have a lot of financial obligations. This might include mortgages, lines of credit, and a variety of investment and savings accounts. If you have extra savings on hand, a good goal for 2021 is to decide which of your obligations would benefit the most from increased contributions or a one-time injection of cash.

The financial planning process might reveal that paying down a mortgage (or line of credit) isn't the most effective way to put your money to work right now. Talk to your advisor about the best way to use short-term savings to build long-term wealth.



MATURE PRACTICE

Your goal: Family first

Many lawyers who are either retired or approaching retirement may not have had the same COVID-related financial strains as their peers — but that doesn't mean it's business as usual.

Your goals for 2021 might include determining the best way to help your adult children, especially if their incomes have been reduced by the crisis. Financial help early — in the form of a living inheritance — can give young investors a tremendous advantage because it gives them time to take advantage of the power of compounding.



Your other goal: Have some fun

On top of all the financial goals you and your family are setting for the rest of 2021, it's good to remember that health and wealth aren't trade-offs. If you're lucky enough to have extra savings right now, invest some of it in your fitness, take on a new hobby or treat yourself to a local holiday. You might be surprised by the effects a hotel confirmation can have on your happiness — even if that booking is six months or more away.



And if you have questions about the best way to make use of your savings, your Lawyers Financial advisor can help.

Source: ¹ *Maclean's*. What to do with all the cash you've saved during the pandemic. Brenda Bouw, Feb. 1, 2021.

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