

In our QPW Perspectives articles, we often explore the current state and new developments within the capital markets, and their potential effects on your investment portfolio. While maintaining a deliberate and disciplined investment strategy (see: [4Ds of Portfolio Management](#)) is crucial for your financial prosperity, it represents just one aspect of your comprehensive wealth plan. This piece aims to offer valuable understanding of Quadrant's Wealth Management processes, which play a crucial role in the services we provide to all of our clients.

Think of your wealth plan as a financial puzzle, where the pieces constantly vary based on your specific circumstances and goals.



There are a multitude of financial planning resources available that provide knowledge and tools that support an understanding of many of the pieces of your financial puzzle. The real challenge, however, lies in integrating these pieces into a comprehensive wealth plan that not only addresses your current needs, but also considers the future, including the next generation of your family. That is the essence of Wealth Management.

Wealth management takes a holistic approach to planning, encompassing all the elements of your financial puzzle. It requires the expertise of a multidisciplinary team that specializes in different areas and works together to develop a cohesive strategy. Your household wealth may involve multiple individuals and a diverse range of assets and liabilities held in different “tax” entities within your economic household (e.g. taxable, corporate, registered accounts, TFSAs, registered pension plans, trusts, etc.)

Wealth Management is more than just the sum of its parts. It can be overwhelming to consider and connect all the different aspects simultaneously. At Quadrant, we address this complexity by breaking it down into manageable components while ensuring that each component aligns with your overall goals. Thorough analysis between the fine details and the bigger picture is where the best and most personalized options are developed.

In our last installment of this series of articles exploring the elements of an integrated wealth plan, we wrote about financial management and estate planning (see: [A Peek into the Puzzle Box](#)). Here, we will explore Quadrant's Financial Independence Review process and how it can be used to strengthen your wealth plan and identify areas for improvement.

### ***What is Financial Independence?***

In simple terms, financial independence is reaching the point where you have accumulated sufficient net wealth to meet your financial objectives for the balance of your life and, if applicable, fund your estate objectives. It is achieved when you attain the ability to retire and live life according to your own preferences, without relying on additional employment or business income to fund your version of retirement. Knowing that you have reached sustainable financial independence provides a sense of security, freedom, and peace of mind.

### ***Exploring a Financial Independence Review***

The primary purpose of a Financial Independence Review ("FIR") is to answer the crucial question, "Am I on track?". This question becomes increasingly important as one progresses through their life and experiences change their perspectives and goals. The FIR balances a client's current financial situation (income, debt, lifestyle spending) with their long-term goals, and projects them out to age 95, offering a comprehensive view of how their current plan may unfold in the future based on existing habits and strategies.

The FIR encompasses various aspects of financial management, including:

- **Goal Setting:** Defining and prioritizing financial goals such as retirement, significant purchases, business ventures, education funding, philanthropic and estate objectives. The FIR aids in identifying these goals and charting a path to achieve them.
- **Budgeting and Cash Flow Management:** The FIR emphasizes the development of a budget that aligns with one's goals and income. It facilitates informed decision-making regarding spending and saving, enabling effective progress towards the stated goals.
- **Savings and Retirement Planning:** Through the FIR, one can estimate the amount needed for retirement savings, identify appropriate retirement savings vehicles, and determine optimal contribution rates to meet their retirement objectives.
- **Risk Management (Insurance):** The FIR can be used as a stress test for your financial plan to help identify risks to your plan, such as loss of family income due to disability, critical illness, or death. By addressing potential risks within the plan, individuals safeguard themselves and their families from financial hardships arising from unforeseen events.
- **Estate Planning:** The FIR identifies potential gaps and opportunities in estate planning. It provides an estimate of expected taxes at death, highlighting the need for additional planning if the tax burden is significant.

- **Tax Planning:** The FIR incorporates strategies to enhance tax efficiency, including the identification of suitable deductions, credits, and tax-advantaged accounts.

### ***The Core Components of an FIR***

#### ***Lifestyle expenses***

An accurate determination of pre-retirement lifestyle spending is a critical driver/input in the creation of a comprehensive wealth plan. It serves as the foundation for establishing retirement savings goals, assessing income requirements, and evaluating the overall viability of retirement plans. Working towards a better understanding of current spending patterns empowers individuals to make well-informed decisions regarding their financial future.

An accurate assessment of pre-retirement lifestyle spending allows for realistic retirement savings goals. By taking a good look at current spending, individuals can gauge the extent to which their pre-retirement income must be replaced to sustain their desired lifestyle. This knowledge is crucial for effective budgeting and cash flow planning during retirement, ensuring that individuals can maintain their preferred standard of living without enduring financial strain.

Moreover, a proper estimate of pre-retirement spending equips individuals with the ability to adapt and plan for unforeseen circumstances. It provides a clear view of areas where expense reductions may be possible or additional funds should be allocated to cater to future needs. Furthermore, it enables individuals to prepare for unexpected events such as healthcare expenses or changes in living arrangements by contemplating potential adjustments to their retirement budget.

Ultimately, an accurate assessment of pre-retirement lifestyle spending safeguards the long-term financial sustainability of a retirement plan. If the spending estimate significantly deviates from actual expenses, it can result in either inadequate savings or unnecessarily restrictive retirement budgets. Hence, obtaining as precise an estimate as possible is crucial for aligning retirement plans with desired lifestyles and ensuring financial security throughout the retirement years.

#### ***The Personal Balance Sheet (Net Wealth Summary)***

Creating a personal Net Wealth Summary is an integral component of developing a comprehensive wealth plan. It is a snapshot of one's financial situation, including assets and liabilities, and serves as a benchmark for assessing one's current financial health. This figure not only offers insight into one's financial well-being, but also enables the evaluation of progress over time and facilitates informed decision-making to effectively grow wealth.

The Net Wealth Summary further aids in identifying financial strengths and weaknesses by highlighting areas of asset accumulation and potential burdensome or tax inefficient liabilities. With this knowledge, individuals can focus on areas that require attention, such as debt reduction, or increase their saving and investing.

By periodically updating the summary, individuals can track progress toward their objectives and make necessary adjustments to wealth-building strategies. Furthermore, the Net Wealth Summary contributes to long-term wealth planning and legacy building, facilitating efficient estate planning, and ensuring the smooth transition of wealth to future generations.

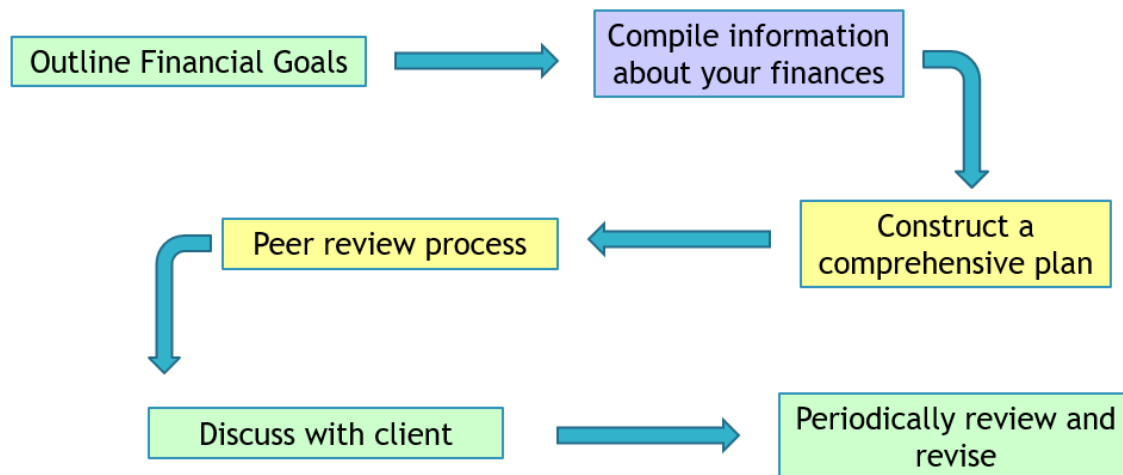
## The FIR Process

As with all elements of an effective wealth planning process, Quadrant's FIR process is collaborative and dynamic. It is vital that your FIR be subject to regular review, updating and benchmarking of progress. From a collaborative perspective, inputs and outputs of the process can be categorized in three ways:

1. Done *with* you,
2. Done *by* you, and;
3. Done *for* you

The following chart identifies the key steps in completing and maintaining an FIR within this framework;

- **Green** = done *with* you: Collaborative or shared effort. We will be actively involved in completing a task alongside our clients.
- **Purple** = done *by* you: The client is solely responsible for completing this task. Typically for tasks where Quadrant does not have access to certain information (e.g. values of investments held outside of Quadrant).
- **Yellow** = done *for* you: We will take care of these tasks for you.



## Don't Delay, Review Regularly

While wealth planning at any age is highly recommended, initiating the wealth-planning process early in one's journey to retirement can have numerous benefits:

- **Building a Strong Financial Foundation:** Starting early allows individuals to establish a solid financial base that can support their long-term goals.
- **Flexibility:** Early planning offers more flexibility to adjust strategies and adapt to changing circumstances as one progresses through different stages of their life.
- **Power of Compounding:** The advantage of compounding growth can significantly impact wealth accumulation over time. Initiating investments early can harness the power of compounding, leading to greater financial growth.
- **Peace of Mind:** Early engagement in financial planning provides a sense of security and peace of mind, knowing that steps are being taken to achieve future goals.

It is not necessary to have all the answers or predict the future with certainty. While we lack a crystal ball, working through fundamental components like Quadrant's "Personal Lifestyle Budget" and "Net Wealth Summary" provides an understanding of one's current financial position and sets them on the right path towards financial independence.

## *In Summary*

Financial independence means retiring and living life on your own terms, without relying on additional work to sustain your desired lifestyle. The Financial Independence Review (FIR) is a comprehensive tool that assesses your financial situation and long-term goals.

- It covers areas such as: goal setting, budgeting, savings, retirement planning, risk management, philanthropic planning, estate planning, and tax planning.
- Accurately estimating pre-retirement expenses is vital for setting realistic savings goals.
- Creating a personal Net Wealth Summary helps evaluate financial health, track progress, and make informed decisions for wealth building.
- Starting early with wealth planning offers benefits like a strong foundation, flexible strategies, compound interest, and peace of mind.
- By focusing on components like the Personal Lifestyle Budget and Net Wealth Summary, individuals can understand their financial position and work towards achieving financial independence.

Remember, wealth planning is a continuous process that requires regular review and adjustment. Take the first step and start on your path to financial independence today.

## **About Us**

Disciplined. Compassionate. Effective.

Quadrant Private Wealth is an independent, comprehensive, integrated wealth management firm committed to your financial well-being and peace of mind. We take the time to understand your complete financial picture. We tie all of your information together, including tax planning, to paint a picture of what your financial future could look like. And we aim to earn your complete confidence in the process.

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