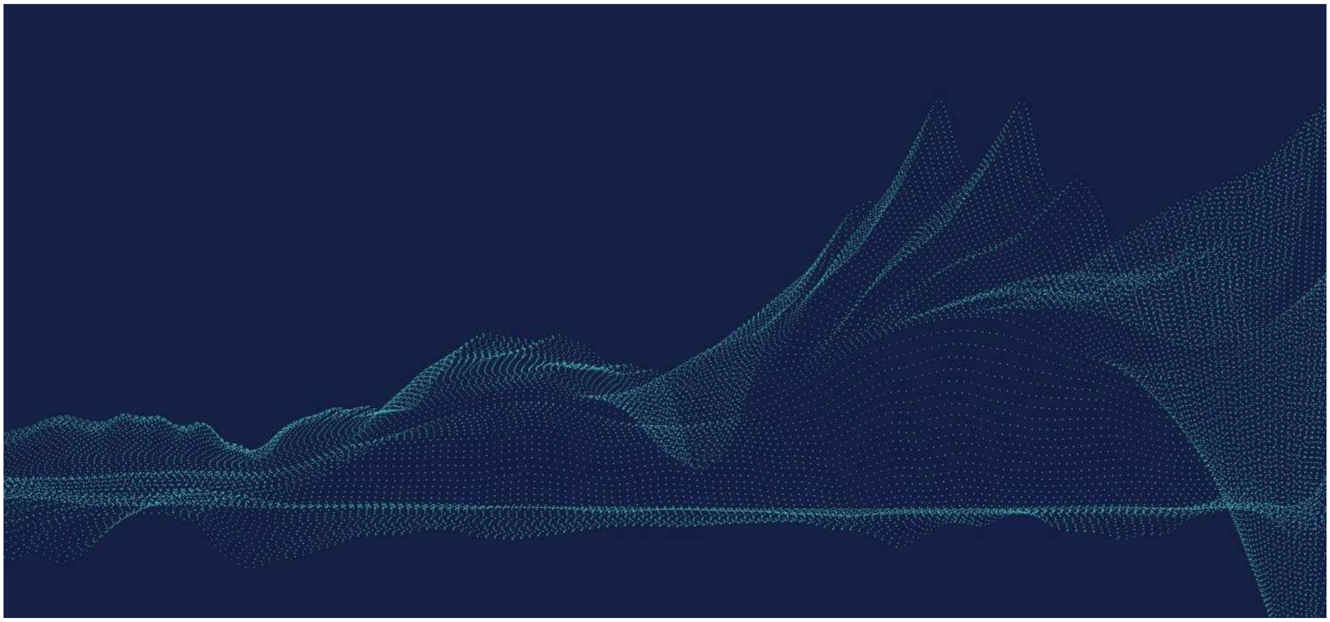

Financial Planning for High Income Professionals
5 Things You Must Determine to Achieve Financial Success Sooner

I work with many high-income professionals in their 30s and 40s; there are many commonalities with people who share a similar income trajectory. This white paper looks at those commonalities and provides guidance on key areas that, in my experience, must be addressed.

As a young professional earning over $100,000, you will have the privilege of observing a broad spectrum of financial outcomes among your peers. You'll see those who become very wealthy and others that just look wealthy. You'll see some peers spend lavishly while others hoard every penny. Fortunately, you get to choose your path, but only if you know what you want.

By Tré Bynoe CFP®, RIS, CIM®

Tré Bynoe is a financial advisor specializing in high income professionals. Originally from Oxford, England Tré holds his Certified Financial Planner and Chartered Investment Manager designations. Growing up in the foster care system, Tré has built what he has today through prudent decision making which he now shares with his clients.

What makes you different?

You have options—You've already proven that you can achieve what you put your mind to. Maybe an executive suite position is next, a partnership is on the table, or even going out on your own. All of these possibilities have unique implications, and it's important that you have the flexibility to jump on any of them.

Time is scarce—Between a demanding career, family responsibilities and taking time to decompress, finances can end up on the back burner. It's easy to believe, "I'm doing the right things," and leave it there; after all, you have more than enough income. I urge you not to take this approach—success didn't just happen in your career by "leaving it there" and finances are no different. Refining your financial life during these mid-career years is vital to long-term success. Optimizing your portfolio, minimizing taxes, and ensuring appropriate insurance coverage can make or break your goals.

Financial freedom is a possibility—"When can I work because I want to, not because I have to?" Many people dream of early retirement or at least taking a step back.[1] For you, though, it's a real possibility. Because you work in an extremely demanding environment, it's likely you will want to at least semi-retire before the traditional retirement age. If you live until 90, this could mean a retirement of 40 years or more! This, in itself, creates some challenges.

It's more about not screwing it up—With a basic understanding of personal finance, you can become wealthy. You have created the opportunity to become wealthy, now you need to capitalize on that.

> "Your brainpower, when used correctly, can understand complex planning issues, making you perfectly suited to manage your finances exceedingly well."

You're intelligent—It's likely you got to where you are because you're at least a little smarter than the average person (that's something to be happy about), but it also creates challenges for investing. The temptation to believe you can beat the markets is strong despite the overwhelming evidence that it's hard, if not impossible, to do consistently. It's easy to think that average is not good enough for you—you're not an average person. This mindset makes many professionals "bad investors." [2] People believe they can do it better, especially with a few short-term wins under their belt. Unfortunately, this overconfidence can cause harm to the longer-term performance of a portfolio. On the other hand, your brainpower, when used correctly, can understand complex planning issues, making you perfectly suited to manage your finances exceedingly well.

A high level of sophistication – Stock options, trusts, individual pension plans and potential generational wealth adds complexity to your financial situation. Understanding the options available to you allows you to do what's best for you, your family, and even the next generation.

The traditional advice, online calculators, and Dave Ramsay style cash flow management do not apply to you. Granted, it's better than nothing, but you can do more, way more.

Five Things You Need to Determine

1. What's My Number?

There are two numbers you need to know. How much does it cost you each year to live a fulfilling life, and how much do you need to meet all of your goals?

Everyone wants to lead a happy, fulfilling life. Money is a big part of that, and ignoring that fact does not do anyone any favours. Knowing how much you need each year to do this can protect you from yourself. It allows you to check yourself when you're spending too much and gives you the freedom to spend on the things that matter without regret. Reflecting on this helps control FOMO from colleagues and drastically reduces the stress of financial decision making.[3]

Jumping into a car without any idea of where you're going is a recipe for disaster. You'll go somewhere, but who knows if you'll be happy with where you wind up. It's essential to determine where you're going before you set out on the journey. The earlier you decide, the better. Once you have the destination in mind, the game changes.

It's no longer a question of where you are going, it's how you get there as efficiently as possible.

"Everyone wants to lead a happy, fulfilling life. Money is a big part of that, and ignoring that fact does not do anyone any favours."

2. How Comfortable Am I With Risk?

Risk means different things to different people; understanding your relationship with risk is essential. You need to understand the various forms of risk as they are not all made equal. We all take risks to different degrees, and we do things to mitigate some of that risk. When you get in a car, you take on the risk of being severely injured in a car accident, and you reduce that risk by wearing a seat belt. Finances are the same. Some risks you can remove, some you can reduce, and some you have to accept. An excellent place to start is learning the difference between systematic or market risk vs idiosyncratic risk and how that affects investment decisions.

> **Fundamentally there are two types of investors in the public markets: passive and active.**

3. What Type of Investor Am I?

Fundamentally there are two types of investors in the public markets: passive and active. Passive investors believe in the efficiency of the markets. This means the current market price of any asset includes all publicly known information. The active investor believes it's possible to select assets that the market has not priced correctly, creating something referred to as Alpha (return in excess of the markets).

While I can debate this topic back and forth for hours, the data points to market efficiency, with the vast amount of active managers failing to beat the index. So really, is it worth the risk to pick an active manager? If they beat the market, it will likely be by no more than a few percent in a given year. However, if they underperform (which is statistically more likely), they can underperform by a much higher margin. Many people don't like the idea of average returns despite people who have accepted average statistically doing better than those trying to achieve above-average returns.

4. How Will I Ensure I Am Tax Efficient?

There are two things certain in life: death and taxes. But, you can manage them both to some degree. To manage death, you treat your body well, eat healthily, and exercise. To manage taxes, you plan and invest in a tax-efficient way. Taking advantage of TFSAs (Tax-Free Savings Accounts), IPPs (Individual Pension Plans), other registered plans, tax-loss harvesting, and investing in lower turnover investments to push taxable gains down the road—are all small things that add up when reducing your tax burden.

As you progress in your career, your tax situation will become more complex; I recommend seeking help from a CPA.

5. Should I Work With an Advisor?

For most people, there is a long list of things to consider when deciding if you should work with someone. You, however, are more than capable of doing it successfully yourself if you put the time into it. So it comes down to one thing: Do you *want* to do it yourself?

Do you enjoy personal finance and managing your investments? Is it a hobby for you? In the words of Marie Kondo, "does it spark joy?" If you answered yes, you should do it yourself and consider using an hourly advisor to make sure you remain on the right track. It will likely be a very frustrating experience for yourself and an advisor if you hire them to manage your finances.

If, on the other hand, it's a chore or there are other areas you'd rather focus on, then consider outsourcing it. Picking the right person to manage this responsibility can help you do more of the things you love without the stress that comes with managing finances.

But picking the right person is vital! It goes beyond making sure the advisor is qualified. Ensure they understand people in your situation, you share the same investment philosophy, you get along with this person and can see yourself working with them for many years. Putting the work in upfront to find the right person can reap many rewards in the future.

> **Putting the work in upfront to find the right 'advisor' can reap many rewards in the future.**

[1] This is a generalization; in my experience, the goal is not typically a 50 million dollar home or a private jet. It's more about paying for children's education, or a cabin on the lake and not having to worry about making ends meet.

[2] This is purely anecdotal. This doesn't mean they aren't successful in their careers. Typically the complete opposite, because of this sweeping success, many have a hard time settling for average.

[3] One of the biggest reasons I see people fail with finances is this need to fit in. This need to keep up with our peers or believing that "since they have it, I deserve it," holds us back. A massive part of success is not worrying about what someone else is doing. Instead, focus on yourself and doing what will make you happy.

About the Author

Tré is a financial planner with TCU Wealth Management and Qtrade Advisor. He focuses on helping high-income individuals to become wealthy, and achieve financial freedom. He does this through substantial cashflow management and sustainable investing to make achieving financial goals inevitable. He believes in a few core principles for financial success.

1. Be intentional with your decisions. “Many people float through their finances; they don’t pay attention either because of how it makes them feel or due to lack of knowledge. You must understand the impact of your decisions; then you can decide if they’re worth it.”
2. Manage your cash flow. “Cash flow management is foundational with personal finance. If you don’t learn to manage your cash flow effectively, you’ll succumb to lifestyle inflation, the ultimate wealth killer. Lifestyle inflation is when you passively increase your expenses. This is why many people don’t feel any wealthier going from a 100k income to 200k over ten years.”
3. Understand risk. “Nobody becomes wealthy by saving. You grow wealth by investing; whether it’s investing in yourself, business, real estate, or the markets—there is always risk involved. Instead of running from that risk, you must learn how to manage it effectively.”

TRE BYNOE

Financial Planning

Cashflow management guidance for automating success and removing stress

Net worth projections to guide decision making

Advice in all areas that could affect your ability to meet your financial goals.

Insurance needs, education savings, retirement, charitable giving, tax efficiency, housing decisions, estate planning, and more.

Humility. I do not know the answer to every question or situation off the top of my head. I will find the answer. I think the moment you believe you have nothing left to learn is the start of the end.

Portfolio Management

A low-cost, sustainable, diversified, and tax-efficient philosophy.

A portfolio implemented with a predominantly passive approach.

A tax-efficient and holistic approach across all types of accounts: RSPs, TFSAs, cash, etc.

Portfolios are constructed to work alongside all investment assets, including pensions and private equity.

Integration of Environmental, Social and Governance analysis (ESG) into investments selection process.