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Back to Basics

What problems does the financial industry solve for Canadian consumers? Where is the value added for interacting with the financial industry and why use an Advisor versus doing it yourself online?

To address these questions, here is a refresher on why the financial industry exists in the first place.

Simply speaking, there are two basic functions for the financial industry:

1. The first is **providing transaction processing and credit access**, which includes bank deposits for pay cheques, bill payment, and credit facilities such as lines of credit, mortgages, car loans and so on. Basic banking services allow for the safe storage of money that is not needed immediately, which is set aside for the purchasing of goods and services to provide for immediate lifestyle needs such as food, shelter, transportation, clothing and more.

2. Secondly, the financial industry exists to provide the life blood for the economy in the way of **credit and surplus savings or capital**. This capital, both for private and public companies, is transferred from individuals who do not need the money for immediate lifestyle uses and who are looking for growth on their money by earning interest (GICs [1] and fixed income vehicles in general) or who are taking an ownership

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interest in either public or private companies. The purpose for investing in companies is to participate in the future growth of the company and its potential profits.

The growth needs of consumers and of companies come together to answer the three basic generalized needs of all Canadians:

1. **What happens if I live too long?**

   – Retirement and asset building strategies.

2. **What happens if I die too soon?**

   – Income replacement and Estate Planning [2].

3. **What happens if I get sick?**

   – Life, disability, critical illness and long term care programs to provide for immediate lifestyle needs.

Increasingly, a fourth need started to arise about 20 years ago with the rising incidence of divorce. Addressing the financial and lifestyle impacts of divorce is now a focal point of the industry.

The role of industry participants, whether they are financial planners, financial advisors, life insurance agents, car and house insurance, mortgage brokers, car leasing/sales or real estate agents, amongst others, is to assist Canadians in the purchase and consumption of financial products that both protect their current lifestyle and assist them to build assets and wealth as efficiently as possible over time.

However, this is not common knowledge from a strategic level just by reading the business press or self-help books. Too much time and attention is spent by industry participants on the complexities of the various products and services offered rather than on the more important contextual issues of how people are personally doing in achieving their lifestyle hopes and dreams, both now and in the future.

Call us today to help you separate out the urgent financial issues (emergency savings, cash flow etc.) from the important ones (career earnings, investment returns [3], risk mitigation and tax strategies [4]) for your situation.

Contact our office! **[5]**

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