AFP2 Case 10 Constructed Response: Bryan's Multiple Challenges

Sanjay, a financial planner is meeting with his client Bryan who has come in to discuss his financial plan. Bryan works with a separate investment advisor who manages his retirement accounts – both a LIRA and a large RRSP. His advisor has told him that a 10% annual rate of return is achievable. Bryan has a low risk tolerance for these accounts given they are for his retirement savings and has asked Sanjay for a second opinion.

For Bryan's other investment accounts (primarily his non-registered investment portfolio), he has been actively managing the investments himself. Since the last market selloff, he said that for this portion of his assets he wanted to manage them because he thought he can do better than other advisors. He indicated to Sanjay that so far, the investments have been doing great earning 15% on average. However in the past 6 months, he has lost 30% and is shocked to learn that the market value of his account is now barely above book value. Two of his largest holdings are a high growth equity mutual fund, which represents 15% of his total assets and lost 50% of its value over the past 6 months, and a precious metals fund that he purchased after reading several news reports on gold that outlined why gold was ready to take off. He has always owned a large amount of his employers' stock and wants to maintain his overweight, as he believes the stock is undervalued, the future looks bright, and they have a great CEO.

At the meeting, Bryan provided his bank account statements and other investment data for Sanjay to review. One item Sanjay noted was that the deposits to his accounts had increased from $2,500/week to $8,000/week, and multiple transactions between Bryan's personal and business accounts. At the meeting, when Sanjay notified Bryan that he is paying high fees for all the transfers between accounts, he showed little interest or concern.

Finally, Bryan advised that he is filling for divorce from his wife, Mary (who is also a client of Sanjay) and wanted to begin discussing his finances separate from Mary. Specifically, Bryan was interested in determining what financial moves would be necessary now that he was making this big change in his life.

Another reason for visiting Sanjay was to help plan for Bryan's 25-year-old son Jason, who has a disability and qualifies for the Disability Tax Credit (DTC). After expenses, Jason's DTC, provincial disability supplement and earnings from employment are expected to provide $500 in excess cash flow each month. Bryan has pushed him to start saving for retirement, which is planned to start at age 65. His disability is not expected to alter his life expectancy which is age 90. He is already self-sufficient and expects his lifestyle in retirement to be similar to his lifestyle today. Jason will need $35,000/year before taxes in today's dollars in addition to his CPP and OAS pension. He prefers a balanced portfolio between equities and bonds (50-50 portfolio) and will incur a 1% fee on his investments.