



How to Adjust Your Financial Planning with Your Life Stages

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As your life stage, circumstances, and goals change your financial planning focus should evolve concurrently. The financial needs of individuals entering the workforce will differ from newly-weds, families with young children, or empty-nesters close to retirement. In this article, [Vincent Heys](#) explains how three important components of your financial plan are likely to evolve over time.

Financial risk is a constantly evolving element of our lives. From young professionals leaving the safe haven of their parents' homes or starting families, to more senior professionals eyeing retirement and legacy building—there are measures you should take to ensure that your current and future financial needs are met.

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A salary only goes so far, and in the event of an unforeseen circumstance, astute financial planning helps ensure that you aren't caught unprepared. It saves you from your partners and your children carrying unnecessary stress and enables you to realize your goals.

While there are countless variations in terms of lifestyle choices and financial goals, some of the typical life stages can be plotted on a lifestyle graph, illustrated below. There are some valuable check-in points where reviewing what



you have in place in terms of financial planning would be beneficial.

To understand why these check-in points are vital, let's look at three key areas of financial planning, including:

1. whole life insurance
2. term Insurance
3. investments

If we look at some of the different life stages represented on the lifestyle graph below, we can gain a deeper understanding of how these three components of our financial plans could change over time.



In the lifestyle graph, the dotted line represents the income needed to fund expenses you may have as a family. When you start the requirement is low, but as you progress through life, your funding needs escalate. Buying a home, having children, providing for education, approaching retirement, requiring medical care, or the desire to leave a legacy all affect the amount of income you will need to fund your plans. In order to make informed and meaningful adjustments to your financial plan, it's important to understand how different types of financial tools interact with the lifestyle graph.

Throughout the different phases represented, the key question to ask at checkpoints is, "how do I fund my or my family's future financial needs in the case of an unexpected event?" Earlier in life, if there is a death or major disability, you may not have the income or assets readily available, to meet future financial needs.

As you progress through the lifestyle graph, your liabilities and income needs will change. Tempting as it may be, it's vital not to adopt a 'set it and forget it' approach. An important consideration is reviewing if your insurance contracts and investment accounts are still adequate in the event of an untimely passing, disability, or critical illness. Asking tough questions such as:

- will there be enough provision for you and your family?
- will your family be able to sustain their current lifestyle?
- will your current liabilities be taken care of, or will there be a heavy burden on your family?

By keeping your family needs in mind and mapping out your existing income and assets, you will be able to identify and plan to close the shortfall.

Understanding how the need for term insurance changes throughout the lifestyle graph

The evolving nature of term insurance is illustrated by the blue-grey shaded area in the graph which slowly decreases. As your financial liabilities decrease, and you build up a base of assets and investments, your need for



term insurance to cover those liabilities will decrease. The primary function of term insurance is to cover your liabilities in the period before retirement. Ideally from that point forward, your retirement planning covers the years ahead.

Understanding how investments evolve over your lifestyle graph

While term insurance could be viewed as financial provision for yourself and your liabilities, the dark blue portion of the graph, investments will help with your retirement and possibly a legacy for future generations. It's important to find the right balance between insurance that meets your needs, funding for developing your asset base and savings for retirement. As the graph illustrates, your asset base grows over time, through investments made at different life stages. Ultimately this contributes to the legacy building for you and your family.

Understanding how the need for whole life insurance changes throughout the lifestyle graph

The need for whole life insurance may not be compelling in earlier years but later in life it becomes a true asset in your financial plan. When you and your spouse pass away there are three potential recipients of your estate; your children (or grandchildren), the CRA, or charities of your choice. With the correct plan you can maximize the benefit to your children and charities of choice. One of the best tax efficient tools available in Canada to implement this plan is by way of a well-structured whole life insurance contract.

Reviewing your financial needs through milestone based check-ins

Check-ins present an opportunity to be intentional, make sure that your plan speaks to your current life stage, and understand how your life may unfold over the next few years.

Here are some of the key check-in points represented in the lifestyle graph, and things to consider at each stage:

Entering the workforce

- ensure you have insurance contracts in place to cover any expenses in the case of death, disability, or critical illness
- review your company's [group benefits plan](#) and consider any additional cover you may need



- start thinking about retirement contributions
- consider what you need to have in place to build toward a home deposit goal

After purchasing a home or securing a mortgage

- ensure that your life insurance payout would cover the value of the mortgage in the case of death
- consider the income needs of your partner until retirement
- ensure your asset allocation is not too conservative

Before or when having children

- ensure that your life insurance covers any existing liabilities
- be intentional about educating yourself on [family financial wellness](#)
- consider the income needed to fund [family financial goals](#) including lifestyle, retirement, and education

After your children have completed their education and left home

- review your retirement needs (likely when you have 15 to 20 years to go)
- reconsider your asset allocation and tax efficient planning
- review your risk of critical illness later in life, and ensure adequate cover

Shortly before retirement

- ensure that you have adequate critical illness insurance coverage in place
- make sure your legacy plan is implemented



Utilizing a dashboard to track progress toward financial goals

We always encourage our clients to keep a focus on their goals when adjusting their financial plans. As they navigate life stages, one of the ways to track progress effectively is using a dashboard. This enables them to highlight their priorities and determine areas that may need work. We find that this approach empowers clients to take corrective action when needed, celebrate progress and feel a sense of achievement and purpose.

Interested in more advice?

Six Steps to Achieving Financial Wellness as a Family. [Learn more.](#)

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