

# Merrick Financial Inc.

Unbiased, professional and straight forward financial advice!

## Business Owner - Case Study



### The Situation

Sarah, who is 55, owns an IT business and is considering selling it. Her partner is Karl. She wants a high level view of her current setup (an integrated one of both her personal and business life) and what her situation might look like, financially, after the sale. She also wants 3 scenarios analyzed with financial projections based on her future goals and spending plans. More travel, different house, renovations, money to the kids, etc.

### Business and Personal Assets

Corporate shares	\$250,000
Investments (personal)	\$1,200,000
Investments (business)	\$200,000
Cash (business)	\$200,000
Mortgage	(\$450,000)

### Goals

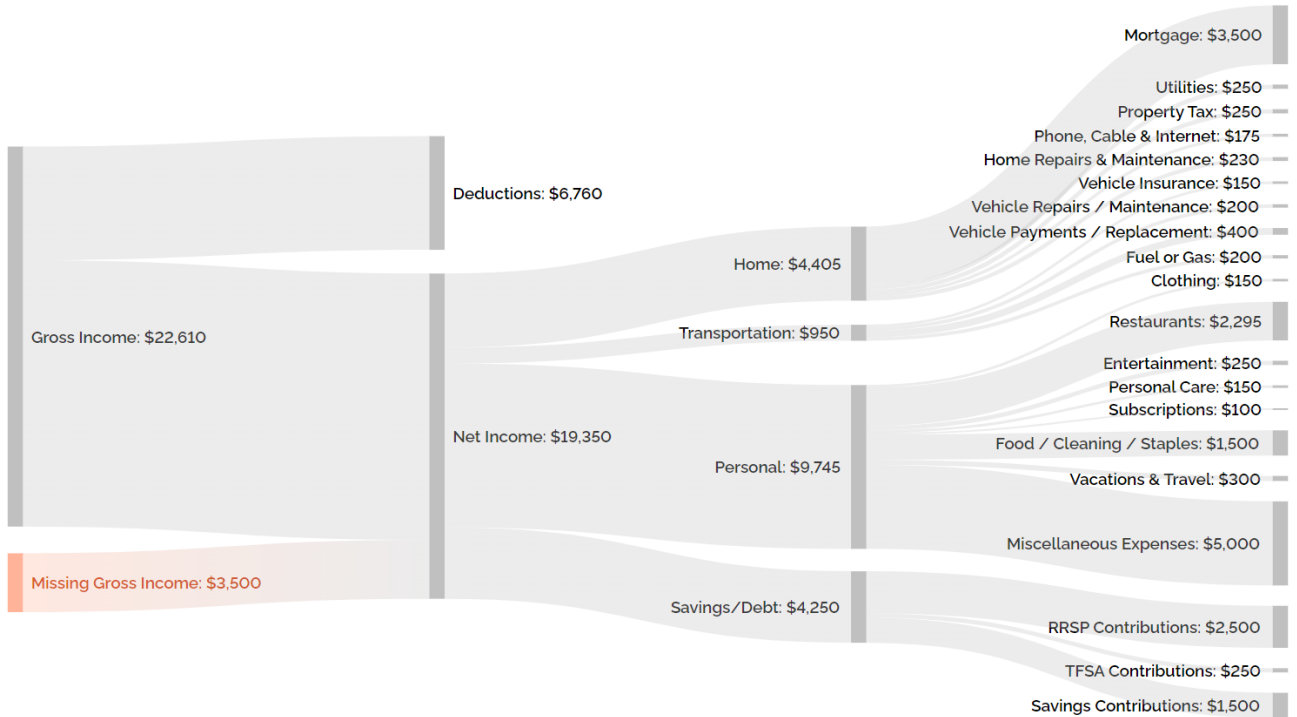
1. High level assessment of my current setup - do I have the right investments? Is the way that I do my investing the best way or does it cost too much?
2. When can I retire and how much can I spend per year?
3. Where to allocate my large chunk of cash in the overall plan?
4. Questions to be answered - how is investing in my corporation different than personally
5. Detailed income / tax minimization strategy
6. Asset allocation and risk management strategy
7. Estate planning - try to simplify things over time so my kids won't have to deal with much complexity.

What follows is a very quick snapshot of the financial planning process as it excludes many parts of the process. Every client's situation is different and this is for illustrative purposes only:

## The Plan

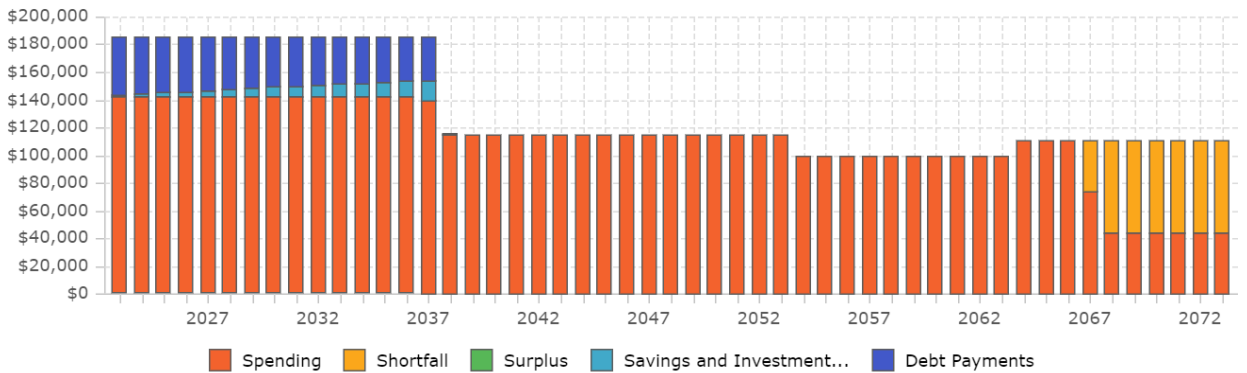
A big priority is seeing where their money is being spent and the cash flow chart achieves this. We can see what their current savings rate and future asset drawdown percentage are going to be.

### Cash Flow



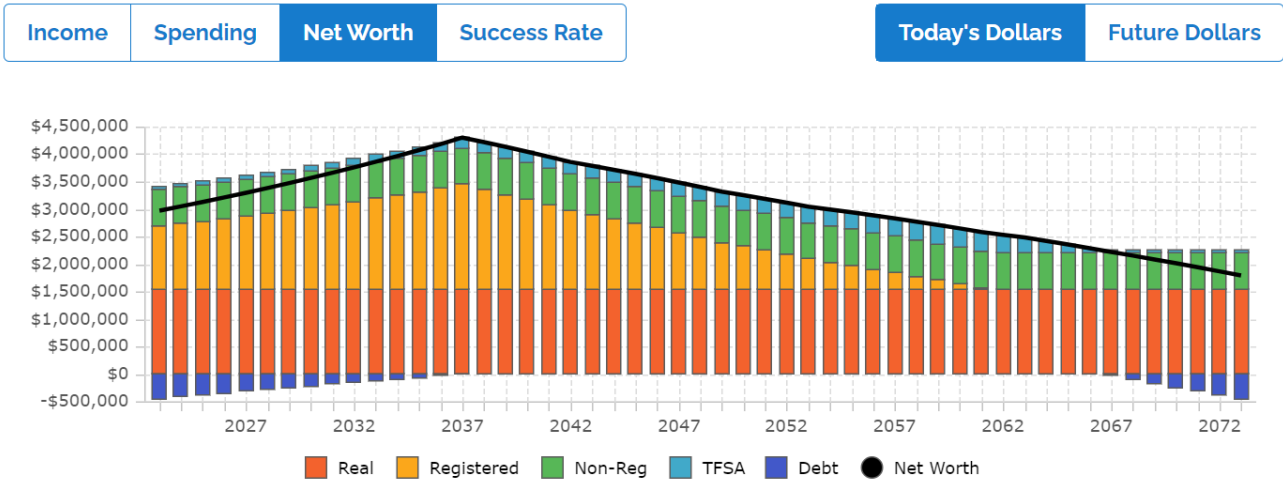
### Spending

We can also see where they are spending money over time and account for renovations, gifts to the kids, increased travel, etc.



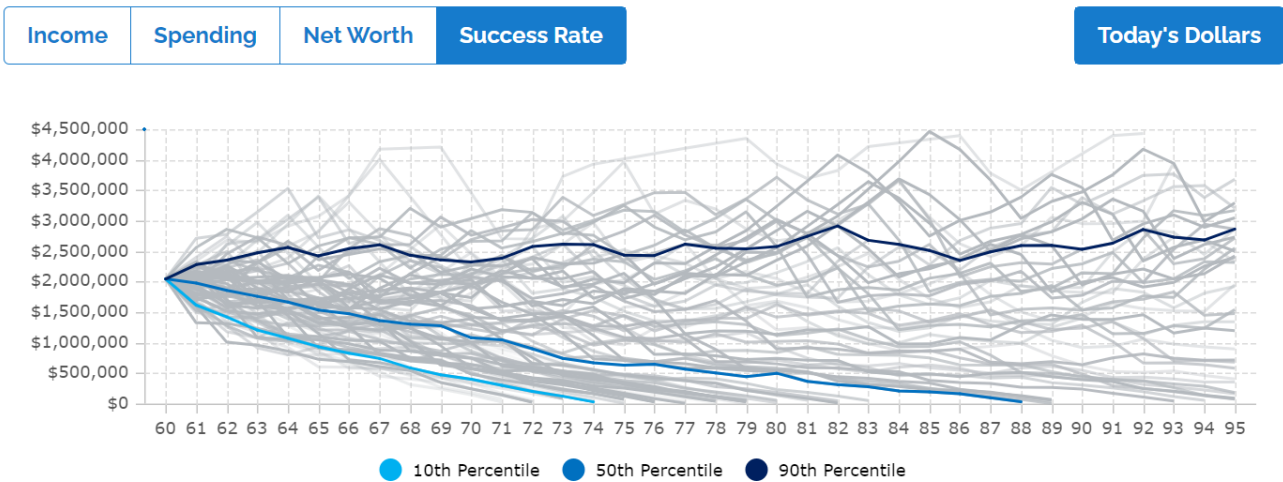
### Net Worth

As is fairly typical their net worth increases until retirement and then is slowly drawn down over time. In this scenario we can see that they are spending slightly above what we would recommend. This scenario assumes a straight line investing return approach and although there is a good margin of safety the success rate in the following chart isn't high enough for our liking. Based on this we produced two more financial projection scenarios that clearly show what lifestyle (spending) would be required to increase their margin of safety to increase their success rate. We also make suggestions on when they should start their CPP / OAS and how best to deal with the asset drawdowns of the corporation and RRSP.



**Success Rate**

Here, a large number of financial projections are done with our computers and a detailed success percentage is created. We generally like to see it between 60 - 80% which implies a higher margin of safety. This often requires multiple scenarios and adjustments accordingly.



**Recommendations**

1. A strong indication of what they can sustainably spend per year. This result is stress tested and an opinion given on the margin of safety.
2. Client is given general investment advice. Also told how to allocate their cash to maximize its effectiveness in the overall big picture.
3. A review of how investing in the corporation is different from personally is given
4. Only as much risk is taken on in the overall big picture as necessary to reach their goals.

5. After reviewing her investments she can see that her current investment advisor is charging too much on fees. We review the options in the market and she switches to a lower cost one which increases the possible future success rate immediately.

After a series of video calls a detailed set of financial projections is given to the client along with an action based written report to be implemented.

## Result

A detailed, professional financial plan. Peace of mind. Sarah then wants assistance to implement the plan and be held accountable. She retains us for implementation assistance, to keep a trusted financial resource in her corner and for 6-month check-in meetings to keep the plan up to date and review the next steps.

Let us know what you want to improve from your current financial situation.

[Click Here to Book a Free Initial Consultation](#)

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