Wealth Reflections

Insights on building, preserving and passing wealth
Gwen K. Harvey, B. COMM., CFP, CLU, CH.F.C., TEP

Building Governance for a Personal Investment Plan

By Gwen K. Harvey, B. Comm., CFP, CLU, TEP

It has been said that "hope is not a strategy". Yet optimism seems to act as one as investment plans are initiated without introducing thoughtful governance systems. When something goes "off the rails", the question arises. *Were there signs ahead of time that we missed? Could better governance have identified issues earlier and provided the opportunity for productive action?*

The following is a system that we have seen works particularly well in ensuring that there is a disciplined, informative and pro-active process in place. This leads to an **on-going level of clarity, timely decision making and more productive end results.**

<u>First</u> – Set very clear objectives for the portfolio, each asset class and each manager. Simply put, what absolute or relative returns, specific volatility, service and reporting are expected? Share expectations with managers so that everyone is on the same page.

<u>Second</u> – Develop your own personalized dashboard, where the information assembled helps to validate that objectives are being met. Continue to "tweak" this document so that it becomes a dynamic and on-going value proposition to you. Colour and images are helpful for many.

<u>Third</u> – Develop a useful set of tools as a back drop to your dashboard. This will include other data collected from your managers each month or quarter. This is best inserted into charts or tables that are meaningful to you. Generally it is helpful to form a table tracking volumes ($ amount) over the years by manager and entity (personal, registered, holdco or other) and a table showing **after fee returns** for: year to date, 3 and 6 months, 1, 3, 5 years (etc. depending on length of time in that investment) and since inception. This is updated each quarter. **Multiple points that measure return are more useful than just the current return.** They help to tell the story of what is happening. Note: colour coding different manager's volumes/returns in green (equity), yellow (fixed income) and blue (balanced) will also increase the intuitive interpretation of these reports.

<u>Fourth</u> – Have a specific Review and Evaluation time of the year. While you may have used analytics (specific measurements) and great due diligence to interview and choose a manager, have a system once a year where these tools are updated and analyzed. Gather questions and meet with all managers on the same day in a consecutive pattern and hear about their view of the investment climate, economy and your investments. Ask for any changes in their firm with respect to managers, staff, philosophy, process or other. While it is highly informative, it also allows you to go beyond hope as a strategy and ask the poignant question: "If I was hiring today, would I choose these asset classes, these strategies and hire all of these managers again?"

If you have any questions about this, please give us a call.

One St. Clair Avenue East, Suite 1002
Toronto, ON M4T 2V7
Tel. (416) 644-0233 | Fax. (416) 644-0236
www.bridgewater.on.ca