CONSOLIDATION

You can have too much of a good thing

A hodgepodge of retirement accounts often leads to a disorganized long-term strategy, MARY GOODERHAM writes

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Since consolidating all of his RRSP holdings into one plan under one investment adviser, 'we've turned things dramatically around,' Ryerson professor Arne Kislenko says.

When it comes to saving for retirement, everyone knows the impulse of the deadline purchase, the lure of the investment bargain and the appeal of having plans from multiple employers. But for many, that sort of buying only adds up to a collection of RRSP accounts spread across different programs, institutions and advisers, with nary a long-term goal or investment philosophy in sight.

For Arne Kislenko, 41, a history professor at Ryerson University in Toronto, years of investing in RRSPs amounted to a slew of "bare-minimum" GICs that had little in the way of discipline and were a nightmare to keep track of. When he met a financial adviser a decade ago and began pulling together his holdings and applying some strategy to his investing, all of that changed.

Through continued consolidation, Dr. Kislenko has come to know what his retirement savings are and how they fit into his overall financial matters.

"I can see what I am doing much better than I reasonably could have expected in a million years," he says. "We've turned things dramatically around."

By consolidating accounts, experts say, investors can reduce the amount of mail and meetings they're inundated with, gain peace of mind, save on fees in self-directed plans, ensure investments are better diversified, improve bargaining power, and get a better perspective of their long-term investment and retirement planning.

"For most people, it's the first time they have ever seen, on one statement, what they are worth — always an eye-opening experience," says Scott Plaskett, a certified financial planner and CEO of Ironshield Financial Planning Inc. in Toronto.

Mr. Plaskett says people often end up with distinct accounts because of "reactive planning," for example, making last-minute investments just before the RRSP deadline. "That's why banks are open late . . . you run in and make your deposit."

Planners, in particular, need to get an overall view of clients' affairs before making recommendations. Problems arise when looking at only a small piece of the puzzle.

"If your plans are not consolidated, you lack the clarity necessary to make proper asset-allocation decisions," Mr. Plaskett says. "It's like going to the doctor and not telling him everything that's ailing you."

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> SCOTT PLASKETT, CERTIFIED FINANCIAL PLANNER

Investors often think that having a number of plans and advisers means their portfolios are diversified. But the opposite may be true, says Dave Cooper, a certified financial planner at Tower Wealth Management in Edmonton. Competing advisers, each looking for significant returns for an investor, will likely be heavily into volatile equities, "which will not help in a situation of a declining market or a correction," he says. "It puts the overall portfolio in jeopardy."

James Kraemer, a certified financial planner and chartered accountant at TFI Financial Services in Winnipeg, says consolidation can help investors integrate their retirement planning with other financial aspects such as disability and life insurance. It can also assist executors and lawyers taking over your estate if you die or need care. "People are living longer, and others are called on to manage their affairs," Mr. Kraemer says. "It's a lot easier if it's clean."

Consolidation allows for economies of scale and a critical mass so that investors qualify for beneficial programs from financial institutions. For example, Mr. Kraemer's company provides free advice on estate planning for larger investors. "You can buy more services by consolidating, without it costing more."

Consolidation also ensures that investors are in programs appropriate for their asset level and allows them to qualify for plans that require minimum investment levels, Mr. Plaskett says. "If you have $5,000 here and $10,000 there, no one's going to give you much attention."

For example, the Connor, Clark & Lunn Managed Portfolios program offers active management, asset allocation, monitoring, rebalancing and low management fees, but is open only to those with $100,000 or more.

"You have access to something you didn't have access to before, and there are benefits to that access," says Craig Swistun, vice-president of marketing and development at Connor, Clark and Lunn in Toronto, who recently went through the process of consolidating his own RRSP holdings.

"If your planner doesn't know you have enough to qualify for programs, they'll never recommend them."

The process of consolidating RRSPs usually involves showing a financial adviser or institution your various holdings and filling out a Revenue Canada form that allows transfers between accounts without being taxed. Termination and transfer fees ranging from $25 to $100 per account can add up. But they can be mitigated in some cases, for example by moving funds from maturing GICs into a daily-interest account and then transferring the larger amount. Dr. Kislenko found it "relatively painless," to combine his accounts and appreciates the fact that by considering his overall portfolio, he can do things like designating part of it to "green" investments.

Other benefits include "the paperwork that I don't have to do," he says. "It's opened avenues for me."

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