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Santa needs a plan

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Consistently ranking at the top of *Forbes* magazine's list of the richest fictional characters, Santa Claus has a fortune estimated to be infinite — although he was recently removed from the list, since his "fictional" status is disputed.

With a transnational exporting business with hundreds if not thousands of employees and a pretty much incalculable asset base, the jolly old elf could be considered the ultimate high-net-worth client. As a philanthropist, he's second to none. While he may have the sleigh on autopilot, what Santa really needs is a financial plan.

Advisor.ca interviewed three Canadian financial planners, each with a CFP designation — not to mention a sense of humour — to get their opinions on ways Santa can improve his financial well-being.

Scott Plaskett, president of Toronto-based IRONSHIELD Financial Planning, says Santa's first priority should be providing risk protection for himself; his wife, Mrs. Claus; and his employees, the elves.

"There's a lot of risk planning. What if Santa couldn't fulfill his duties for that night? What if he fell off someone's roof? You have to have plans in place to make sure the show would go on," Plaskett says.

Apparently immortal, Santa might not require life coverage, but Plaskett recommends Santa consider taking out disability insurance on himself, as well as insurance protection on his wife and elves, all of which are instrumental to the continuation of his business.

Robert Abboud, president of Ottawa-based Wealth Strategies, says that in addition to disability, Santa should consider taking out key person insurance on all of the reindeer as well as any other employees integral to the business. He says Santa's an "excellent" candidate for long-term-care insurance.

"It's quite a distance for somebody to come to the North Pole to provide in-home care," Abboud says. "He'll also want to consider hazard insurance, especially in case there is a stormy night even Rudolph can't make it through."

Of course, insurance costs money, and by all accounts, Santa has none. Fortunately his non-cash assets are considerable, says Ted Rechtshaffen, president and CEO of TriDelta Financial Partners. Rechtshaffen says Santa should be able to leverage some of his assets to create an investment portfolio.

One way he could do this is to incorporate his business, Rechtshaffen says. That way Santa could look into equity monetization, where company shares are used as collateral for an investment loan.

"Many high-net-worth clients have most of their net worth tied to the company and really need diversification. But because of the public company, it doesn't look good to have them selling off a whole bunch of their shares. Someone can give you a loan in exchange for shares," he says. "I would strongly suggest, given that this would most likely be non-registered assets, that most of the portfolio be built around dividends and capital gains because, given the value of his assets, he might be earning enough income that he would see some sizable taxes."

As a rule of thumb, Abboud says, he tries to avoid most types of leverage. So he would not recommend Santa take out a line of credit against his assets or a reverse mortgage on his property. However, if in fact he does own the land in the North Pole, Abboud recommends Santa consider mining exploration since the Arctic is reportedly rich in

precious metals and minerals.

"He could sell the mining rights and derive cash assets there. But you have to understand that with Santa it doesn't seem like he needs much more than cookies and milk. So he could start saving those instead of eating them all every time he goes down the chimney," Abboud says. "As far as earning true cash, though, I think he has to look at whether he has gold in the land he owns."

Abboud and Rechtshaffen also stress Santa's portfolio (assuming it's not composed of cookies) be diversified by sector and geography. Rechtshaffen notes that if Santa is earning revenue from various countries, it might make sense to set up an offshore trust.

"Santa and Mrs. Claus seem to have everything tied up in the business. What happens if Christmas becomes less popular in the future and the kids don't want the toys anymore?" he asks. "You want to make sure you have some diversification. He should be invested globally in oils, banks and non-toy-related businesses."

Abboud adds, "He's already invested enough in toys. I think that's his biggest risk. He could definitely invest in stocks because he has a long, long investment horizon."

Abboud says, if possible, Santa should look into guaranteed annuities as well because he lives forever, so "he will definitely win on that."

Another important question is whether Santa plans to retire. If he does, there is a host of succession planning issues that need to be addressed.

"We'd ask Santa, 'How much longer do you want to be doing this? Do you have any retirement plans? What about succession plans? Are there any elves that might be able to fill your shoes?' " Rechtshaffen says. "If Santa's operations are going to be passed to key elves, you need to figure out how those key elves will be able to afford to buy out the business."

Speaking of elves, Plaskett also recommends Santa develop a pension plan and employee benefits for his elves. Not only is this expedient for his business, since happy elves are productive elves, but it also falls in line with Santa's good nature to make sure the elves are provided for both now and when they retire.

Since his goal is to spread joy to children, Plaskett says, when Santa takes care of others he's also taking care of his key business goals. He accomplishes those goals through the help of others.

"What I know of Santa is that he has what he needs," Plaskett says. "He doesn't need to grow his wealth; he's able to accomplish his goals through the assistance of others. As a byproduct of their help, he's able to carry on."

Whether he should sponsor a defined benefit plan or defined contribution plan would likely have to be determined after further consultation. With the aging population of elf employees, he's going to want to consider it soon. It's been rumoured many of his most seasoned elves were born during the great 15th-century elf boom and are pushing the big 6-0-0.

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