



Tracy Theemes: Hello. I'm Tracy Theemes.

Kamal Basra: And I'm Kamal Basra.

Tracy Theemes: Welcome back to Wise Money Moves. This is podcast seven, and we're going to continue our discussion today about professionals. We talked last time about who do you listen to, and Kamal and I get pretty lit up about all the various people, self proclaimed and actual legitimate professionals, out there giving advice about money.

Now, the reason they're giving advice about money is because that's such a pain point in our society, and I think that's great. There are some really legitimate sources of information, and they don't necessarily have to be professionals.

But learning to discern which voices are inspirational to you, which messages are ones that are actually productive for your particular situation is becoming increasingly difficult, and we're often seeing people come in here now, who are listening to the wrong people, or the wrong sources, and they're getting emotionally clogged up, and it's showing up as poor decision making, or anxiety, or your worst one is inertia, where they don't do anything.

So, today, what we thought we would discuss is also a field where there are many conflicting voices, which is a field of actual professionals in the financial realm, of which there are many different designations, of many different regulatory bodies, and many different kinds.

So to start with, let's talk about us, our designation, insurance. So for somebody to be designated as an insurance specialist, Kamal, what did we go through to do that? What did you go through? You're the specialist here.

Kamal Basra: Yeah, we do. It's a body, an insurance regulatory body of BC, Insurance Council of BC. Actually, it is what it's called, and you have to meet certain standards, and you have to take certain educational courses, and you have to pass certain certification exams, and that, once you go through that process, you get licensed and you are registered with that body to now be able to speak about life insurance and insurance related investments. So, that is one type of a planner.

Tracy Theemes: Yeah. So give me more examples of the things, legitimately, that an insurance specialist can give advice on.

Kamal Basra: Right. So insurance that covers things like life insurance policies, so mortgage insurance, mortgage lending insurance. It could be an investment type investment, plus a life insurance policy, where it's combined, the two pieces. And so insurance agents, if they're only insurance licensed, they

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don't have the ability to sell other investments, but they can sell investments within that insurance policy. And so that's where-

Tracy Theemes: That's where it's confusing.

Kamal Basra: It's confusing. I've seen clients walk in with products in their retirement portfolios that are life insurance products, which they don't need that life insurance piece of it, but they're just being sold an investment product.

Tracy Theemes: And what's the disadvantage of that?

Kamal Basra: Disadvantage is, because you're getting something you don't need, that extra life insurance piece, you're paying extra on fees, and so that's the only concern. And they're not bought. I mean, there's a reason for having investments within a life insurance product. We use it for estate planning, we use it for other needs, high net worth clients. We use it for tax planning and all these sorts of things. But where the problem becomes is, when there's a mismatch, when a certain type of an investment or a product is sold to or used improperly, which can cause higher fees, and doesn't give quite the outcomes as efficiently as it could.

Tracy Theemes: Right, so that's one area. Second is your banking and credit union professionals.

Kamal Basra: Right.

Tracy Theemes: And the reason that you triggered me on this one as being number two is that, the purpose, ultimately, of a financial institution, a bank or a credit union, is to safeguard deposits of the people who have the money. And in exchange for that security, they go out and they lend that money out and they give you interest, so that they are rewarding you for leaving your deposit with them. But in essence, their mandated job is to maintain a system where deposits are secure.

So same as with insurance. If you go into a bank or credit union and you think you can get an investment, the actual bank or credit union is very limited in what types of investments. So they're going to, of course, be looking within the realm of the things that are sellable for them, like a GIC for instance, a cash equivalent, and they would not sell you something else, like insurance, where you actually might be in need of insurance. So this is the unfortunate thing, is that if people don't fully disclose, if a professional doesn't fully disclose-

Kamal Basra: "Here's my boundaries."

Tracy Theemes: "There's my boundaries." Correct.

Kamal Basra: "Here's my box. Here's my sandbox."

Tracy Theemes: Yes.

Kamal Basra: And, "I've got these tools. I've got termed deposits, I've got savings." And at the bank branch, you might have somebody who specializes in mutual funds.

Tracy Theemes: And credit. Credit and they lend.

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Kamal Basra: Right.

Tracy Theemes: And loans.

Kamal Basra: Yeah, and credit cards, lines of credit, mortgages, all that sort of thing. And if you walk in as an investor, sometimes there's confusion, because you're not sure, because they are saying that they are also financial advisors.

Tracy Theemes: Right.

Kamal Basra: And so that creates confusion because, yes, they are, and they use these certain tools. That's the only ones that they have access to. So I think as an investor, or as a person-

Tracy Theemes: Consumer.

Kamal Basra: A consumer, a person of the public, it's just knowing what those sandboxes are. So if you're dealing with an insurance agent, you're going to be playing in the insurance world, which is-

Tracy Theemes: Right, that varies in value and the hard rate. Those are the problems they can solve.

Kamal Basra: That's it. And when you're at the bank, here's the services and products they can offer. When you go to, and what we are is financial advisors, which is securities licensed, well that knows a bigger sandbox.

Tracy Theemes: Talk about that sandbox.

Kamal Basra: Yeah. So we go through additional levels.

Tracy Theemes: Additional levels.

Kamal Basra: We knew that before training.

Tracy Theemes: It's, yeah.

Kamal Basra: So our world, it's highly regulated. It's different, because it's different training that's required, different courses, different examinations that you have to go through, and what that allows us to do is, we're securities licensed, and what a security is, is essentially a stock or the capital markets. It allows us to invest in the market.

Tracy Theemes: What is capital market? Can you just explain that?

Kamal Basra: Capital market is where capital flows. It's where companies go to raise capital to start their businesses. They issue stock and people buy the stock. The company can go in and do their business activities with the stock.

Tracy Theemes: Right.

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Kamal Basra: So it's the flow of capital money.

Tracy Theemes: That's good.

Kamal Basra: I don't know how to explain it better.

Tracy Theemes: That's it. The flow of money in the financial and economic world. Right.

Kamal Basra: Yeah, and the investments in the world. I guess that's it is. So our licensing allows us to purchase individual bonds, it allows us to purchase individual stocks. There's a whole variety, limited partnerships, there's flow throughs, there's REITs. Our world, investment world, that is bigger than what, for example, a bank person could sell.

Tracy Theemes: And as you were saying, we are under the scrutiny of many more compliance. We have to be compliant to so many more laws. Every trade is overseen. Our continuing education requirements are very high. We are seen as protectors of the capital, which is the basic economic health of a country. So we have access to anything that is bought or sold on the capital markets.

Kamal Basra: I think it was in Canada, and so that gives us... Basically, it's a larger set of tools to then offer clients when we're doing financial planning for them, rather than just three or two tools.

Tracy Theemes: Right.

Kamal Basra: And that's where the appropriateness piece comes in, is that, if you have access to a larger amount of tools, then you can find the right tool to do the job.

Tracy Theemes: And I think people get confused by financial advisor versus a financial planner.

Kamal Basra: Mm-hmm (affirmative).

Tracy Theemes: So here's the distinction here. In Canada, in the United States, if you're a certified financial planner, you have also gone through a very rigorous education program or process, and very difficult tests. I actually said that my CFP was more difficult than doing my PhD. Right?

Kamal Basra: Mm-hmm (affirmative).

Tracy Theemes: It was an eight hour exam, and now in Canada, it's two days in a row of eight hour exams, and that allows us to do the retirement projections, income projections.

Kamal Basra: Estate planning.

Tracy Theemes: Estate planning.

Kamal Basra: Tax planning.

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Tracy Theemes: And tax planning. The context, that we keep talking about, of the person's life, their values and goals, and then we pull in our financial advisory license, plop it in to give us the tools to be able to devise and implement the strategies.

Kamal Basra: That's it. That's the word I like is the strategies.

Tracy Theemes: Yes.

Kamal Basra: But you have to have the framework and the context of the planning before you can do the investing. The other thing with certified financial planners in Canada is that some financial planners, they only do the planning piece, so they're not able to do the investment piece. They're certain fee for service financial planners, where they'll go through all of your information and your goals and your needs and where you're at now, and they'll give you a booklet, which is your financial plan and here's the recommendations. But then you have to go to some other advisor, who's licensed in the securities industry to implement it.

Tracy Theemes: So the advantage to that is you get what would be considered objective advice. The disadvantage is, you then have to take that advice and go and interview a whole bunch of other people to determine how to get it implemented, but it depends on your situation. Where we are, we basically deal with high net worth, like the four days a week that we're in business, so to speak. Of course, we do financial planning. We're certified financial planners, and the expectation is we're going to be doing your investment plan. But if you're just starting out, or if you're in, what we talked about, a negative cashflow position, you've got a lot of income coming in, but you need some planning, or you're trying to keep your marriage together, while you pull yourself out of debt. Getting a financial planner and paying them for the services, may be what you need to do. So again, we're back to fitting the professional and the solution. As an ancillary piece, in Canada now, we have money coaches as well. I've seen a wide range of people professing to be money coaches, from people that are unregulated, are not affiliated with any particular body. They aren't certified financial planners. They're interested in money and they're very cheerful, and I think that's often helpful, all the way through to money coaches that have MBAs and CSPs.

Kamal Basra: CSPs, yeah.

Tracy Theemes: They're designated by money coaches, Canada, or another authority, like AFDS, or something with a specialization. So you may need some coaching and we certainly refer people to money coaches, because they need somebody to talk to who will provide objective advice, but we do prefer that there be educational or some type of certification and regulation associated with them because the credibility advice, it has to be check marked by somebody. Another one that we get questions about, and we were just talking about this, this morning, is when does somebody need an accountant versus a bookkeeper?

Kamal Basra: Yeah, yeah. I mean, that's another one, where it has to do with taxes, kind of, but I'm not sure what I need. And so a bookkeeper, the way I think of it anyways, is that a bookkeeper helps keep track of your business expenses. And so when you spend money on business equipment, on salaries, on employees, on wages, on I don't know... events, you do an event, you do a business event, and you've got all those receipts and somebody has to put them into categories and categorize them as to what type of an expense is it, that's what a bookkeeper does. So you give them all your receipts. You

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say, "This is the kind of business I'm running," and they categorize it. Now, the accountant, what they do is, they actually do the income tax preparation before. So they take the data from the bookkeeper, and then actually do the tax preparation piece. And I think that's where the confusion comes in, is some people who are bookkeepers, or I've heard clients say, "My bookkeeper does my taxes," and again, it comes down to qualifications. So if you're an accountant, there's a rigorous regulatory body, there's designations, there's examinations, there is educational requirements that have to be passed. I don't know if you want to add to that in terms of the distinction there?

Tracy Theemes: Well, in Canada, I prefer for our clients to use somebody who is a Chartered Public Accountant, somebody with their CPA. There used to be different designations, but now it's all been put under one umbrella and the regulatory oversight, the continuing education requirements are very stringent. The association itself wants to maintain the dignity, the credibility of accountants in the marketplace by a standard of ethics.

Kamal Basra: And a higher standard of ethics.

Tracy Theemes: A high standard of ethics.

Kamal Basra: That's what it is.

Tracy Theemes: So a bookkeeper however, we have sent clients to bookkeepers, because bookkeepers can be very, very good at assembling the data in an organized way. They're less expensive on an hourly basis, and a lot of bookkeepers that we work with are just organizational wizards. I don't necessarily want them doing the final tax work, but collecting up all those receipts in the shoe box and putting it together, instead of paying \$250 an hour, you're paying somebody \$60 or \$70 an hour, is about the price range difference here in Vancouver, BC. That can be a very effective use of time. Another time bookkeepers are helpful is when you're taking over the money matters, for instance, for a deceased relative. Your mom or a sibling has passed away and you've been put in charge of making sure that everything is organized, or you've got somebody with a big debt load who's coming out of debt and is just known for being in chaos and they just need somebody to talk to, to help them stay organized, and it can be very, very valuable. Another set of professionals, and I'm actually, I'm going to read this from my book, *The Financially Empowered Woman*, because it was an insolvency specialist, an insolvency trustee who provided this information for me, because again, within the debt world, you can go everywhere from the encouragement and advice of a financial planner or money coach. You can actually go to one of the consumer debt agencies, which proclaim that they are not for profit and they can be everything from a Godsend and extremely useful, to predatory, because they're not regulated in Canada, and the people that you are indebted to, do not have any responsibility to work with them, as opposed to a licensed insolvency specialist or trustee. And there's a difference here. This is the designation, and this is how confusing designations are. We're financial advisors, and we don't deal in debt. You don't come into Sophia with massive amounts of debt, unless you're in our pro bono case load, and then we move you on to an insolvency professional, but it's a designation. It's a charter insolvency and restructuring specialist. Now, the great part about going to a licensed trustee is that the consumer, the creditors have to, by law, deal with them, so they don't have any choice. If you've got a \$50,000 business loan and you've just gone bankrupt and you need to get an insolvency specialist in, the creditors have to deal with them, and the insolvency specialist is compensated on a percentage basis by how much of the debt they actually collect, so it's very transparent.

Kamal Basra: And the other thing is, they're also highly regulated.

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Tracy Theemes: Yes.

Kamal Basra: And so once you go to somebody with that designation, it's for a specific purpose and they are experts. They're specialists in that field.

Tracy Theemes: Yes.

Kamal Basra: And it comes to just matching your need, as "Well, what do I need in this moment with the professionals that is appropriate?"

Tracy Theemes: Yes. And as we've been talking about, it's really hard to know who to listen to. But my question, the overriding question is, why would you listen to somebody with no designations, no regulatory oversight, and no education in the area of your questions, when it's already difficult enough to find somebody with those things? You've already got a hard job to decide who you're going to, an insolvency trustee, or a money coach, or whether you're going to a financial advisor, or a financial planner. Why would you choose to go to somebody who's just hanging up a shingle outside their door, with no real credibility or licensing? Did that make sense, my question?

Kamal Basra: Yeah. And it comes down to buyer beware, right? And so you do have to put a little bit of effort into this.

Tracy Theemes: Yes.

Kamal Basra: This is important, because this is the first step in getting advice and moving forward in terms of strategies.

Tracy Theemes: And this is where I liked what you were talking about before, about doing the gut check.

Kamal Basra: Yeah.

Tracy Theemes: If you're not emotionally engaged, you're not freaking out and your gut is telling you that things aren't lining up, listen to it.

Kamal Basra: Right.

Tracy Theemes: And essentially, every single person that you talk to about your money, if you're going to go in deeper, needs to be able to answer, in plain English, who regulates them, what their educational background is, and how they're being paid.

Kamal Basra: It's simple. It's transparency.

Tracy Theemes: Transparency.

Kamal Basra: And the other piece is, I find it's hard sometimes for people to ask those questions, because they don't want to be rude, or they don't want to come across as doubting that person.

Tracy Theemes: Do you get upset if somebody asks you that?

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Kamal Basra: Not at all, because I'm thinking-

Tracy Theemes: I'm thinking it's smart.

Kamal Basra: I'm thinking that person's intelligent.

Tracy Theemes: So do I.

Kamal Basra: And I have a lot more respect for them.

Tracy Theemes: Absolutely, yep.

Kamal Basra: So you're not being rude when you ask those questions of, "Okay. Well, what is it that you do? What is it that you are specializing in?"

Tracy Theemes: "What's your specialization?"

Kamal Basra: Yeah.

Tracy Theemes: "What's your regulatory oversight and how are you being paid?"

Kamal Basra: "Who resonates with you?" Yeah, and even, "How long have you been doing what you've been doing?" So, that's a valid question too.

Tracy Theemes: Yes.

Kamal Basra: All people are good.

Tracy Theemes: Thank you very much for listening, and we look forward to talking with you soon. Bye-bye.

Kamal Basra: Bye.

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Kamal Basra, BSc, CFP

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Co- Founder, Sophia Financial, Financial Advisor

Data driven, fact checking, translator of complex economic info into understandable plans, champion for diversity and fairness ...“Numbers matter. People matter.”

Tracy Theemes, MA, CFP

Co- Founder, Sophia Financial, Financial Advisor

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