How to help edgy clients prepare for a job loss

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Advisors who understand their clients can help them assess their employment vulnerability and plan for a loss of income.

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Despite a temporary pause, the threat of 25-per-cent tariffs from U.S. President Donald Trump has many clients anxious about the economy and a potential recession or job loss, leaving advisors to help them prepare.

Aravind Sithamparapillai, an associate at Ironwood Wealth Management Group, makes a point of understanding his clients' work – most are high-earning employees or business owners – so he can assess their job vulnerability.

"If an advisor knows their client, they can dig in a bit," he says, especially when people are stressed about their livelihoods.

Kurt Rosentreter, senior financial advisor and portfolio manager with Manulife Wealth Inc., recommends a conversation with clients to gauge their vulnerability to a weaker economy.

"The conversation looks at the components of how they make money," he says.

Mr. Rosentreter takes stock of base salary, health insurance and pension plans. "Looking at potential declines in income or losses of bonuses is the starting point," he says.

To help clients prepare for potential job loss and recession, Chris Merrick, a fee-based, advice-only financial planner and founder of Merrick Financial Inc., takes a three-pronged approach: increase their emergency savings fund, decrease discretionary spending and update their budgets.

"Typically, my clients are on track, but you have to be doubly sure you're on track when there's a threat," he says.

Classic examples of discretionary spending such as eating out, buying clothes and taking vacations come to mind for people looking to curb their spending, but Mr. Merrick also recommends his clients look at their spending on Amazon and other online retailers that offer "one-click" payment.

"You want to stop that impulse buy and make it harder for yourself to spend that money," he says.

Mr. Rosentreter recommends his clients create a categorical budget of their costs. Relying on the common adage that cash is king, he also urges his clients to pay down their credit cards while they still have a paycheque.

"That way, if you need capacity, you have it," he says.

Mr. Rosentreter says the tax-free savings account is an ideal vehicle for building cash reserves for those with contribution room available (a non-registered account works for those who don't).

Clients worried about loss of income should take a conservative and liquid approach with high-interest savings accounts that will make some short-term interest.

"You're not going to go into the stock market with emergency money," he says.

At the same time, he ensures his clients don't lose sight of long-term goals.

"You may still need to put away money for your children's university education in five years, and you still want to retire," he says.

By budgeting properly, Mr. Rosentreter says clients can still contribute to registered retirement savings plans (RRSP) and registered education savings plans while putting a few months' money aside in case of a job loss.

Custom plans

The rainy day equation isn't the same for all clients, though. Mr. Sithamparapillai says the standard formula is for clients to save six months' worth of fixed costs, but some wealthier clients need less.

"Some of those clients may have stock they're periodically liquidating, income from two, three or four different sources, or restricted stock units that are part of their employment, which they could sell in a couple of months," he says.

For such clients, Mr. Sithamparapillai might look at a three-month safety net instead, depending on their fixed costs and the money they have coming in.

He urges clients who may be at risk of losing their jobs to consult a labour lawyer pre-emptively who understands their industry and can help them grasp historical commissions, health and insurance benefits, and group RRSP matching they may be entitled to if they lose their job, he says.

They could also help people choose how to take their severance pay. Although many people are seduced by the idea of having the money upfront, he says, “some of these extra pieces will continue if you take salary continuance instead of a lump-sum payment.”

What questions do you have about tariffs?

U.S. President Donald Trump announced March 4 that he's imposing 10-per-cent tariffs on Canadian oil and energy and 25-per-cent tariffs on all other Canadian goods. The same day, Prime Minister Justin Trudeau announced retaliatory tariffs on a set of U.S. goods. The decision to upend decades of free trade in North America has caused chaos on both sides of the border.

It can all feel overwhelming and confusing, so Globe reporters are here to answer any question you may have about tariffs. Perhaps you're curious about how this might impact the sector you work in, or maybe you'd like to know what this means for your mortgage. We want to know what you want to know about these new levies. Please submit your questions below or send an email to audience@globeandmail.com with "tariff question" in the subject line.

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