



The 2009 federal budget: answering the call

By Don Nilson, CMA, FCMA

As professional accountants, we must remember that we are an important part of the broader financial services industry. We have a public that we serve with our expertise, be that the general public (as public accountants) or specific parties (as industry participants). Interestingly, the 2009 federal budget is now calling for general financial education for Canadians. We ought to be doing our part to answer the call. I believe there are two parts to this.

First, we ourselves must be financially educated. "What did he say? Is he kidding? Of course we are financially educated – we are accountants!" As a lecturer for 30 years in the continuing education field for professional accountants, I am not quite sure I am prepared to agree with you. Despite the mandatory CPLD model in our profession, I find that, on average, we are not on the front edge of pushing out our current depth and breadth of expertise, and instead tend to trade on old expertise. I believe the profession needs to raise the bar of our average professional, and achieving this requires every member to contribute to that process, not deflect the responsibility to our professional bodies. As I recently said to one of my junior staff, "It takes a lot of energy to really be someone."

We must invest our learning time wisely. Unplug the boob tube, cancel the cable and start reading. We must be wary of the misinformation and disinformation we receive in the daily media as our knowledge source. William Bernstein, the physician turned money guru, describes the business press as "financial pornography." His advice is to avoid it, with two exceptions: The *Wall Street Journal* and

The Economist. My recommendation is to educate yourself – form a financial book club with friends and colleagues. In the financial field, start with Bernstein's *Intelligent Asset Allocator*. On corporate strategy, read Dudik's *Strategic Renaissance*. To raise your IQ a few points, read Beinhocker's *The Origin of Wealth*.

Over the years, I have given away hundreds of copies of what is my seminal vehicle for helping friends and clients embrace sound personal financial management: Stanley and Danko's *The Millionaire Next Door*. In short summary, personal financial management draws from sports analogy – wealth accumulation is about offence and defence. The former is about the making of money, or more specifically "disposable income" (income after tax). As public practitioners, we are effectively members of the offence team, mostly by helping narrow the gap between before-tax and after-tax income.

As industry members, we may also contribute to the overall success of the money-making process itself. Defence is about keeping the money generated on offence; i.e. it is about how money is spent. The authors say that financially successful people run a balanced team. They don't rely on a glittering offence that piles up the score, while the defence meanwhile is allowing almost as many points to be scored by the opposition. The authors also classify people as "prodigious accumulators of wealth" (PAWs) and "under-accumulators of wealth" (UAWs). PAWs spend a lot of time on defence. Their attitude to what constitutes a baseline of life's entitlement is not what the low and middle class associate with wealthy people. Eighty per cent of them spend less than \$35,000 on a new car!

Once we have succeeded in "up-educating" ourselves, we can now turn to the second thing that we



Don Nilson, CMA, FCMA is the Principal at Nilson & Company. He is also a member of the Update Editorial Task Force.



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