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Why gay clients need to be out to their financial adviser

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Jeff Pellarin can always tell when he meets someone who is uncomfortable with the fact that he's a gay man.

"There's this moment when you talk to somebody and they kind of do a double take, or they flinch for a millisecond, then they catch themselves because they know it's politically incorrect," says the 53-year-old consultant who divides his time between Toronto and Calgary. "But when you're gay, you are conditioned to see it. We see that flinch, we know it."

At the same time, Mr. Pellarin says he has learned how important it is to be honest and upfront about everything in his life, especially when it comes to financial matters, whether he's dealing with his lawyer, his insurance agent or his financial adviser.

"I have to know that they can roll with it, that they're not going to give the flinch," he says.

Mr. Pellarin began working with his financial advisers – Gavin Clark and Murray Newman of Toronto's Newman Clark Group, BMO Nesbitt Burns – about 10 years ago, around the same time he met his now-common-law husband, Sam.

"What I've learned through working with them is that for [financial planning] to work, you can't section off your life, you have to deal with your entire life," Mr. Pellarin says. "What are your goals and dreams and aspirations? How many kids do you want to have? When do you want to retire? All those things have to be considered if you want to build a proper plan.

"And some of those things can be subtly different for an LGBT [lesbian, gay, bisexual, transgender] person than they are for others, so you need to bring them to the table or else the whole thing won't be effective," he says.

Stuart Gray, national practice management consultant for Royal Bank of Canada in Moncton, N.B., says that being "out" with your financial adviser can be an important move for LGBT investors. He points to a 2015 study by the RBC Retirement Research Centre at the University of Waterloo that explored whether the added challenges that LGBT adults face – feeling the need to stay in the closet, for instance – might have an impact on retirement planning.

The study found that feeling supported and being out made LGBT respondents feel less uncertain about

their retirement prospects and more likely to have financial planning in place for later in life, including wills and personal health directives.

“The second key finding was that among those who disclosed their sexual orientation and felt supported doing so, there was a higher likelihood for them to seek out retirement advice from friends, family and their financial adviser,” says Mr. Gray.

“The important thing is to be open and honest and be in an environment where you can speak to an adviser who’s going to be able to look at all the pieces [of your life] and put a plan in place that works with your particular situation,” he says.

Mr. Gray, who is a part of the LGBT community himself, points out that although LGBT Canadians have rights they would not be afforded elsewhere in the world, they can still miss out on financial opportunities by not being open with an adviser.

“Even though we’re protected by the law, what we can do by being open and out about our sexuality with our friends, family and, in particular, advisers is avoid some of the pitfalls that can happen around things like estate planning,” says Mr. Gray.

To Mr. Pellarin’s advisers, Mr. Clark and Mr. Newman, who say their firm has an “openly gay business model,” some of the biggest missed opportunities in LGBT relationships are discussions around wills, prenuptial agreements, cohabitation agreements and power of attorney documents.

“The other issue we find in our same-sex couples is they do not understand that after living together, they are required to file a joint income tax return,” adds Mr. Newman.

A recent report from the Bank of Montreal Wealth Institute pointed out that although the LGBT community has made great strides toward equality in Canada, some provincial and workplace policies put unmarried same-sex couples at a disadvantage when it comes to financial security.

Old Age Security (OAS) and Canada Pension Plan (CPP) benefits were extended to same-sex, common-law couples in 2000, including income-splitting and survivor benefits for common-law partners of deceased individuals. But several provinces do not provide for same-sex partners, or common-law partners in general, when a person dies without a will in place. Assets go to the closest blood relative, which means common-law partners may have to fight for assets or financial support.

In cases where family members are not accepting of a relationship, things can be even more difficult for a surviving partner.

“Families may be very nice with partners until there’s a death,” Mr. Newman says. “They’ve kept quiet for peace in the family while everyone’s alive, but when there’s a death, issues start pouring out. In the gay community it’s even more exacerbated because you have instances where families will go in and clear out an apartment.

“That’s why these discussions and the authenticity of those discussions are so important, because if you’re together, the idea is to protect one another.”

Mr. Clark gives the example of a Vancouver friend who was in a committed, long-distance relationship with a partner who lived in Boston.

“They were very emotionally connected but nothing financially,” he says. “Unfortunately, my friend passed away recently and there was no will, no discussion, and now the partner who is left alive doesn’t know where anything is. That’s very common in the gay community.”

Bernardine Perreira, financial adviser at Perreira Hurly Wealth Advisory at Raymond James in Toronto, says her LGBT clients – like any clients – can have financial needs that are complex and multifaceted. Establishing a trusted relationship and open dialogue is a must.

Ms. Perreira says older investors might be reticent to disclose their sexuality. “What discrimination have they faced in their life? When I was coming out, it was the 1980s, at the height of AIDS, and the things you would see in the press and the negativity around being gay, like calling it the ‘gay disease,’ there were all those kinds of factors,” she says.

Money can be a sensitive topic, and not everyone is comfortable with the level of honesty needed, says Mr. Newman. “In the financial world, where it can be a little bit of an ‘old boys’ club, to be authentic is a risk, and to have the courage to have that discussion, not in apologetic terms, but from a sense of self-esteem, can be challenging for people.”

To ensure you find an adviser you are comfortable opening up to, Mr. Clark says you may need to interview more than one candidate.

But what if someone is in a smaller or more conservative community and isn’t sure how to find a financial adviser who is LGBT-friendly?

“That’s where one’s social circle can come into play,” says Mr. Gray. “Having those conversations with friends and peers can help mitigate that angst. They may know somebody they can recommend.”

While single people might feel their sexuality is irrelevant because they have neither a partner nor any children, Mr. Clark says it’s important to have the discussion early in the client-adviser relationship.

“When you’re sitting down with a financial planner, you’re building a relationship that’s going to last for years, particularly if you are a younger person,” says Mr. Gray. “So you want to make sure it’s someone you feel comfortable with and who will continue to meet your needs.”

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