

It's Your Money Week 2 Financial Planning I

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Today's line-up

- ❑ Who is a financial planner?
- ❑ Why have a financial plan?
- ❑ What is financial planning?

Who is a financial planner?

These terms are interchangeable and have no legal meaning:

- ❑ Financial Planner
- ❑ Financial Advisor
- ❑ Financial Consultant
- ❑ Wealth manager/Advisor
- ❑ Investment Advisor
- ❑ Investment Consultant
- ❑ Financial Analyst



Who is a financial planner?

Many financial services businesses employ financial planners:

- ☐ Independent Registered Investment Advisor (RIA)
- ☐ Independent broker/dealer
- ☐ Wirehouse broker/dealer
- ☐ Bank
- ☐ Insurance company
- ☐ Trust company

Who is a financial planner?

There are various methods of compensation for financial planners:

- ☐ Commission
- ☐ Fee-based
- ☐ Fee-only based on Assets under Management
- ☐ Fee-only retainer model
- ☐ Fee-only hourly

Business Model	Potential Compensation Sources
Fee-Only RIA	Client Fees
Broker-Dealer Only	Transaction Costs + Investment Product Payments
Insurance Only	Insurance Product Commission
Broker-Dealer + Insurance	Transaction Costs + Investment Product Payments + Insurance Product Commission
RIA + Insurance	Client Fees + Insurance Product Commission
Dually-Registered (B/D + RIA)	Client Fees + Transaction Costs + Investment Product Payments
Dually Registered + Insurance	Client Fees + Transaction Costs + Investment Product Payments + Insurance Product Commission

Who is a financial planner?

How do I select a financial planner?

- ☐ Credentials
 - Certified Financial Planner (CFP)
 - Chartered Financial Consultant (ChFC)
 - CPA / Personal Financial Specialist (CPA and PFS)
 - Chartered Financial Analyst (CFA)
- ☐ Experience
- ☐ Rapport/trust
- ☐ Suitability vs. Fiduciary service model
- ☐ Independent custodian



Why have a financial plan?

1. It will help you define your financial goals.
2. It will help you see whether your goals are realistic, especially for your timeline.
3. It will help you see how you can bring your spending line with your goals.
4. It will show you what money mistakes you are currently making.
5. It will allow you to measure your progress on your goals.
6. It will help you find new ways to maximize your money.
7. It will help you identify risks you had not thought of.
8. It will make you more confident with your money.
9. It will help you build wealth.
10. It will help you live more comfortably.



From Forbes.com in 2013 entitled “10 Reasons Why Financial Plans Aren’t Just for the 1%”:

What is financial planning?

A **process** balancing today's needs with goals for the future. The process includes the analysis, integration & implementation of:

- ☐ Goals & assumptions
- ☐ Cash flow and budgeting
- ☐ Risk management / Insurance
- ☐ College savings
- ☐ Student loan decisions
- ☐ Tax planning
- ☐ Investment planning
- ☐ Retirement planning
- ☐ Estate planning
- ☐ Misc. and special needs situations

Self-assessment quiz

- ☐ How much will I need in the future for:
 - Retirement/financial independence
 - Education funding?
 - Lifestyle goals and other needs?
- ☐ Are my investments properly diversified and is my strategy appropriate for me?
- ☐ Is my overall strategy tax efficient?
- ☐ Have I protected myself, my family and property against risks?
- ☐ Are my assets going to pass efficiently to my heirs?
- ☐ What legacy do I want to leave?
- ☐ Fulfilling charitable intent



Developing a financial plan

To develop a solid financial plan, it's important to cover all your bases. Here is how:

- ☐ Examine your current situation
- ☐ Set financial goals
- ☐ Measure your progress

The Financial Planning Process

The CFP Board is the licensing organization for all Certified Financial Planner™ professionals. The CFP board outlined Practice Standards we use in the financial planning process.

1. Understanding the Client's Personal and Financial Circumstances
2. Identifying and selecting goals
3. Analyze the Client's Current Course of Action and Potential Alternative Course(s) of Action
4. Developing the Financial Planning Recommendations
5. Presenting the Financial Planning Recommendations
6. Implementing the Financial Planning Recommendations
7. Monitoring Progress and Updating

Establish a relationship with a CFP® professional

Establishing a relationship includes getting to know your financial planner and your financial planner getting to know you!

Your financial planner is required to explain his or her financial planning services and define each of your responsibilities. Along with compensation, you will discuss how long the professional relationship can last and how to make decisions.

- ☐ Ask questions of each other – use the Ask First form
- ☐ Listen to the answers given by your planner
- ☐ Does your financial planner agree to always work in your best interests?
- ☐ Does your financial planner understand how you like to communicate and make decisions?



Step 1: Understanding the Client's Personal and Financial Circumstances

Your planner may ask questions about your:

- ☐ Life
- ☐ Money history
- ☐ Family
- ☐ Goals
- ☐ Interests
- ☐ Hobbies
- ☐ Assets and liabilities
- ☐ The reason you are meeting with the planner
- ☐ Your decision making and communication preferences



Step 2: Identifying and Selecting Goals

- ❑ The planner will listen to the Client's financial and personal circumstances, and help the Client identify goals.
- ❑ The planner will note the effect that a particular goal may have on other goals.
- ❑ The planner will discuss and apply reasonable assumptions and estimates, such as life expectancy, inflation rates, tax rates, investment returns and other assumptions and estimates.

Step 3: Analyzing the Client's Current Course of Action and Potential Alternative Courses of Action

- ❑ Analyzing the current course of action - identifying material advantages and disadvantages of the current course and whether the current course maximizes the potential to meet the client's goals
- ❑ Analyzing potential alternative courses of action, and whether each alternative helps maximize the potential for meeting the Client's goals

Step 4: Developing the Financial Planning Recommendations

From the potential courses of action, a CFP® professional must select one or more recommendations designed to maximize the potential for meeting the Client's goals. Each recommendation must consider:

- ☐ Assumptions and estimates used in the recommendation
- ☐ How is this recommendation furthering Client's goals?
- ☐ Timing and priority of recommendation
- ☐ Is recommendation independent on in conjunction with other recommendations?

Step 5: Presenting the Financial Planning Recommendations

A CFP® professional must present the selected recommendations and the information that was considered when developing the recommendations.

- ☐ You should receive a list of recommendations to implement

Step 6: Implementing the Financial Planning Recommendation(s)

- ❑ Address implementation responsibilities - you and your planner need to agree on how the recommendations will be carried out. Your planner may carry out the recommendations or serve as your coach, coordinating the process with you and other professionals, like attorneys, CPAs or other investment professionals.
- ❑ Identifying, Analyzing and Selecting Actions, Products and Services
- ❑ Recommending Actions, Products and Services for implementation
- ❑ Selecting and Implementing Actions, Products and Services

Step 7: Benchmark your progress against the financial goals you established

As you work toward your goals, you and your CFP® professional need to decide who monitors your progress so you stay on track.

If the CFP® professional has monitoring responsibilities, he or she must analyze the progress toward achieving the Client's goals.

Collaborate with client to obtain current qualitative and quantitative information.

- ☐ Will there be follow-up meetings to monitor progress?
- ☐ Establish frequency of meetings to re-assess goals and progress