It’s Your Money
Week 2
Financial Planning I

PRESENTED BY LAURIE DUBCHANSKY, CFP®

Today’s topics

- Who is a financial planner?
- What is financial planning?
- Why have a financial plan?
- The Financial Planning Process

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

Where can I find a financial planner?

Many financial services businesses employ financial planners:

- Independent Registered Investment Advisor (RIA)
- Broker/dealer (Independent or Wirehouse)
- Bank
- Insurance company
- Corporate Trustee

Trusted resources to find a planner:

- CFP Board - Find Your CFP® Professional
- XYPN - Find a Financial Advisor
- NAPFA - Find an Advisor
- Fee Only Network

How do financial planners charge?

There are various methods of compensation for financial planners:

- Commission
- Fee-based (fees + commissions)
- 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

How do I select a financial planner?

- Credentials
  - Certified Financial Planner (CFP)
  - CPA / Personal Financial Specialist (CPA and PFS)
  - Chartered Financial Analyst (CFA)
- Experience & Education
- Do they use an independent custodian?
- Rapport/trust

Ways to review a planner before you hire:

- FINRA/SEC check (adviserinfo.sec.gov)
- Review their Form ADV
- Use the Ask First form!

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
- Retirement planning
- Investment planning
- Tax planning
- Risk management / Insurance
- Education Planning
- Debt Management
- Estate planning
- Misc. and special needs situations

Why have a financial plan?

1. To define your financial goals and give yourself a roadmap to achieving them
2. To reduce stress and make you more confident with your financial decisions
3. To help you identify risks you had not thought of.
4. To help you find new ways to maximize your wealt
5. To give you a way to measure your progress on your goals.

Self-assessment quiz

- ❑ Have I created a list of goals that are realistic for my resources?
- ❑ How much will I need in the future for retirement/financial independence?
- ❑ Are my investments properly diversified and is my strategy appropriate for me?
- ❑ Does my financial plan consider present and future taxation?
- ❑ Have I created a debt paydown strategy?
- ❑ Have I protected myself, my family and property against risks?
- ❑ Are my assets going to pass efficiently to my heirs/charity?

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

Pre-Financial Planning
Agreement of Terms and Scope of Engagement

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

- Ask questions of each other – use the Ask First form
- Does your financial planner understand how you like to communicate and make decisions?
- How long do you want to engage with the financial planner? (one-time project vs long-term)
- How is the financial planner compensated?
- Who will implement the recommendations?
- Review documents to start planning (ADV, privacy policy, planning agreement

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

Your planner may ask questions about your:

- ❑Family
- ❑Goals
- ❑Interests / Hobbies
- ❑Health
- ❑Money history
- ❑Assets and liabilities
- ❑Income and expenses
- ❑Your main financial concerns

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 Recommendations

- 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
- Analyze the advantages and disadvantages of potential recommendations

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:

- How is this recommendation furthering Client's goals?
- Timing and priority of recommendations
- Is the 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 Recommendations

- Identifying, Analyzing and Selecting Actions, Products and Services
- 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.

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

Questions?