



Tools for Life Planning

The financial planning profession has seen a lot of change in the last decade: movement away from a transaction-based model to a fee-only compensation model, and movement away from a sales culture towards recognition of professional standards for education, ethics, and experience as represented by the CFP® mark, to name a few high impact changes. The next wave in this young profession's development is life planning. Practitioners in the forefront of the field are looking for ways to incorporate a client's values as well as their goals into the financial planning process, with the intent of increasing the relevance of financial planning recommendations, and a client's engagement with those recommendations. To that end, we've adopted a set of tools designed by Money Quotient, Inc., one of the pioneers in this area.

Money Quotient's approach to life planning is based on a surprising finding: the solution to financial dysfunction is not financial literacy. Rather, adults have to be engaged in personal and reflective thinking -- about their retirement, about their goals, and about their definition of fulfillment - to find the motivation to plan effectively.

Life planning isn't about engaging us to be your therapist, marriage counselor, or career counselor. As defined by Money Quotient, it's about:

- Exploring what money represents to you
- Defining both the tangibles and intangibles that you expect your assets to provide you
- Anticipating life events and transitions, and making financial preparations for those transitions
- Establishing financial goals that facilitate your life goals
- Building awareness of the non-financial aspects of retirement preparation and retirement living

For example: one of the tools we're adopting is called a Financial Satisfaction Survey. It's a series of 20 questions, where you are asked to rank your satisfaction level, from 1 (low) to 5 (high) with various aspects of your financial life. The questions very effectively illustrate the breadth of financial satisfaction: it's not just about how much money you have, it's about your ability to communicate about financial matters, the amount of money you regularly save, your ability to provide help to family members, whether or not you feel on track to build a sufficient retirement nest egg, your style of personal bookkeeping, etc. For us, this tool is both a way to encourage clients to be self-reflective about their financial life, and a quick springboard to very important and meaningful financial conversations which directly impact our planning recommendations.

The other Money Quotient tool you'll be seeing is the Life Transitions Survey. This tool is a comprehensive list of 52 life transitions, each of which has a financial impact. The list includes transitions relating to work, finances, family, and legacy: work transitions

such as a job restructuring, or change in a career path; financial transitions such as purchasing a home, or re-evaluating an investment philosophy; family transitions such as expecting or adopting a child, or concern about personal health; and legacy transitions such as gifting to children, or developing an end of life plan. The Life Transitions Survey helps us assess a client's life, circumstances, responsibilities, priorities, concerns, aspirations, challenges, and opportunities -- all with the goal of generating more relevant and meaningful planning recommendations.

As more and more of our clients move toward retirement, we believe life planning will become an increasingly important part of our approach to financial planning given the challenges of the retirement transition. Money Quotient's founder, Carol Anderson, has a particular interest in that transition, as she wrote her thesis on the subject. Her thesis explored why some people had successful retirements and others didn't, and her finding was that the highest determinant of making effective pre-retirement preparations, by far, was the degree that the person thought about retirement. We see a role for us in promoting that reflective thinking in our clients by asking the right questions: for example, describe your life in retirement as you envision it. What activities/pursuits will be most important to you?

Our goal as a firm is to deliver a financial planning process that is collaborative, detailed, and systematic. People commonly come to us feeling tremendous uncertainty about their financial future; by the time they've worked with us through the financial planning process, we want them to have a clear understanding of exactly what needs to be done and more importantly, understand why. Money Quotient is a welcome addition to our planning toolkit, as it will help us frame the right questions, and address the right issues -- those most important to each client.

-- Therese Govern. Posted 05/16/07.