

## Wealth Planning Update

# Key Components of Effective Financial Planning

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### *In this WealthPlanning Update:*

- » *Financial planning is a valuable discipline that can help you take action on your financial goals*
- » *All planning is not created equal*
- » *Effective planning shares several distinct and recognizable components*

Financial planning can make all the difference in reaching your financial goals.

It not only arms you with an action plan for the future, but also a deeper understanding of your current situation and the milestones you will likely track on your journey. Financial planning can deliver clarity around your goals and give your family confidence that your finances are aligned to support them.

The problem is that not all planning experiences are created equal. Aligning your goals with an action plan is a specialized skillset that has far more practitioners than masters.

Some common pitfalls include:

- **Planning as a commodity:** In this model, financial planning uses a “cookie-cutter” approach offering basic advice usually for large fees. The focus is more on volume over quality. The net result typically leads to advice that simply doesn’t fit and plans that usually are not implemented.
- **Sales-focused planning:** Some plan providers use planning as a means to drive proprietary product sales. Plans are created generally for the sole purpose of moving product and the advice may be cursory.

With issues like these, how can discerning consumers recognize the value of planning while still protecting themselves? The fact is that effective planning is easy to spot if you look for some very distinct and recognizable components.

### **Effective planning is focused on you**

Financial planners are typically highly credentialed and equipped with many tools, but their two most important tools are ones they received at birth. There’s a familiar Greek quote that says: “We have two ears and one mouth so that we can listen twice as much as we speak.” A good planner should heed this advice and do more listening than talking when it comes to your financial plan. Your planner should listen, ask open-ended questions, and be authentic and engaged. Only by getting to know you and what matters to you and your family can a planner hope to deliver sound advice.

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A good planner will ask questions like:

- What are your plans for the future?
- Do you have legacy goals?
- What keeps you up at night?

Talk to your planner about your dreams and goals, your family, your legacy, and then see if the planner can relay this information back to you. A deep understanding of your goals and potential issues will drive meaningful advice in a way that best serves you. Any professional who shows little interest in the details of your situation or opens immediately with a product pitch quickly reveals their focus.

### Effective planning is not about the book

Too often financial planning can just involve “a race to produce a printed document” that may only address opportunities for tax efficiency and an asset allocation strategy. This type of financial planning is limited, and usually more about the “book” and meetings than it is about helping you manage your personal finances.

In our view, this simply isn’t effective. Without action, a written plan is as valuable as a book that sits on a shelf or a GPS system that remains in the box. While it is true that the financial planning process will almost certainly include written advice, only by acting on that advice will the exercise bear fruit.

An effective planner may be part financial analyst, but the good ones should deliver advice and guide you in implementing that advice. They deliver value via a long-term relationship, not only in bound paper.

### Effective planning is monitored over time

The reality of our financial lives is that they are complex and always changing. Markets rise and fall, and our financial priorities shift as our families and circumstances change. Because of this, a financial plan is really more of a snapshot in time rather than a “penny by penny” account of your life. This makes ongoing monitoring of the plan imperative and adapting strategies to your ever-changing circumstances as you move through a plan is important.

The American Heart Association website lists guidelines for determining a proper target heart rate for exercise. The guidelines find a happy medium that is high enough to ensure you are getting a good workout, but low enough that you are not triggering an immediate health risk. Similarly, good planning helps keep you in an optimal financial target zone, allowing you to enjoy the present while keeping an eye on the future. Choreographing this balance takes time and effort. Some questions to ask your planner include, How will you help manage our relationship going forward? What are the touch points? How will progress be tracked?

### Effective planning is right-sized

Planning is not always a comprehensive endeavor. For some people, a few simple suggestions can have a large impact on their ability to meet their goals, manage risk, and protect their legacy. For others, an extensive plan may be required. One-size-fits-all approaches to planning are often similar to financial calculators that are freely available on the internet and frequently equally as valuable.

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Planning should meet you where you are and deliver advice that helps you take action on what is most important to you. This may be wealth transfer, cash flow planning, a special needs trust or any of a dozen or so other things that need to happen alone or in concert.

### Getting started

The majority of these guidelines bely the truth about planning. It isn't about the tools, the books or even the credentials. Planning is about relationships. The value is in your planner's ability to understand your situation, align your goals with proven strategies, and assemble the right team to execute on them.

If you keep these guidelines in mind, getting started need not be intimidating or difficult. The key is to do exactly that, get started. Even small changes can have a dramatic impact over time.

While it may be a truism that "the best time to plant a tree was 20 years ago, the second best time is today." Contact your relationship manager today and ask about how planning can be that "tree."

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