Morningstar.com Perspectives

The Traditional Financial Planning Process Is Shortsighted

By Mark Colgan, CFP | Posted: 04-07-11 | 09:50 AM |

When the College for Financial Planning's annual "Trends in the Financial Planning Industry" report was released, it revealed that 50 percent of CFP practitioners don't prepare comprehensive financial plans. While the Certified Financial Planner Board of Standards has provided our industry with outstanding education and ethical standards, I think we're missing a great opportunity to enhance the traditional financial planning process.

Financial planners are taught that after we have our proverbial "meet and greet" with a prospective client, we should gather information and documents about their financial situation, financial goals, risk tolerance, and time horizon. In theory, this sounds great – and in application, it often works just fine. But is "just fine" good enough for your clients? Is it really providing the best possible solution and service to them?

Here's what I'm proposing: before jumping right into a client's financial details, take a step back to learn about the client's core values, interests, and aspirations. When you understand who your client is as an individual, what matters to them, and their grand vision, you can evaluate their financial situation in a much more meaningful way.

Now, I'm not talking about creating a "life plan" that requires a 40-page discovery questionnaire followed by a family retreat at the lake house! (Although that's nice work if you can get it ...) I'm talking about a values-based intake process for the average "lunchbox millionaire." And it requires adding only one small step to your existing financial planning process.

To guide you in this step, I've highlighted three exercises to help you assess your client's core values, interests, and lifetime goals. Here are the key areas and some questions to ask during your session:

I. **Core values.** Your core values come down to your nature and nurture: which values influence your attitude and behavior? These are a reflection of your principles and define what you feel is most important in life.

II. **Interests.** What do you have an interest, passion, or desire for? If you could donate a million dollars, which causes would you support to make the world a better place for yourself and others?

III. **Lifetime goals.** Unlike financial goals, these are the achievements you wish to accomplish in your lifetime. Articulate three categories. What are the things you want for yourself, the people you love, and the causes you believe in?

The extra time you spend with clients to gather this meaningful information will empower you to create a financial plan that truly addresses their needs and helps them fulfill their passions.

As an added bonus, attorneys also find a great deal of value in this intake process. Steven Wershing of The Client Driven Practice conducted a focus group of prominent attorneys in Rochester, New York to gather insights from the estate planning community. They unanimously agreed that there was a significant benefit to clarifying a client's values, interests, and lifetime desires. They said that they would use the information in the same way financial planner would – to create more purposeful plans for their clients. They also said that with this approach, they would welcome financial planners as more active participants in the estate planning process.

Your clients deserve the best possible service – and the rewards you'll reap from this small investment of time and effort will be tremendous.

Mark Colgan, CFP® is a nationally recognized legacy planning expert and president of Plan Your Legacy, LLC. Inspired by the challenges he faced as a widower, he authored The Survivor Assistance Handbook and created www.planyourlegacy.com a powerful program that helps individuals discover ways to use the resources and experiences they've accumulated in life to make a lasting impression on those they love and the causes they believe in. Mark can be reached at 585-419-2324 or mcolgan@planyourlegacy.com.