

3 Steps for Implementing an Effective Financial Planning Process



As ever-changing regulatory standards continue to apply pressure for a more holistic financial planning process, wirehouses and large broker dealers are assembling sizable financial planning armies in their back offices. Building comprehensive financial plans for more clients would be one way to alleviate this regulatory risk.



However, many large firms are locked into long-term contracts for cumbersome financial planning software. When inefficient technology does not improve the financial planning process for advisors, the only other option is to hire legions of back-office staff and use the brute force method to create enough plans to keep pace with demand.

Interestingly, this problem highlights an opportunity for independent advisors. RIAs have more flexibility in the financial planning software they choose. Intuitive financial planning software can help them add value with less staff. As a result, they can grow their practice without breaking their budgets.

The secret is out: financial plans are valuable

Most advisors know that financial plans have intrinsic value. The industry has long shared how it provides peace of mind and a path to fulfilling long-term retirement goals, but what exactly *is* the value of a financial plan to investors? There are several ways to look at it.

From the client's perspective, a comprehensive financial plan can improve retirement outcomes by identifying ways to generate additional retirement income. Research published by Morningstar demonstrates that financial planning can create an additional 1.82% annually in additional retirement income. This substantial boost can allow clients to retire earlier and do so without compromising their lifestyle.

Of course, investment returns aren't everything. Clients cannot invest their way out of a savings shortage no matter the market performance. The good news is that financial planning can help!

A study published in the Journal of Financial Planning found that a comprehensive financial plan is linked to as much as 50% higher savings when compared with a DIY approach. Combine higher savings with smarter investing and the value of a financial plan becomes clear.

The value doesn't end with individual investors — it's also important to consider the value of financial planning to the enterprise.

Wirehouses and broker dealer networks are expanding their back-office planning capabilities because financial planning leads to higher revenues.

Better retirement outcomes for clients *and* stronger revenues sound like a perfect scenario. However, there is a tiny wrinkle. Even though large enterprises are furiously hiring para-planners, our sources tell us that only a fraction of their client base gets a comprehensive financial plan.

The main obstacle to delivering more high-quality comprehensive plans lies in the way financial planning is delivered.

The financial planning process is broken

Even though "financial planning" is on the service menu at many broker dealers, banks and wirehouses, the process is not exactly built for success. Here is what a typical client experience looks like:

- An interested client receives a multi-page questionnaire that must be filled out at home. The package length varies, but 15-20 pages is not out of the ordinary. Many clients get discouraged, confused or frustrated by

the complexity and the volume of questions. As a result, they never complete the package and drop out of the planning process at an early stage.

- More diligent and better organized clients bring the completed forms into the bank branch and have a brief conversation with the advisor. The advisor sends the client home and forwards the forms to the back office.
- Behind the scenes, a back-office CFP takes a couple of weeks to muddle through data entry and compile the first version of the financial plan. The output of the planning process is an unwieldy 100+ page binder full of charts, legalese and fine print that no one will ever read cover to cover.
- Nearly a month from the time the client had initially expressed an interest in financial planning, the advisor is finally ready to present the plan. If the client wants to change a goal or an assumption during the meeting, the plan must be sent to the back office for revisions.

This financial planning process is clearly broken. It takes too long and advisors miss countless opportunities to truly connect and collaborate with clients. Clients lose interest and motivation and drop out of the planning process, even though it has the power to vastly improve their financial outcomes.

Finally, the output of the planning session is voluminous and too technical. Most advisors would confide that their clients keep perhaps 1-2 pages out of a boilerplate binder that's thick enough to rival an encyclopedia volume.

Our verdict? Too much paper and time, not enough connection and collaboration.

What can an independent advisor do to fix it?

The bad news is that the big boys are staffing up their back offices and adding more planning offerings to better compete against RIA's. On the other hand, they are failing in their attempt to reach *all* of their clients. Independent advisors can capitalize on this and beat their bigger competitors at their own game.

Here is the blueprint for success:

- **Step One:** Move financial planning process out of the back office and into the front office. Compiling plan binders in the back office with the help of

several CFPs that never get to see the client just does not work. Not only does it block the client from playing an active role in the process, it's too expensive and too slow.

- **Step Two:** The true value of planning shines when the advisor can sit down with the client and facilitate a direct conversation about goals, values and resources. Firms should aim to create a partnership experience where the client is an integral part and an active contributor to the planning process.
- **Step Three:** Take a critical look at your financial planning software. It's time to transition from a glorified calculator to a platform that can power dynamic ongoing conversations about goals and resources. Choose the tool that allows for easy adjustment of inputs and generates immediate output for scenario analysis. Finally, beautiful and easy to follow data visualization is a must. If your reports and recommendations can only be understood by a CFP, you need a software upgrade.

Tapping into the true value of a financial plan

The highest value of a financial planner is not in the ability to do complex math or understand technical subtleties of mortgage amortization and cash projections. It's in the ability to facilitate a deep conversation, create better outcomes, keep clients engaged and accountable and, most importantly, get clients to take action. The best plan in the world has little value if it's left to gather dust on a shelf!

Furthermore, a financial plan can be the advisor's path to that differentiated value offering. Assets uncovered during the financial planning process and held at other institutions are immediate candidates for rollover to an advisor's firm. Simply acting on the plan recommendations can help advisors increase profitability, while also providing greater value to their clients.

See how Orion's financial planning software can help you create actionable plans that support your clients' goals. Contact us to see a demo of Orion Planning!

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