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Creating Value by Meeting Client Planning Needs

from Foundational to Complex

INTRODUCTION

As the shift from product to planning continues, many financial professionals see the value in adopting a planning-driven model.
While 64 percent of advisors agree that client demand for planning is growing,[1] many wonder how to effectively accommodate this model. To meet the growing demand for financial planning, advisors will need to serve their varying clients' needs by streamlining their planning process.

In our previous whitepaper, *From Selling Products to Delivering Financial Advice: The Role of Technology in the Shift to Holistic Financial Planning*, we discussed how a planning-based model supported by a well-integrated tech stack can help advisors and firms successfully transform their businesses. This whitepaper will provide firms of all sizes with actionable steps that can differentiate their offerings, attract new prospects, and retain existing clients by adopting a planning-led approach supported by the right technology.

Creating a New Source of Value

Planning is emerging as the main source of value for financial advisors. Today's technology landscape is quickly commoditizing many of the activities that once constituted advisors' core value propositions. As technology simplifies routine investment tasks, advisors will be able to focus on customizing their service to their clients' financial goals. not currently under management to offering comparable products, or charging for assets held away. In order to retain clients, they will need to forge stronger long-term relationships by delivering personalized experiences that go beyond just annual meetings and quarterly reports. As part of their customer-acquisition strategy, today's advisors are introducing the concept of financial planning earlier in their conversations with prospects.

About 60 percent of advisors agree that their financial planning process differentiates their practices from others.[1]

With
55%
of client households
valuing an advisor who takes the time to understand their needs, goals, and risk tolerances,[2] the demand for personalized, dynamic plans that help clients prepare for every life stage is prevalent.

In fact, by 2022,
50%
of investors
will consider the ability to provide holistic goal planning as one of the most important criterion for selecting a wealth advisor.[3]

Yet, 43 percent of advisors state that they are unprepared to provide clients with goal planning advice.[3] Advisors and enterprises who embrace this change can help clients not only manage their cash flow, but also achieve their goals, peace of mind, and financial fulfillment. In doing so, they position themselves to increase their compensation, as firms that provide financial planning services have 40 percent higher assets under management. At the same time, they should be able to deepen client satisfaction—investors with a financial plan grew their assets 110 percent more than those who did not.[4]

What Financial Planning Means to Clients

As Baby Boomers retire, and Millennials enter the marketplace, planning needs continue to grow. The opportunity has never been greater—58 percent of households state that they are willing to pay for advice. [5]

For many clients, financial planning is a strategy for achieving both short- and long-term goals. When surveyed, high-net-worth investors equated financial wellness with having the “freedom to enjoy life.” Younger households are more likely to associate financial wellness with “getting household debt under control” and “job security.”[5]

The needs of younger investors are complicated—69 percent of Millennials carry an average of $40,000 in consumer debt, including student loans.[6] They tend to invest like someone twice their age—cautious, conservative, and risk-averse. Beyond that, 62 percent of Gen X/Y investors say they would like their financial advisor to provide comprehensive planning services that include tax planning and estate planning.[7] Baby Boomers are living longer, and their savings need to fund a retirement that could last 20 to 30 years or more and factor in rising health care costs, taxes, and inflation. Eighty-five percent of Boomers state that it is important or extremely important to have another source of dependable income besides Social Security; however, 44 percent do not know which investment is best suited to provide such income.[8]

Adapt & Evolve

In light of these unique needs, it’s clear that advisors and enterprises need to adopt a more holistic approach that leads with planning. As planning tools evolve, advisors have a tremendous opportunity to not only educate clients, but to address their top concerns. One-off, needs-based conversations are quickly giving way to a more comprehensive, transparent planning process that ignites deeper conversations about clients’ goals for finances and beyond.

Planning Across The Spectrum

In addition to the generational cohorts, including Millennials, Gen X, and Baby Boomers, advisors need to consider the planning needs of clients across a range of financial situations. Planning can help address the needs of almost every type of client, from those who are building wealth to those who are transitioning it. Traditionally, planning was considered valuable only to investors with complex finances, but in reality, many different types of clients can realize value from financial planning.

Financial advisors typically initiate the planning process for half of high-net-worth investors compared to only 34 percent of the mass affluent segment.[5] However, 40 percent of advisors have a mass-affluent core market of clients with investable assets between $500,000 and $2 million[1]. This client segment has real planning needs--they are just simpler than those of clients with more complex financial situations. To ensure profitability, advisors will need to balance the number of clients they can serve with the complexity of their planning needs. To help with this, firms will need solutions that are flexible, scalable, and can meet a broad range of client needs.

Advisors need to be able to serve each segment of the spectrum across the client life cycle. Plans will need to adapt over time, no matter where clients are in the financial life cycle. As clients' needs evolve and their situations become more complex, their financial plans should grow with them.

Implementing a Process

The Certified Financial Planner™ (CFP®) Board of Standards, Inc. defines financial planning as "the process of determining whether and how an individual can meet life goals through the proper management of financial resources. Financial planning integrates the financial planning process with the financial planning subject areas."

There are six steps to the financial planning process:

1
Establishing and defining the client-planner relationship

2
Gathering client data including goals

3
Analyzing and evaluating the client's current financial status

4
Developing and presenting recommendations and/or alternatives

5
Implementing the recommendations

6
Monitoring the recommendations

Implementing this process requires making meaningful changes to the ways in which advisors engage with clients and prospects. It fosters more meaningful conversations that are aligned with their personal life goals instead of portfolio performance. Success is measured against investor goals and not benchmarks alone. This should help give clients the perspectives they need to stay the course during volatile times and reduce irrational investment decisions that hinder their long-term goals.

Rather than just shifting how an advisor talks about the process, financial planning should have meaningful implications for managing client relationships to improve the probability of achieving goals. Early in the relationship, advisors will need to have clients articulate their goals clearly and fully. This will help put advisors in a stronger position to demonstrate their value and to show clients whether they are still on track to reach their goals.

It All Starts With a Plan

1 Discover

The first and most important step in the process is to understand the clients' short- and long-term life goals. The discovery phase is intended to reveal how specific goals fit into the greater picture of their lives by organizing them by time-frame and priority.

2 Assess

Based on the information presented during the discovery phase, advisors can understand what needs to be done to achieve each goal. This phase is intended to provide context around the client's time horizon and risk tolerance.

3 Evaluate

Clients are presented with various scenarios to show how they can achieve their current and future goals. With the help of the advisor, clients can then determine which option best suits their needs.

4 Implement

Once the financial plan has been established, the implementation phase turns that plan into reality. The components of the plan are created to ensure that it aligns with the clients' goals.

5 Monitor

The final step: Continuously track progress toward goals and adjust the plan, as needed, based on life changes.

Leveraging Technology Throughout the Planning Process

To adopt a planning-led approach, firms will need to evaluate their current technology stacks to ensure they have the right tools for the job—those that are both scalable and comprehensive.

In their attempts to meet clients' varying needs, many firms have added technology system after technology system to their offering. This has increased complexity and costs, and impacted service as advisors struggle to understand and apply the technologies. In fact, 68 percent of wealth managers state that learning about, and keeping up with, new technology is their number one challenge.[9]

The top reasons why firms have implemented multiple systems include[10]:

- no single financial planning tool supports planning from simple to comprehensive,
- a variety of tools are needed to address all aspects of the plan, and
- the mismatch between many tools' capabilities and user experiences—a high degree of capability and a poor user experience, or a low degree of capability and a very good user experience.

These findings reveal that financial planning tools must be flexible, scalable, and able to meet a broad range of client needs—all while providing:

- an intuitive and efficient process for firms, and
- interactive, engaging experiences for clients.

By utilizing the right technology in their practices, firms can deliver more financial plans to more clients.

However, the tendency to focus on individual applications that have a specific function, rather than thinking about how the whole system operates together, can prevent advisors from getting the most value from their tech capabilities.

When evaluating a financial planning technology stack, it's important to consider the following criteria:

- Do you have the ability to prioritize goals and easily model strategies for reaching them?
- Can you easily show your clients the impact that decisions will have on their financial plans?
- Are you able to automatically monitor and track changes in your clients' financial needs?
- Are you able to easily gather relevant analytics to demonstrate success?
- Do you have established, repeatable processes for your planning-based business?
- Do you have the tools to easily create and update financial plans?

A well-integrated tech stack is key for advisors interested in transforming their businesses from a product- to a planning-based model. This will enable those who may not have had the bandwidth or functional expertise to create even basic financial plans, to now create detailed plans quickly and at scale.

Conclusion

As client demand for planning increases, and advisors and enterprises look for ways to differentiate their value, the shift to a planning-led service can improve the client experience, increase profitability, and differentiate the firm from the competition.

Technology solutions that can accelerate the planning process are emerging and broaden the appeal of financial planning among prospects with a variety of needs. By utilizing a comprehensive, streamlined, and scalable planning solution, firms can improve the client-advisor experience by increasing efficiencies to ensure that advisors focus on serving clients and attracting prospects.

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