

# Unlocking the Value of Financial Planning



# A New Perspective on the Value of Planning

Financial planning has real, tangible value. Yet communicating that value as the planning process becomes more complex and personalized can be a daunting task.

From the first CERTIFIED FINANCIAL PLANNER™ exam in 1972, to the 1990s when the world went online, to the 2000s when financial planning software began to dominate, it's easy to connect the dots looking back on the evolution of advice. As the nature of financial planning evolves, so too does the software that empowers financial planners to serve their clients. As a result, we're entering what industry experts have deemed the "Beyond the Plan" era, with technology, financial psychology and personalized service helping advisors enhance their value.

This is a guide to talking about the value a financial planner represents in this newest evolution of advice. Having a strong value proposition is critical; a recent Cerulli study shows that 28 percent of unadvised consumers perceive working with an advisor as "too expensive," which often indicates a messaging disconnect.<sup>1</sup>

Drawing on the latest research, we explore different advisor personas and how you can shape the narrative, whether you're an advocate for planning within your organization or communicating directly with clients and prospects.

<sup>1</sup>The Cerulli Edge. "U.S. Advisor Edition," January 2024.

**66%** of firms classified as "Innovators" say financial planning technology delivers the highest ROI of all the tools in their tech stack.<sup>3</sup>



## Financial Planning, Defined

*The process of establishing financial goals and managing resources in ways that are expected to promote health.<sup>2</sup>*

Source: "Developing a Holistic Theory of Financial Planning" by Stuart J. Heckman, PhD, CFP® and Timothy M. Todd, PhD, J.D.

# From Advisor Alpha to the Value of Financial Planning Index






## A Summary of Value-defining Research

*Quantitative studies estimate that professional financial advice can add 3 percent to 4 percent to portfolio returns over the long term. However, the value of financial planning extends well beyond returns, and qualitative studies attempt to measure these aspects.*

### QUANTITATIVE VALUE

## Advisor Alpha

Vanguard's 2022 Putting a Value on Your Value: Quantifying Vanguard Advisor's Alpha concludes that "advisors can potentially add up to, or even exceed, 3 percent in net returns" on an annual basis. The major contributing factors identified are:

-  behavioral coaching (up to 2 percent)
-  spending strategy (up to 1.2 percent)
-  asset location (up to 60 basis points)
-  cost-effective implementation (30 basis points)
-  rebalancing (14 basis points)





When combined with other ways advisors add value, the report concludes that the effect is likely to exceed 3 percent of annual additional gains, net of fees.

The Vanguard study compares expected impact of advisor practices to a hypothetical base case scenario. Aside from rebalancing and cost-effective implementation, the majority of the advisor alpha is derived from sources outside of portfolio management, according to this study.



## Value of an Advisor

Russell Investments' 2023 Value of an Advisor study asserts that "the value of an advisor in the U.S. is approximately 5.12 percent" on an annual basis. The contributing factors are:

-  behavioral coaching (2.54 percent)
-  customization and family wealth planning (1.14 percent)
-  tax-smart planning and investing (1.17 percent)
-  rebalancing (.27 percent)

In this study, the researchers sought to identify the absolute value of a set of services. To compare with the Vanguard study on even footing, subtracting a general fee basis of 1 percent results in 4.12 percent alpha per year.

Again, rebalancing plays a small role, but this study points to planning and behavioral coaching as the most valuable offerings.

**“Wealth firms should never lose sight of the enormous potential to do more with data. APIs and AI are closely linked. ... The key is collecting the right (clean) data and organizing it.”**

— 2023 Wealth Managers' Engagement with AI: A Deeper Dive, Datos Insights

**“About 86 percent of advisors and 94 percent of CFP® professionals say personalization is critical in wealth planning. We're working with enterprise partners to unlock the game-changing value of personalization through APIs. Surfacing real-time data within their client portal allows these organizations to deliver custom financial insights at scale.”**

**Tom Sullivan**

Head of Product, eMoney

[Read more of Tom's insights](#) 


Source: eMoney Evolution of Advice Research, July 2022, Advisors n=300.




## QUALITATIVE VALUE

# Value of Financial Planning Index™

The Financial Planning Standards Board published its Value of Financial Planning Index™ in 2023. It compares unadvised consumers, advised consumers, and consumers advised by a CFP® professional. Three of the main benefits of financial planning that it highlights are:

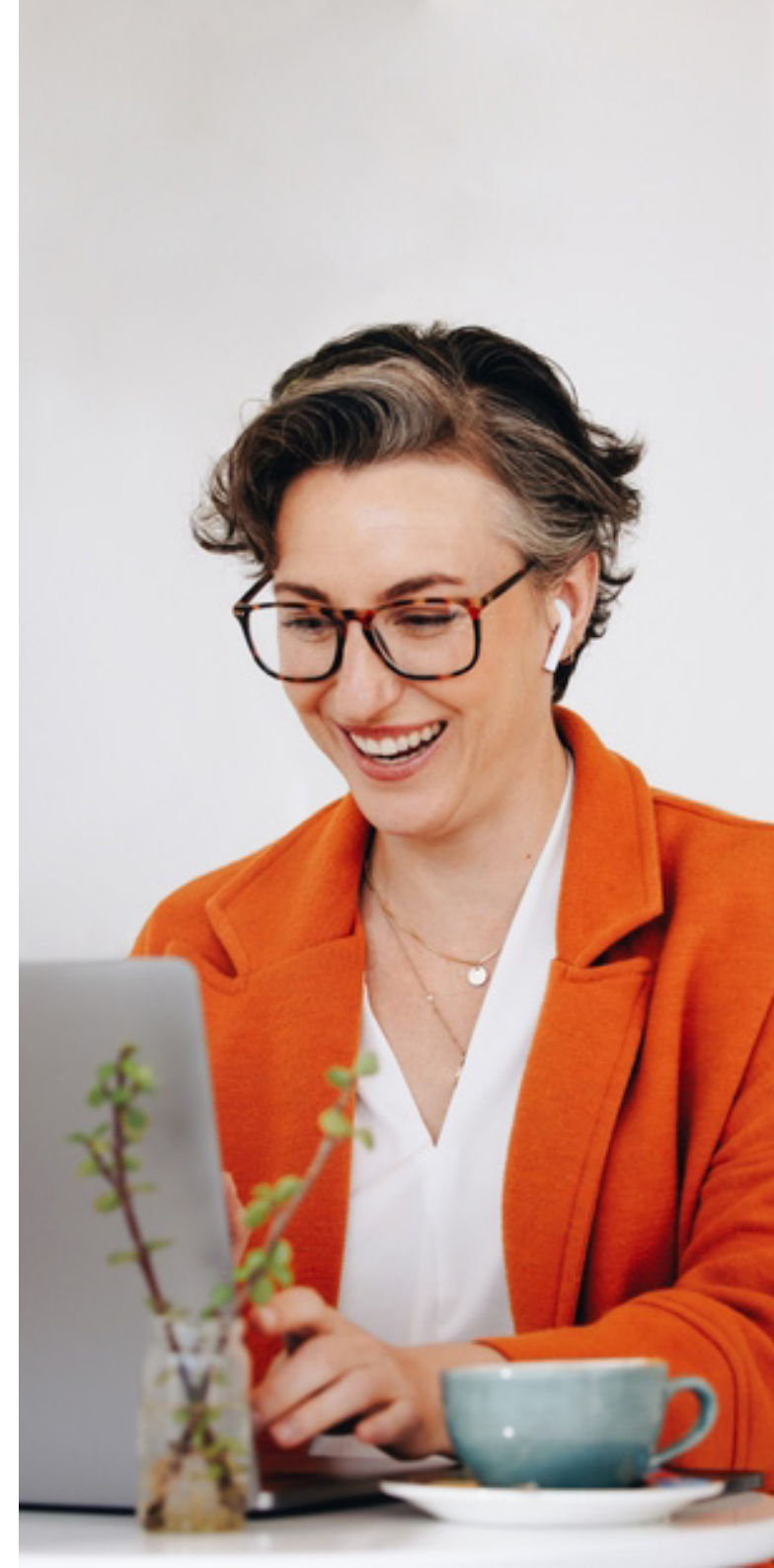
 **Higher quality of life**  
(73 percent of CFP® advised, 69 percent other advised, 66 percent unadvised)

 **Financial confidence**  
(71 percent of CFP® advised, 65 percent other advised, 60 percent unadvised)

 **Financial satisfaction**  
(72 percent of CFP® advised, 66 percent other advised, 59 percent unadvised)

The study's findings are parallel to eMoney research conducted on consumers' financial planning needs.<sup>8</sup>


- 93 percent of advice seekers said “feeling more at ease / peace of mind” is a top benefit they desire from financial planning, which aligns with the “higher quality of life” outcome.
- 93 percent of advice seekers said “feeling confident in financial decisions” is a top benefit they desire from financial planning, which aligns with the “financial confidence” outcome.




# eMoney Research

Our 2023 Beyond the Plan research set out to determine the value advisors can deliver outside the actual financial plan, surveying both advisors and investors.

Researchers wanted to understand how the application (or absence) of financial psychology and technology, especially a client portal, impact financial planning outcomes for end-clients. The study uncovered key “value drivers,” as defined in Bain’s Elements of Value® B2C research. A few of these key value drivers include:

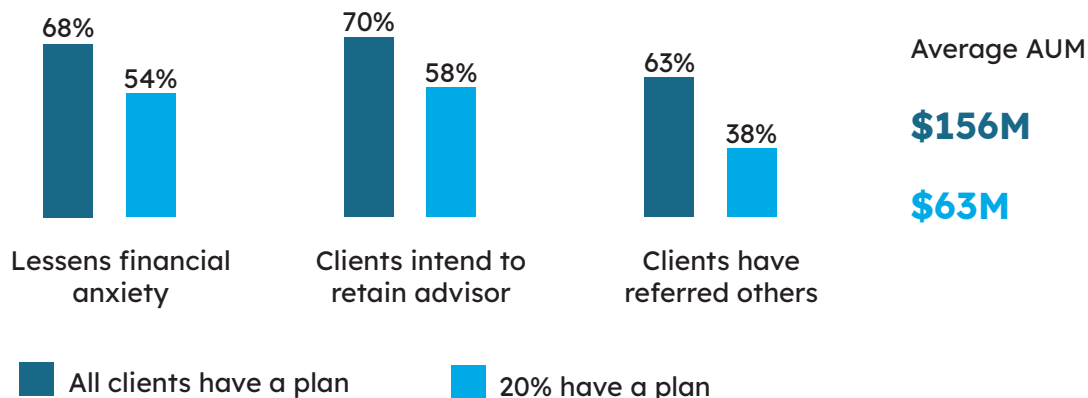
 Lessens financial anxiety (61 percent of those with tech-forward advisors, versus 38 percent of tech-averse advisors’ clients) – maps to “reduces anxiety,” an emotional benefit

 Truly “gets” me (64 percent with tech-forward advisors versus 37 percent with tech-averse advisors) – maps to “affiliation/belonging,” a life-changing benefit

 Motivates me (67 percent of those with tech-forward advisors versus 31 percent of tech-averse advisors’ clients) – maps to “motivation,” a life-changing benefit

## The Impact of Embracing Financial Planning

Key outcomes for practices where all clients have a financial plan, versus ones where only 20% do



**“Our research shows that truly embracing technology in how you connect with and motivate clients can be impactful. You have the power to illustrate what clients are really after: legacy, purpose, achieving goals, and gaining peace of mind.”**

**Susan McKenna**  
eMoney CEO



## Communicating Planning's Value: 3 Personas

There's more than meets the eye when you begin to behold the value of financial planning. When you add on the nuances of each individual advisor's strengths, the messaging can get complex.

To simplify, we've identified three personas that can serve as frameworks for communicating the value you bring as a financial planner in a clear and concise way: the mechanic, the doctor, and the personal trainer. As you read, you may find your practice closely follows one or uses a mix of these. On the following pages, we explore these value messaging frameworks in depth. These are based in part on Bain & Company's "The Elements of Value," though adapted here for financial planners and inspired by our own field research.

**“Value is defined through your clients’ eyes. Firms thrive when focusing on the client experience from their clients’ point of view.”**

— 2023 RIA Benchmarking Study, Charles Schwab



PERSONA #1

## The Mechanic: Value of Time and Hassle Saved

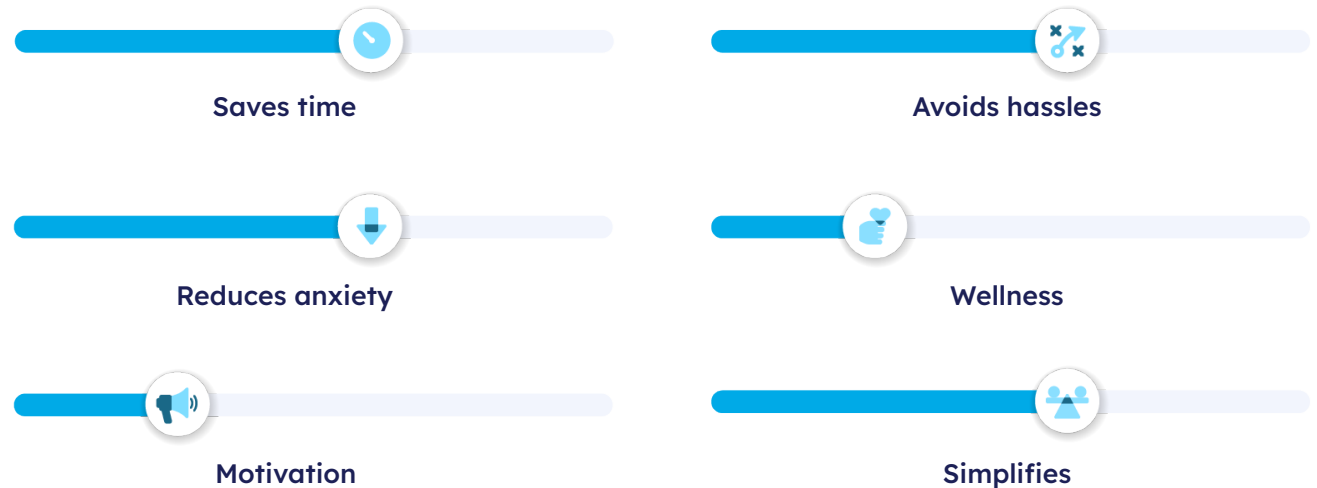


A driver could change their own engine oil if they have the time and materials and don't mind getting their hands dirty. But a mechanic is doing more than you might realize when they perform routine maintenance, such as checking all the other vehicle fluids and making sure your tire pressure is correct. Do you trust yourself to do the job as well as a professional? It's worth it to know that if something goes wrong, an expert will be there to help.

The investor who's looking for an advisor with the Mechanic persona wants functional needs met. Saving time and hassle, and simplifying finances have the largest appeal. For example, a retired couple with a confusing array of accounts with required minimum distributions may seek out this advisor to streamline through a consolidation strategy.

They're likely to find value in a client portal with account aggregation, as well as financial planning technology that helps guide decision-making. The consumer this persona speaks to is likely to have a less complex financial situation, and therefore their expectations for the client-advisor relationship are pragmatic and straightforward.

### Value Drivers





PERSONA #2

# The Doctor: Value of Wellness and Expert Guidance



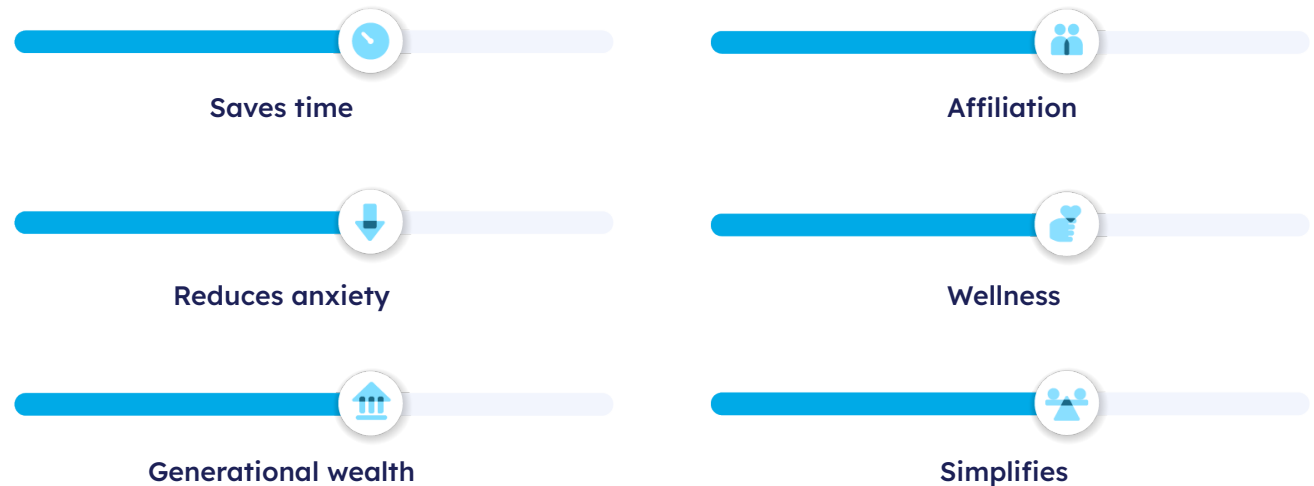
You could feel perfectly fine, then visit the doctor for a checkup and discover you've developed a chronic illness. There's always a possibility that you're unknowingly doing something to negatively impact your health. That's why people get checked out regularly by a medical professional: their deep knowledge provides a sense of security, someone who can see the big picture and provide advice on how to improve well-being, coordinating with other specialists when needed. Their expertise is hard-earned and establishes credibility.

The investor who's looking for an advisor with the Doctor persona has financial complexity that necessitates a higher level of expertise. They're seeking someone who can pull together a network of specialists, such as an attorney and a CPA, to help with everything from estate planning to tax-efficient strategies. This investor would appreciate a planning platform that enables trusted professionals to work in coordination with their advisor.

A secure vault for storing estate plans and other important documents is vital for this client. They'll also need a collaborative financial planning platform that can simplify the complex financial decisions they need to make, including wealth transfer. A client portal with account aggregation can become an important touchstone as this investor strives toward longer-term goals.

While meeting functional needs is foundational, most of the value is derived from having an advisor who deeply understands your financial life and fosters a sense of financial well-being. This type of advisor helps clients use money as a tool to enhance their lives today and leave a legacy for tomorrow.

## Value Drivers



## The Personal Trainer: The Value of Motivation



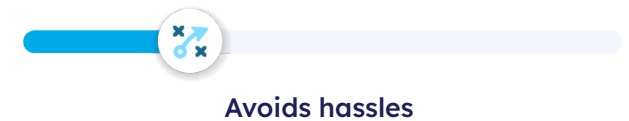
It's one thing to know the benefits of exercise; it's another thing to overcome any personal obstacles to obtain those benefits by exercising regularly. A personal trainer provides motivation and accountability, first and foremost. They also offer educated guidance on which strategies will have the greatest impact on well-being, helping you set and achieve goals.

The investor who's looking for an advisor with the Personal Trainer persona is seeking an approach that leans heavily on behavioral finance and financial psychology. For example, a high earner with graduate school debt may seek out this advisor for help in getting organized and deciding how to tackle loan obligations.

Technology is an essential tool for this investor, with quick access to a client portal that acts as a financial dashboard becoming a key motivator. The portal also helps with financial organization. A collaborative planning tool can help this client identify and work toward goals, testing out trade-offs in financial decision-making.

Motivation is a key value driver for this investor. They know they need support and guidance to set and pursue goals, and they are looking to a professional to provide that. Their ultimate goal is to achieve financial well-being.

### Value Drivers



# Beyond the Plan: Value Unlocked

The evolution of financial planning has reached a pivotal point—the “Beyond the Plan” era. Gone are the days of one-size-fits-all portfolios and static financial plans. Now, financial planners are thriving by embracing technology, applying financial psychology, and delivering on the promise of personalization.

Understanding the value of this newest form of financial planning is one thing. It’s another to communicate it to prospects and clients in a way that makes an emotional connection and speaks to the type of financial advice they want.

In service of this mission, we’ve explored the multifaceted value of financial planning, diving into both quantitative and qualitative measures. We’ve seen how advisors can add significant alpha, improve financial well-being, and foster emotional benefits like reduced anxiety and increased motivation. We’ve also offered value-based stories that can vividly illustrate how an advisor’s process benefits the client. Knowing the enduring drivers of value behind those stories, you can speak to the needs of clients and focus on what outcomes they perceive as impactful.

Ultimately, unlocking the value of financial planning hinges on embracing the “Beyond the Plan” approach. Leverage technology, invest in understanding your clients’ emotional drivers, and personalize your services to deliver transformative outcomes. By doing so, you’ll not only be a financial guide, but a trusted partner in their journey towards a more secure and fulfilling future.

**Ready to unlock the value of financial planning? See how eMoney can help take your client experience to the next level.**

**Learn More** 

## Sources:

<sup>1</sup> The Cerulli Edge. “U.S. Advisor Edition,” January 2024.

<sup>2</sup> Heckman, Stuart J., and Timothy M. Todd. “Developing a Holistic Theory of Financial Planning,” October 2023.

<sup>3</sup> WealthStack and Wealth Management IQ. “2023 WealthStack Study,” November 2023.

<sup>4</sup> Vanguard. “Putting a Value on Your Value: Quantifying Advisor’s Alpha,” August 2022.

<sup>5</sup> Russell Investments. “Value of an Advisor,” May 2023.

<sup>6</sup> eMoney Evolution of Advice Research, July 2022, Advisors n=300.

<sup>7</sup> Financial Planning Standards Board. “FPSB Value of Financial Planning,” September 2023.

<sup>8</sup> eMoney 88 Million Consumer Research Study, April 2022, n=1,616.

<sup>9</sup> eMoney Beyond the Plan Research Study, June 2023, n=1,507.

<sup>10</sup> Bain & Company Inc. “The Elements of Value,” September 2016.

<sup>11</sup> Charles Schwab. “2023 RIA Benchmarking Study,” July 2023.

