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Practice Management

Establishing Clear Client Metrics

By Julie Littlechild

Julie Littlechild is the President of Advisor Impact, a firm that provides a client feedback program for advisors (Client Audit) and on-going adviser and investor research to the industry.

Reprinted with permission by the Financial Planning Association Journal of Financial Planning, September 2008

In recent years, advisers have increasingly come to realize the value of disciplined financial management and tracking. As a result, they tend to have more and better management information on key metrics such as growth and profitability. While clearly important, these metrics are, by their nature, focused on the past; they are lagging indicators of success. In order to take a more forward-looking approach, we believe that advisers need to add a new set of metrics, those that reflect satisfaction, loyalty, and commitment. And the only true source of data for these metrics is clients themselves. Client feedback can be a leading indicator of success.

In January 2008, Advisor Impact gathered input from 1,000 investors as part of its Economics of Loyalty study. The study was exclusively sponsored by Vanguard and sought to understand the differences between clients who are satisfied but otherwise passive and those who are satisfied but actively engaged in the relationship doing more business, bringing all or most of their assets to the table, and providing referrals. Specifically, the study was conducted via online survey and the sample was constructed to include investors who met the following criteria:

- 18 years of age or older
- Work with a financial adviser
- Contribute to, or make, the financial decisions in the household
- Geographically representative
- Meet specific asset criteria (described below)

Exhibit 1: Respondent Investable Asset Levels

Total investable assets	Percentage of respondents
\$50,000-\$99,000	10%
\$100,000-\$499,000	30%
\$500,000-\$999,000	25%
\$1,000,000-\$4,999,000	25%
\$5,000,000+	10%

In eliminating potential respondents who did not match the criteria, we uncovered an interesting fact. Almost half of individuals contacted said they did not work with a financial adviser. This changed based on assets; 37 percent of clients with \$1- \$4.9 million said they did not work with a financial adviser and 29 percent of those with \$5 million or more said they did not work with a financial adviser.

Among the high-level findings of the study are the following:¹

- Client loyalty and client satisfaction are poor indicators of the quality of client relationships.
- When we move clients from merely satisfied to actively engaged, they demonstrably affect profitability because they provide more referrals, do more business, and bring their families into the relationship.



- The actively engaged client is, therefore, the new standard for client relationships, and advisers can structure service to move clients to a higher level of client commitment. See Exhibit 2.
- Achieving an engaged relationship is not enough to guarantee referrals; advisers need to intervene to create the right circumstances to help clients spot a good referral opportunity.

These findings suggest that all satisfied clients are not created equal. In fact, the study identified four distinct client clusters, each of which represents a different

Exhibit 2: Client Commitment Categories

The Cluster	Percentage of Samples	Satisfactory rating out of ten
Disgruntled Clients	17%	6.1
Complacent Clients	19%	7.9
Content Clients	31%	8.6
Engaged Clients	33%	8.8

level of client commitment. Client commitment, we suggest, is different from either client satisfaction or client loyalty; it represents a deeper relationship which results in not only a more satisfied client, but in additional business for the adviser.

Generally speaking, the most satisfied clients tend to say their adviser:

- Plays a coordinating role across all of their professional advisers, or acts as a quarterback
- Manages a high percentage of their investable assets
- Works to manage their wealth as a family, rather than working separately with different family members (for example, children or parents)
- Asks for feedback about his or her services
- Writes a financial plan and reviews it annually
- Provides a broader range of services, including estate planning, tax planning, planning for income needs in retirement, and comprehensive financial planning.

While satisfaction and loyalty are generally correlated, the correlation is far from perfect, which means that there is a difference between a client who is satisfied and one who is loyal. Many clients who are little more than neutral about the relationship are, in fact, loyal.

- Eighty-three percent of clients (including those who were classified as complacent) say they have

never thought of leaving their advisers. Only the disgruntled would define themselves as *not* being loyal. The complacent, content, and engaged all say that they have not considered moving to another adviser.

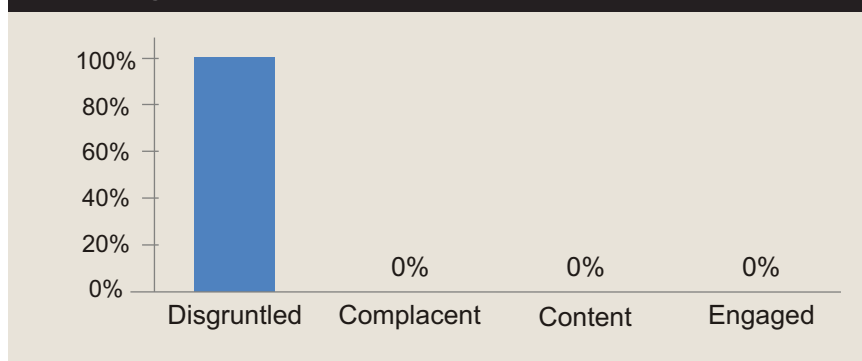
- In general, older clients are more loyal, with fewer indicating that they have thought of switching to another adviser.

Of course, what matters most for an individual adviser is what his or her clients need, want, and expect, rather than the satisfaction level of the average advisory client. As a result, while advisers can use the results of this study to understand overall trends, the need for a disciplined process to gather and use feedback to establish and track firm-level benchmarks is clear. The question is, how can individual advisers measure the quality of their client relationships or client experiences?

As part of the study, Advisor Impact assessed a number of different aspects of service, ranging from the quality of the plan to confidence in the adviser's team. Regression analysis found that these specific aspects of service account for about 60 percent of total satisfaction. The balance is likely made up of factors that are unique to the client or to the adviser and could include anything from the location of the office to the quality of the coffee they serve.

The reality is that clients tend not to think in terms of specific elements of service when they evaluate the quality of the advisory relationship or their level of

Exhibit 3: Percentage of Respondents Who Have Thought of Leaving Adviser



satisfaction. To simplify the process and make the data more relevant for individual advisers, we put those service dimensions into three different "buckets" to create three key indices. The results

were helpful in understanding some of the differences between the content and engaged clients.

- The *Service Index* comprises the aspects of service that speak to the way the offer is delivered to a client, including responsiveness, contact levels, and confidence in the team.
- The *Offer Index* comprises the aspects of service that communicate the scope or quality of the underlying offer, including the range of services or investment performance.
- The *Relationship Index* comprises those aspects of the service that are more intangible and reflects how the adviser is perceived and how he or she communicates, including the trust and depth of the relationship.

We then looked at the average satisfaction rating for



all components of each index. It is clear from the results that disgruntled clients are generally unhappy with all aspects of the relationship, or perhaps that there is a negative halo effect. Of more interest are the differences between the other three segments. The data suggests that the components of the service index are what sets satisfied clients apart from complacent clients. More importantly, it suggests that the scope and relevance of the offer and the depth of the relationship are what set engaged clients apart from content clients. While the differences are not large, they are statistically significant and only appear when comparing client clusters (the key to explain profitability); there were no real differences when we used wealth, age, region, etc., to cut the data.

The reality is that most clients want the same core things from their adviser, irrespective of circumstance, assets, or other defining factors. Clients rated the following at the top of the list with respect to what was important to them:

- Trustworthiness
- Reliability
- Accuracy (in handling account)
- Responsiveness (in returning calls and e-mails)

It is interesting to note that the most engaged clients attach greater importance to two things: the strength of the personal relationship and the extent to which they are treated with respect. Among high net worth clients (those with \$5 million or more in total investable assets), the importance of the personal relationship goes even higher, with 48 percent rating it as critical.

The Offer

Trust and accuracy are fundamental in the relationship, a strong service delivery platform supports real satisfaction with the relationship, but the scope of the offer and depth of the relationship contribute to the adviser's ability to actively engage clients. With the offer, we find that the most engaged clients experience a more holistic service, as highlighted below:

- 1 On average, 51 percent of clients said they had a written financial plan.
- 2 There were no significant differences in responses to most questions asked across age groups, however assets did make a difference. Forty percent of clients with \$100,000 -

\$500,000 had a plan, and 67 percent of those with \$5 million or more had a plan.

- 3 The above still leaves a high percentage of wealthy Americans without a plan. Note also that 41 percent of clients with \$1-\$5 million in investable assets said they did not have a financial plan.
- 4 There is a link between having a written financial plan and satisfaction with the relationship. Engaged clients are more likely to say they have a financial plan, at 64 percent. This drops to about 45 percent, on average, across the other three client groups (content, complacent, and disgruntled).
- 5 Fifty-seven percent of engaged clients say that having a written financial plan is critically important and another 26 percent say it is somewhat important. Further, 69 percent of engaged clients say they are very satisfied that they have a clear plan in place for retirement.
- 6 Many clients recognize that they have planning needs that they have not yet addressed. Twenty-three percent of clients say they may need to address estate planning, 20 percent say they probably need to look at critical illness insurance, and 28 percent agree that long-term care insurance is probably required.

While planning is clearly important, many clients are not able to fully understand what they pay for that advice. Eleven percent of clients say they don't know how their adviser is compensated (for example, fees or percentage of assets) and 27 percent of clients say they don't know how much they paid their adviser in the last 12 months.

Exhibit 4: Percentage of Respondents Who Rate Personal Relationship as Somewhat Important or Critical

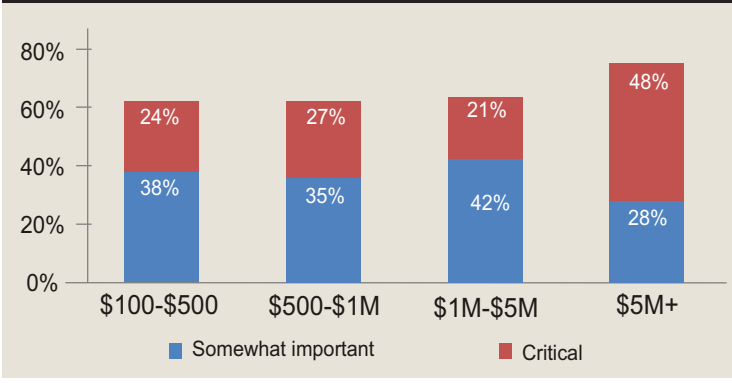
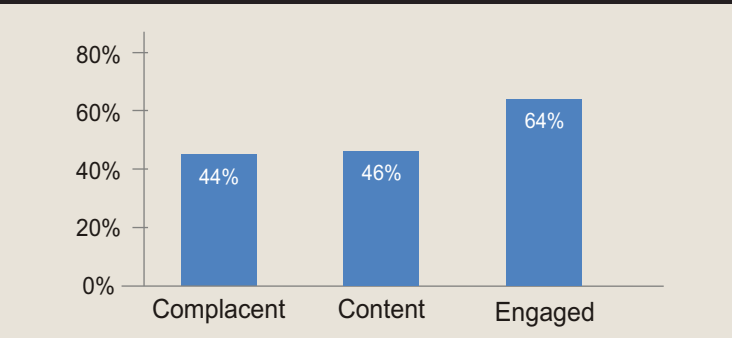


Exhibit 5: Percentage of Respondents With a Financial Plan



The Relationship

It is difficult to assess the quality or depth of a personal relationship, however many engaged clients see this as a critical part of the overall experience. When data is cut by assets, the importance of having a strong personal relationship is even more extreme.

So what does all this mean for advisers who want to track the quality of the client experience? First and foremost, it means that advisers need a disciplined process in place to gather feedback from clients. More specifically, it means that they should include questions which

allow them to examine performance across all three indices, including service delivery, the offer and the



Exhibit 6: Core Metrics for Client Research

Metric	Data points
Satisfaction	Satisfaction with overall relationship and on specific aspects of the service delivery process
Drivers	Important ratings on the aspects of service assessed above
Expectation	Client expectation and preferences regarding the number and format of plan reviews, comfort working with other team members, and the value of different communications (for example, newsletter)
Needs and Opportunities	Interest in specific service opportunities, comfort referring, and share of wallet

relationship. Second, it means that they need not only to gather better information from clients, but analyze that data to help them understand change over time and their performance against the only relevant benchmark client expectations. Exhibit 6 outlines a few of the core metrics that advisers should track.

At the end of the day, satisfaction is a concept that is difficult to understand; it means different things to different people. However, the adviser who can formalize a process to gather, analyze, and use client data more effectively has taken the first step to understanding satisfaction and, perhaps more importantly, to actively engaging clients and improving client profitability.

Endnote

The supporting data and analysis for these high-level findings can be found in the full report, "The Economics of Loyalty" at www.advisorimpact.com.

Asset Minimums and How Planners Get Paid

By Robert J. Powell III

Reprinted with permission by the Financial Planning Association Journal of Financial Planning, Research Spotlight, September 2008.

Rare is the planner who will be in business for an extended period of time if they charge \$1,000 in fees when it costs them \$2,000 to deliver services to a client. In their marketing material, financial planners typically state some sort of a minimum asset level for prospective clients. In some cases, planners use a minimum asset level because they have analyzed their practices and understand what sort of revenues they need to generate in order to deliver services to the client and still make a profit.

Earlier this year, Cerulli Associates (CA) surveyed FPA planners about asset minimums and discovered some interesting things.

Asset Minimum For Financial Planning Services

More than 80 percent of advisers require clients to have at least \$100,000 in investable assets before a financial planning engagement becomes a realistic outcome, and more than 50 percent set the minimum asset level in excess of \$500,000. But differences

emerge when looking at Registered Investment Advisers (RIAs) and financial planners affiliated with a broker-dealer (b-d). In general, financial planners affiliated with b-ds have smaller asset minimum while RIAs have a larger asset minimum. For instance, 46 percent of planners affiliated with a b-d have a minimum asset level of \$250,000 as compared to 36.7 percent for RIAs, a difference of nearly 10 percentage points. And more than six in ten (63.3 percent) RIAs have an asset minimum of \$500,000 or more as compared to 54 percent for planners affiliated with a b-d. (See chart.)

CA believes the key implication is that economic realities require that advisers use their time wisely, and because wealthier clients more often realize significant benefits of advanced planning engagements, generating substantial revenue for the adviser. Creating sustainable models to serve less affluent markets is still a work in progress. Though some hourly fee-only planners have had success, others have found it difficult to sustain their model without additional revenue sources.

Fees B-Ds Charge Advisers for Financial Planning Services

As b-d firms commit resources dedicated to increasing financial planning among their advisers, many are looking for ways to offset the associated personnel and software costs. Though the largest set of respondents (42.1 percent) indicated that they charge no dedicated fee for financial planning activities, any payments for plans are generally added to an adviser's production payout grid, with the b-d retaining a portion of the payment, as they do with commissions and AUM fees. Slightly more than one in five planners (20.2 percent) affiliated with a b-d charged a flat fee per plan.

This suggests that b-d home offices need to balance their desire to increase financial planning activities (to create long-term clients and revenues) with their desire to increase short-term revenues (by collecting explicit financial planning fees). Simply adding



collected planning fees to a standard payout grid may prove a disincentive for some advisers who feel they are not being appropriately compensated for the time and effort they spend on a financial planning engagement.

Client Fees for Financial Planning Services

Despite the varying degrees of complexity involved in planning engagements, a surprisingly high number (37 percent) of advisers use set fees for plans, and a nearly equal amount do not charge for plans at all, instead considering them a value-added

part of their client relationships. More than one-third of planners surveyed (34.9 percent) said the fees are based on such factors as complexity of plan and cross-selling potential of customer.

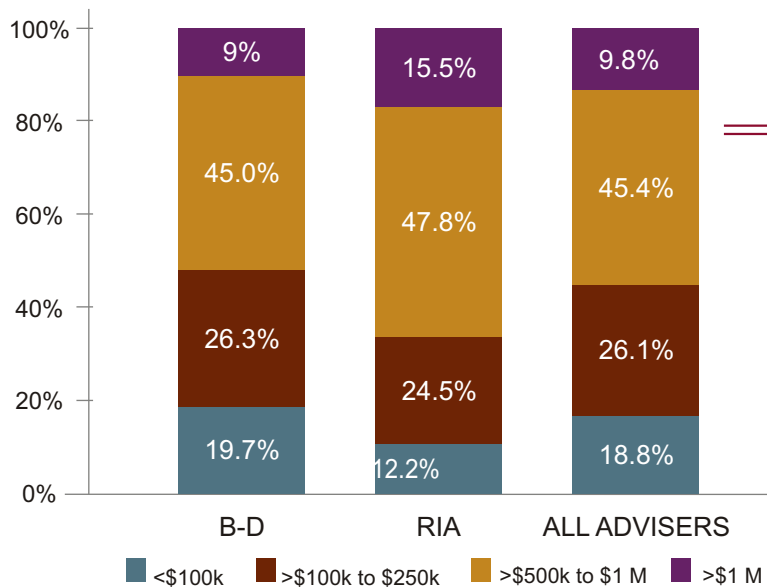
Hourly planning fees are much more frequent in the RIA world, as many advisers specialize in this area and need to match their planning efforts to their specific remuneration. In fact, one in four RIAs (25.3 percent) say fees are based on an hourly rate as compared to 5.9 percent for planners affiliated with a b-d.

So what is the key implication? Clearly, there is no universally accepted industry standard for charging for

financial planning services. Each firm/adviser continues to develop pricing strategies that work within their targeted market. Though fee-only planning is often seen as preferred solution by practitioners, some clients are simply unwilling to engage in a fee-only relationship and will seek out advisers that do not

charge explicit planning fees even if the long-term costs they incur may be larger.

Exhibit 1: Asset Minimums by Adviser Channel



Source: Cerulli Associate, Cerulli Associate-Financial Planning Associate Adviser surveys

Professional Issues Sharpening Your Media Skills

by Ed McCarthy, CFP®

Ed McCarthy, CFP®, is a freelance writer in Pascoag, Rhode Island.

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Financial Planning, November 2008

You developed a plan to introduce yourself to the media and your efforts have paid off: There's an e-mail in your inbox from a reporter with the local paper asking if you're available to comment on a personal finance story. You're excited at the prospect of seeing your name in print, but at the same time you experience a twinge of anxiety because you've never done this before. In fact, you're not quite sure what to expect as you call the reporter.

Getting reporters to contact you is the first step in developing a media presence, but if you don't make the grade as a source, a first contact is likely to be the last from that reporter. You might be thinking, "How difficult can it be to answer a few questions?" It's more difficult than it appears, if this writer's experience over the past 17 years is any indication.



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In an average year, I interview hundreds of sources, and their interview skills range from outstanding to dreadful. Most of my sources are smart, articulate, and extremely informative; talking to these people is the best part of my job. But others, a small minority, are terrible sources and their comments are unusable.

You can learn to give effective interviews, and those skills will increase the likelihood that print and Web reporters will quote you and contact you again. That's also true of radio and television appearances. If you come across as knowledgeable, professional, and approachable, you'll make a good impression on those interviewing you and position yourself as a repeat guest.

Getting Prepped: All Media

When a reporter calls, ask how much time they can give you to prepare for the interview. In some instances, the reporter will be on a tight deadline and it's either do the interview now or pass. You're most likely to encounter this urgency with wire service reporters and newspaper reporters. In other instances, though, you should be able to request some lead time, even if it's just a few hours. By asking the reporter a few questions during the initial contact, you can then use the available time to prep for the interview.

Dave Yeske, CFP®, is a principal with Yeske Buie in San Francisco, California. As a past president of the Financial Planning Association, Yeske has had numerous media interviews. If the reporter can give him prep time, he does an Internet search on the topic to start his background research. "When you Google it, you're at least going to see what the reporter is seeing, because you know that they Googled the topic before they called you," he says. "That allows you to position your comments in the context of what they've already read. You're then going to think in terms of how the financial planning perspective is represented or not represented by the top 15 things on Google."

Online resources also allow you to do background research on the reporter. The first thing that Brad White, the FPA's director of public affairs, does when he's contacted by a reporter whom he doesn't know is learn what he can about the reporter. He tries to find at least two or three stories the reporter has written to determine if he's working with an investigative reporter or a personal finance writer. "I want a sense of whom I'm talking to and their experience level—their level of professionalism," he says. "If I'm talking to a reporter who just won the Pulitzer last year, it's always nice to start out by saying, 'Hey, really nice piece on XYZ.' Immediately you've shown the reporter that you've done your homework and you know what they're talking about."

Don't worry about offending the reporter by asking about their approach to the story. Reporters and sources have symbiotic relationships: each party knowingly uses the other for their respective purposes. The reporter needs a good source and you want to be quoted in the article, so don't hesitate to ask about the following topics.

Intended audience. Who will be reading, hearing, or viewing the story? The intended audience will

influence the content and tone of the information you'll want to convey in your responses. Brigid O'Connor is the owner of At Ease LLC, a Denver, Colorado-based communications training company. She notes that it's important to ascertain the reporter's audience. "If you're talking to the San Diego Business Journal, that's a different slice of life in readership than if you're talking to USA Today," she says. "So it's important to understand who the real audience is and what segment of the community is going to actually read or view this journalist's piece."

Reporter's angle. Is the reporter coming at the story from a particular angle? If so, is he looking for sources to support his case or present a counterpoint? If you disagree with the article's premise, will the reporter consider quoting your point of view? Yeske shares the hypothetical example of a reporter who says initially that his story is about employees borrowing from their 401(k) plans. That's a broad topic, so Yeske would ask for more details. "The reporter might come back and say, 'Well, actually, I'm looking at people who may be in crisis because their mortgage has just stepped up and they're having trouble making the mortgage payments, and the 401(k) is one of their options,'" says Yeske. "The reporter won't always give you that up front. So if you ask what their angle is, if you ask if they have a particular perspective from which they are approaching it or if there's a related question, they will usually open up and tell you."

Other sources who will be interviewed. This information is helpful because it reduces the risk that you'll be repeating what another source says. If the reporter is interviewing another source whose business profile is similar to yours, consider how you can approach the theme from a different angle that will give the audience a different perspective.

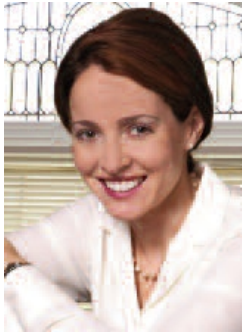
Organize your thoughts. Now that you've interviewed the reporter about his or her approach to the article, it's time to prepare for the interview itself. In most interviews you'll have an opportunity to convey two or three key points and support for those points. Use your prep time to decide what you hope to say and how you want to explain those points. Statistics and colorful, real-life examples that illustrate your points are a great help for the reporter because they help readers relate to the material more easily. Scott Kahan, CFP®, principal with Family Asset Management Corp. in New York City, tries to create a conversational flow in the interview. Although he doesn't try to plan for quotable material, he does plan some of the ideas he hopes to get across.

O'Connor recommends an approach that she calls the "three Ps": Pick the reporter's brain to learn about the topic, develop up to three points you want to convey, and come up with poignant examples and anecdotes to illustrate those points. "Try to come up with ways to make your answers colorful, memorable, so that you're used and quoted and aren't just background and helpful to the reporter," she says. "Reporters reach out to a lot of people to come up with the contour and shape of the piece, but you may not actually be quoted, so being poignant allows for that."

Recognize the limits of your expertise. If you don't



have a genuine grasp of the subject matter, don't try to fake it. For example, assume the reporter is writing about a technical aspect of hedge fund investing. You're familiar with hedge fund basics but not this particular feature, so you use your prep time for some quick online research. That kind of superficial



"It's important to understand who the real audience is and what segment of the community is going to actually read or view this journalist's piece."
—Brigid O'Connor

knowledge can backfire because there's a good chance the reporter will be looking at the same online resources as well as interviewing experts. You can always go for a different take on the topic—how hedge funds fit in the financial plan, for example—but



"There's nothing wrong with saying, 'I don't know the answer to that question'—it's a totally valid answer."
—Brad White

you're better off telling the reporter you're not an expert on a subject before committing to the interview.

If you want to guarantee a disastrous interview, try winging your way through a topic in which you lack expertise. White, who had extensive experience as a journalist before joining FPA, has seen sources create their own problems unnecessarily. "There's nothing wrong with saying, 'I don't know the answer to that question'—it's a totally valid answer," he says.

"I think people get into trouble when they think they should know the answer and they start talking about something where they have little or no information. That's when you dig yourself a hole that you're about to be thrown into."

Calming your nerves. I gave numerous interviews when I worked as a financial planner, and my heart pounded during the first print and television interviews. That reaction diminished with time, though, and I realized that the best antidote for nervousness was a solid understanding of the subject matter and experience with the interview format. If you're concerned that you'll be noticeably anxious, consider hiring a media training coach and start with smaller media outlets. The coach can help you develop your skill and confidence, and working with smaller newspapers and radio or television stations will give you practice in front of smaller audiences.

Getting Prepped: Radio and Television

The previous advice applies to radio and television interviews, although those media differ from print because each show has a unique format: live or recorded, single or multiple guests, and single or multiple hosts. The interaction between hosts and guests also varies. Some hosts allow guests to present in-depth responses while others want sound bites and interrupt the guest if a response goes more than five or six seconds. Hosts also take different stances with guests: some remain neutral, while others work as devil's advocates who see their role as forcing the guest to defend all of his positions. Listen to or watch several shows to learn how the show operates and the treatment you can expect. If you're going into a hostile environment where the host will interrupt and badger you, consider working with a media coach to practice keeping your composure under fire.

Radio and television require attention to additional elements in your presentation. For radio, record a mock interview with a staff member so you can hear how your voice sounds and identify any problematic speech patterns. It's not possible to change your voice in the short term, but you can spot and then avoid problems like speaking faster when you're nervous. You might also be surprised at the number of "ums" and other filler sounds you use when you're not paying attention. Also, remember that radio listeners are often multi-tasking—driving, at work, and so on—and aren't giving the broadcast their full attention, so be ready to explain concepts in easy to understand terms with examples.

Television requires that you look good as well as sound good. Preview the show to see camera angles; if possible, make a video of yourself in a similar setting to see how you look. Dress professionally and avoid flashy colors that might distract viewers; otherwise, viewers might focus on some aspect of your appearance and overlook your name and message. If the show allows you to use visual aids, find out what they need. "Showing" is better than "telling," and a good visual helps hold the audience's attention.

During the Interview: All Media

It's important to prep for an interview, but don't prep to the point where your responses sound rehearsed. Written notes are fine, but scripts can backfire. I can't count the number of sources who read prepared text in response to my questions—I can even hear them turning pages—and their comments are often too stilted and formal to use. If you genuinely know the subject matter, you'll be able to talk in a relaxed manner that's more quotable than prepared text. There's also a risk that the reporter will ignore your scripted responses. Brad White recalls that when he was working for *CBS News*, he would interview an executive who would stick to the script a media trainer had provided. "The executive would proceed to do all the things that their media trainer had told them they should do in getting the issues across, blah, blah, blah, and we'd let them drone on," White recalls. "And then I'd ask the cameraman to change tapes and we'd



start the real interview. We called that first tape the media training tape.”

Cary Carbonaro, CFP®, is the owner of Family Financial Research in New York City. Carbonaro has been interviewed by numerous local media as well as national outlets like the *Today* show. She responds to questions spontaneously and frankly, an approach that works well for her. “I don’t do anything to make myself get quoted,” she says. “I answer the questions they ask; I’m trying to provide the best advice that I

How Not to Prepare for an Interview

I once agreed to be an in-studio guest on a radio talk show. I don’t listen to talk radio, but I did catch a few minutes of the show on the evening before my appearance. The host was congenial with callers and I heard nothing worrisome during the 15 minutes that I listened.

I arrived at the studio and the host’s pleasant manner confirmed my impression that he would be good to work with. Once the “On Air” light came on, though, he morphed into one of the rudest, most obnoxious people I’ve had the misfortune to encounter. If he wasn’t on drugs, he was doing a great impersonation of a guy who had snorted a few lines of something nasty. He wouldn’t let me finish sentences and he attacked every statement I made. I expected him to start drooling before biting me and found myself staring at him with my jaw open in disbelief. It was like getting into an elevator with Dr. Jekyll only to have Mr. Hyde appear when the door closed. The clincher: When the show ended, Dr. Jekyll reemerged and thanked me for doing the show.

The moral of the story: Don’t rely on brief impressions. Listen to or watch several complete shows so you have a clearer understanding of what you’re likely to encounter and can prepare accordingly.



“I don’t do anything to make myself get quoted. I answer the questions they ask; I’m trying to provide the best advice that I would to a client as I would to”
—Cary Carbonaro, CFP®

would to a client as I would to a magazine. I’m not changing my responses to get myself in the magazine or in the paper. Whatever the answer is, it’s going to be the same.”

Dave Yeske takes a similar approach. He recommends answering the reporter’s questions as if you were talking to a client. “They don’t want to hear a stilted, formal answer. They want to hear it in the way

you would express to your clients, because that’s who their ultimate audience is going to be. Pretend you’re writing an e-mail response to your client. You’re going to tend to be casual, you’re going to tend to be relaxed, you’re going to tend to be colorful, and you’re going to tend to simplify things and use images and metaphors.”

The challenge is to give candid, relaxed responses while still focusing intently on the words you’re using. Vulgarity is always inappropriate; I’ve done a few interviews where sources used extremely vulgar language and that gave me serious doubts about their judgment. Be careful about getting too colorful with descriptions, as well. For example, if you describe a situation and say that the parents are concerned that

Seven Ways to Annoy a Reporter

1. Fail to keep the appointment for the interview: We know you’re busy, but don’t agree to be a media source if you’re not going to take the role seriously.
2. Answer your cell phone during the interview: It’s great that your daughter’s soccer team won, but can’t you turn the phone off for ten minutes?
3. Multi-task on your PC during the interview: We hear you typing and playing solitaire.
4. Tell the writer you want to review the article before he submits it to the editor: If you don’t trust the reporter to use your comments accurately and fairly, don’t do the interview.
5. Keep asking the reporter after the interview if the story has run yet: I had one source ask me nine times if the story had been published—one more call and I was getting a restraining order.
6. Ask the reporter to send you a copy of the article after it runs: Most journalists work on numerous stories with multiple sources simultaneously and it’s impossible to fulfill that request.
7. Contact a writer to share your opinion on what was wrong with his story while offering to be a source on a corrected version: This is not a good technique for making friends and influencing people.

their children are “worthless bums,” some people in the audience might find it humorous but others could take offense. Scott Kahan advises taking a deep



“Pretend you’re writing an e-mail response to your client. You’re going to tend to be casual, you’re going to tend to be relaxed, you’re going to tend to be colorful, and you’re going to tend to simplify things and use images and metaphors.”

Dave Yeske, CFP®

breath and slowing down before responding, and if something doesn’t sound right before you say it, try couching it a little differently.



One challenge you might encounter as a media source is being on the record versus off the record. If you want to provide background information to a reporter, ask them to spell out the rules under which you can speak without attribution. Most reporters will go off the record from the time you tell them you want confidentiality until you tell them you're ready to go back on the record. The timing of that request is critical: You can't say something and then ask for it to be off the record. The reporter's job is to get quotable material and that delayed request is unfair and likely to be ignored. Your best strategy is to keep everything on the record and avoid saying anything you might regret later. If you're concerned about misquotes, put the call on speaker-phone and tell the reporter you're recording the interview. (Some states require both parties' consent to recording calls, so check your state's laws on that score.) Recording your interviews won't stop an unscrupulous reporter from misquoting you or using your words out of context, but at least you'll have proof that you can take to the reporter's employer.

Also, don't slip into marketing mode. Some people can't turn off the sales pitch and the urge to promote themselves and their services or products, regardless of the situation. Don't use elevator speeches or try to turn the interview into an infomercial. I encounter this tendency frequently with marketing and sales executives and it results in wasted time. No reporter will use a source's marketing pitch, so focus instead on stating facts that you can support with valid data. Once you've shared the facts, your opinion on those facts' implications will interest the reporter.

Surviving a No-Prep Interview

If the reporter can't give you any lead time, Brigid O'Connor recommends asking if you can have a minute or two to organize your thoughts before the interview starts. She acknowledges that the ensuing silence can create pressure to speak before you're ready, but use that time to jot down the key points you want to convey. "Most people would find, if they had the nerve to ask and the ability to think through the dead air, that they would still be better off than just launching into stream-of-consciousness interviewing, which is dangerous," she says.

No Guarantees

Interviews aren't risk-free. Even if you give a great interview, the writer might not quote you in the article. Yeske estimates that happens to him at least 25 percent of the time, but he says that outcome doesn't bother him because the interviews build good rapport with the reporters and increase the likelihood the reporter will turn to the Financial Planning Association for future sources. There's also a chance that a story

won't run as scheduled. Carbonaro recorded a five-minute segment last year for NBC's *Today* show on financial planning for thirty-somethings.

The segment went well, and six different times it was scheduled to run. Unfortunately, it was bumped off the air each time because of an unexpected economic news event.

In spite of these risks, good interviewing skills increase the odds that reporters will work with you and use your comments for their stories. That means greater exposure for your business and an enhanced perception of your professional status. There's another benefit, too: it's great fun to see your pearls of wisdom in print or to watch yourself do a good job with a television interview.

Becoming Consumers of the Profession We Practice

by Richard S. Kahler, CFP®, ChFC, CCIM

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Executive Summary

- While many financial planners want to establish planning as a profession, few embrace one of the trademarks of professions such as law or medicine: becoming consumers of their own professions' services. This article discusses why few planners are planner-clients, the personal and professional benefits of being a planner-client, and how to select your own planner.
- Planners' reasons for not hiring their own financial planners—questions of trust, fear of being shamed, fear of loss of control, questioning competency or value, cost, and spousal issues—are largely the same as any prospective clients. Even the most common objection from planners—why should I pay someone else to do something I can do myself?—echoes the objection of many prospective clients.
- Yet the personal and professional benefits for engaging one's own planner are many. On the personal side, it helps planners address their own incomplete financial planning issues and blind spots, involves their spouses, enhances their own relationship with money, creates accountability, and develops and refines life aspirations.
- Perhaps most surprising for planners who have become planner-clients are the professional benefits they realize. These include increased understanding of the client experience, deepened ability to communicate the value of financial planning, experiencing another planner's

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processes, and creating new ideas for one's own practice.

- Selecting a planner should entail more than simply choosing a colleague the planner has known and trusted for years. Interview at least three planners and discuss investment philosophies, agree how to manage investments and implementation, discuss concerns about disclosure, value, and trust, and agree on fees and payment.

I recently received a phone call from a prospective client. We discussed matters such as my investment philosophy, fees, and office procedures. Then she sighed and said, "I have to tell you, I was really fearful about making this phone call. It seems as if I shouldn't need a financial planner, since I am one myself."

The only thing unique about this planner's fear of engaging her own planner was her willingness to express that fear. The very notion that financial planners would greatly benefit from engaging their own planners can evoke a variety of difficult emotions, including fear, shame, defensiveness, and anger. Even if you agree with the concept, you may find that putting it into action is difficult.

In my 25 years in financial planning, I've known few planners who have ever been clients of another financial planner. Other professionals see the need for and value of seeking the assistance of their professional peers. Lawyers joke that "Any attorney who represents himself has a fool for a client." Physicians and therapists are also accustomed to consulting their peers.

Why don't financial planners do the same? This paper, based in part on an online survey and the author's numerous discussions with other planners, examines the objections planners have for not engaging a personal financial planner. It then looks at the personal and professional benefits of becoming a planner-client, and offers suggestions for selecting a planner's planner.

Industry or Profession?

At the center of the question of why financial planners don't engage their own planner lies another question: Are we an industry or a profession? How you view financial planning will have an impact on how you view the notion of planners having their own planner.

An industry is focused on producing or selling either a product or one's skill at a craft. If you are a mechanic or a plumber, or if you sell real estate or life insurance products, you are part of an industry. A plumber has no need to hire another plumber to replace a showerhead. Nor would someone who sells real estate have any reason to engage another agent to facilitate the purchase of a house.

Members of a profession, on the other hand, primarily sell experience and wisdom. Some of the characteristics of a profession are that it is a principal calling with an esoteric body of knowledge, intensive academic preparation, an intent to serve the public,

and a code of ethics and regulation. Attorneys, physicians, therapists—and financial planners—have much more to offer clients than simply skill at a craft.

If you view financial planning as an industry, you would probably reject the notion of a planner having a planner, in much the same way a car salesman would reject the notion of buying a car from another salesman or a carpenter would scoff at hiring another carpenter to build a deck for his house. If you believe financial planning is a profession, you will probably be more open to the idea of a planner having a planner, in much the same way a lawyer would seek the counsel or representation of another lawyer.

In an attempt to find out why so many financial planners have never had a planner, I've questioned my peers at a number of breakout sessions at various professional gatherings. In February 2008, I conducted an online survey of financial planners. When I asked planners why they didn't have their own planners, their responses, shown in Table 1, revealed their fears and concerns, ranked in order of significance. The percentages are the sum of those who "strongly agreed" or "agreed."

As I went through this list, I first attempted to isolate the fears and concerns that were specific to financial planners as opposed to anyone else. I couldn't do it. *Not one reason given by planners for not using a financial planner was unique to our profession.* The predominate issues that kept planners from engaging planners—cost, value, fear of being shamed, trust, competency, loss of control, and spousal issues—were the same concerns any of our clients and prospective clients might have.

Cost and Value

The most common objection I heard from planners about engaging their own planners could be summed up in one simple sentence: "Why should I pay someone else to do something I can do myself?" This objection makes perfect sense if you view yourself as primarily selling a product. A planner compensated mainly by life insurance commissions would have no reason to buy a life policy from someone else.

I initially thought the objection of "I can do this myself" would be the one unique reason for a planner—even one viewing the field as a profession—not using another planner. After all, we are experts in investments and financial planning. However, in the November 2007 issue of the *Journal of Financial Planning*, Rebecca King reported data from two surveys conducted by the FPA and the *Wall Street Journal* of 3,000 affluent households. Table 2, drawn from that article, shows the reasons given by survey participants who did not have financial planners. The top reason, given by 67 percent of the respondents, was, "I can do the job just as well." Obviously, this objection is not limited to financial planners.

It is certainly reasonable that planners, like anyone else, would not want to spend money on services they did not perceive as necessary or valuable. I initially thought that, too. Any planner reluctant to pay for financial planning just didn't believe financial planning



services were worth the cost. It seemed to be a paradox. How can you take people’s money to do financial planning and yet not feel you would get personal benefit from the same service?

After some reflection, I don’t think this is the issue. Most planners would passionately argue they provide good value to their clients, evidenced by the fact that client turnover is relatively low in most financial planning firms. Most planners perceive themselves as competent planners and therefore believe they have competently planned for themselves. They assume there would be little left for another planner to do and little to gain from engaging a peer. That, of course, makes sense, assuming that planners can competently do their own financial planning. Therein lies the dilemma.

The same argument can be made by professionals in the fields of medicine, law, or mental health. If they are competent in their own fields, why would they gain value from being the client of a professional peer?

Objectivity and Time

It makes obvious sense that physicians would consult other physicians in specialties different from their own or in cases of serious illness. It seems preposterous, for example, to think of a surgeon performing life-and-death surgery on a family member, though it appears to be common practice for physicians to treat family members for minor illnesses. At the same time, another general practitioner may provide annual physicals and other routine care. In addition to factors such as privacy and comfort for family members, the number one reason for this is objectivity.

It is also easy to understand why attorneys would not represent themselves in court. Again, this is obvious in a case outside of the lawyer’s specialty. Criminal prosecutors would not necessarily have at their fingertips the knowledge necessary to settle a family member’s estate. But why would an estate attorney employ another estate attorney to do this type of work for her family? Again, even though the attorney may be highly competent, having a second, objective opinion from a respected colleague may be crucial.

In the case of the mental health profession, the best family counseling programs require that therapists be consumers of their own services. Certainly the most proficient therapists and psychologists I know have done an extended amount of work with their own therapists.

Many continue to consult therapists on an as-needed basis. One of the reasons the profession encourages this is to make sure that the therapist’s own unresolved issues or needs do not get in the way of providing the best care to their clients.

The second highest-ranking reason planners gave for not having a planner was not believing they would receive value for service. I suspect some of this reluctance is focused on the sixth reason, losing control of the investment portfolio. Interestingly, giving up control of their investments was the second highest reason given by readers of the *Wall Street Journal* for not having a financial planner.

Many planners specialize in portfolio management. Some are CFAs with even more specialized training. Understandably, most investment specialists are convinced of the merits of their particular investment philosophies. I know I am. One could argue such stubbornness is a good thing. Who would want a financial planner, investment advisor, or mutual fund manager who allowed his own money to be managed differently than he managed his clients’ money? But

Table 1: Why Planners Don’t Hire a Planner	
1. I can do this myself.	93.6%
2. I won’t receive value for my money; the fee is too high.	75.1%
3. I might lose credibility in the eyes of a peer and/or my spouse.	66.2%
4. There might be philosophical differences.	46.7%
5. I can’t find a competent planner.	42.9%
6. I don’t want to give up control of investments or implementation.	35.7%
7. Engaging a financial planner never occurred to me.	30.8%
8. My spouse feels threatened or doesn’t support engaging a planner.	28.1%
9. I can’t afford a financial planner.	14.3%
10. I can’t find a local planner.	13.4%

Table 2: Reasons Affluent Households Don’t Have Financial Planners	
1, I can do the job just as well.	67.0%
2, I enjoy being in control of my financial investments	62.2%
3, The fees are too high.	35.2%
4, I am not sure I can find someone I can trust.	27.2%
5, Unsatisfactory experience with an advisor in the past	14.1%

Source: *FPA/Wall Street Journal*

this argument should not stand in the way of a planner engaging a financial planner any more than it should be a reason for anyone else to reject financial planning. After all, investment advice is only one-sixth of the financial planning engagement. Retaining a financial planner does not necessarily require giving up investment control or abandoning your philosophy.

Many planners don’t believe they have this option, especially since so many planners use the assets under-management model of compensation, which does not allow for the separation of investment management from financial planning services. Therefore, they may never even consider other possibilities, such as engaging a financial planner but continuing to manage their own investments. This is the arrangement I have with my planner; she does the planning and gives me a second opinion on my



asset allocation and investment selection, while I continue to manage my portfolio.

Another fact I found interesting was that only a minority of the planners who had financial planners actually wrote checks to the planner. The majority traded services. Yet those who paid for planning services seemed to be more pleased with the overall experience than those who traded services. Having done it both ways, I find that writing a check rather than trading services gives me more of a chance to be treated fully as a client. Another objection, ranked ninth, was, “I can’t afford a financial planner.” This objection seemed to be most concentrated among younger financial planners who didn’t meet the minimums of some of the financial planners they would like to retain. Again, this is no different from those we turn away on a regular basis because they don’t meet a minimum net worth or fee threshold.

Fear and Shame

Another major roadblock to using a financial planner is found in the third objection: “I might lose credibility in the eyes of a peer and/or my spouse.” This addressed the potential for shame, judgment, and embarrassment that might come from opening up your financial life before a peer. One planner I interviewed summed up this objection succinctly: “I would never use a planner I didn’t know, and I would never use one I did know.” That pretty much describes how many planners feel. It’s just too embarrassing to undress ourselves financially in front of a peer we respect. The fear of judgment, shame, and rejection from peers is paralyzing. Not surprisingly, the same fear plagues many outside of the profession who choose not to become clients of a financial planner. The biggest shame I find is around net worth and income. If you question this, at your next professional gathering ask each person you meet how much their taxable income was last year and how much they are worth. In my experience, nine out of ten people feel shame about what they do have and believe they should have more than they do. Therapist and coach Dr. Ted Klontz finds there is no topic—including marital infidelity and sexual issues—around which people feel more shame than money.

Planners also fear that a planner would discover imperfections in their personal financial planning. As professionals, we try not to allow clients to have holes in their financial plans, such as inadequate asset protection, an outdated estate plan, inadequate investment diversification, and any number of other financial incompleteness. Planners project that since they “know better,” they should have their financial houses in perfect order, and they fear losing respect if a peer discovers any areas where they do not.

This fear underscores the necessity of exploring this issue fully with any potential planner before the engagement. It is important to choose a planner who has the empathy, maturity, and understanding to create an environment where the planner-client can feel safe enough to share honestly and completely.

One of the best ways to create this type of relationship is to verbalize this fear during the interview process and evaluate the planner’s response.

Trust: Competence and Confidentiality

My conversations with planners brought out two primary aspects of the issue of trust: competence and confidentiality. Competence includes managing the planner-client’s portfolio with the same philosophy and skill the planner-client would use. Confidentiality includes being able to trust that the planner-client’s affairs would be kept completely private among peers in the profession. Another confidentiality concern is that of exposing information to someone who may be a professional competitor.

Again, trust is an ubiquitous issue for planner-client relationships, no matter the client’s occupation. It requires research on the part of the planner-client, just as it does for any client, to select a planner who will be both trustworthy and competent. Fear that the planner won’t know as much as the planner-client is another huge issue, which was addressed in objections four and five: “There might be philosophical differences” and “I can’t find a competent planner.” Many planners are overly confident about their knowledge and ability. Ask ten planners if they are average, below average, or above average, and you’ll probably get eight claiming to be above average.

There’s an irony here, related to the previous point. As planners, we wouldn’t want to work with our own planners unless their competence matched or exceeded our own. Yet we wouldn’t want them to uncover any lack of competence in us.

Most potential consumers of financial planning services grapple with these same issues of cost, trust, shame, and competency. Good financial planning costs money, at least initially. It means working in partnership with your spouse. It means exposing your financial beliefs, secrets, and mistakes. It means laying bare your financial soul. This is harder for many people than physically undressing for their doctors. Planners are no different.

Spouses’ Lack of Support

Another area of concern for many planners is related to their spouses, as shown in the survey’s eighth objection, “My spouse feels threatened or doesn’t support engaging a planner.” This concern took many forms, including the following:

- Fear of exposure of financial infidelity. Some planners, just like some of their clients, have money secrets they don’t want their spouses to know. Such “financial infidelity” is a factor in many marriages. A 2004 study commissioned by *Money* magazine revealed that 44 percent of those surveyed believed it was okay to keep financial secrets from their spouses. I suspect the numbers are no different for planners.
- Perceived reluctance from spouses. Other



planners said their spouses would perceive spending money on a financial planner as a waste because the planner-spouse could provide those services for free. Some apparently believed their spouses would lose respect for them if they suggested hiring another professional to do what they were trained to do themselves. Others felt their spouses weren't interested in being part of the financial planning process.

- Perceived incompetence of spouses. If one spouse is a financial planner, both partners quite naturally tend to perceive the planner as the money expert in the marriage. Engaging a financial planner requires meeting with that planner as equal partners. For the planner-client, this may mean giving up the "expert" position. For the uninvolved spouse, it may mean accepting increased responsibility for the couple's financial decisions. The change can be challenging for both.

Benefits of Financial Planning

My research established to my satisfaction that financial planners' objections to hiring their own planners were not unique to the profession. I then wondered whether the same would be true regarding the benefits of financial planning.

My survey asked planners who did have planners about the benefits of engaging a financial planner. Their answers included something I didn't expect. All of the planners said they received a double benefit from financial planning, both personal and professional. While I knew that working with my own financial planner had helped me become a better planner, I hadn't quite internalized the professional benefits of a planner engaging a planner until that moment.

First, let's look at the personal benefits created or provided by financial planning.

Personal Benefits

It creates a time and place to address incomplete or unaddressed financial issues and uncover and fix financial "blind spots." (73.4 percent of the online survey respondents agreed.) The problem often isn't that planners are not competent, but that they do not make the time to serve themselves or their families with the same skill and attention they give to their clients. One of the biggest reasons a planner's planner can pay big dividends is because planners tend to put themselves at the bottom of the stack and do their sloppiest planning for themselves. If most planners did planning for clients in the same manner they plan for themselves, those clients would fire them. It is almost always beneficial to have another expert opinion from someone looking over your shoulder. Having your own financial planner elevates your planning to the same level your clients receive because you are the client.

Even planners who don't have obvious gaps in their own affairs can benefit from the suggestions of another planner. One planner described engaging a financial planner who pointed out that all her

income—from her practice, her clients' professions, and her portfolio—came from the U.S. stock market and suggested she was exposing herself to too much risk.

It provides support for your survivors. (66.7 percent agreed.)

Even if a planner feels he or she is the best choice as the family's financial planner, if the planner dies, family members lose more than their loved one. They also lose their planner. Having an outside planner can help prepare the spouse to manage the finances in case of the planner-client's death or incapacitation. After my wife and I had our first meeting with our financial planner, she told me, "I feel so relieved, knowing if something happened to you I would have someone to help me take care of everything." Another spouse of a planner said, "I can't tell you how relieved I am to know that someone else knows all the financial stuff, too. It is worth every penny we spend to engage our own planner."

It involves the "unengaged" partner in financial decisions and educates that person in financial matters. (60 percent agreed.) Another benefit is having a set time and place to have conversations around money. This is especially significant when the planner-client has a spouse. Deliberate and conscious conversations about money with your partner simply don't happen in the normal course of life. Money isn't a favorite "date night" topic. As one planner client said of her planner, "He could see what I couldn't. He could hear my husband and my husband could hear him."

To get the most from the financial planning engagement, it is important to include the spouse. Meetings where the two financial planners discuss money matters and make decisions, while the spouse sits in a corner and never says a word, will be of limited benefit to the couple. The financial planner will need to invite or persuade the less-involved spouse to participate as a full partner, just as he or she would do with any other couple. As one planner said, "My spouse enjoys getting objective advice without changing the power dynamics of our relationship." His provides benefits for the planner-client as well as the spouse. Another planner commented, "I don't feel overly responsible, and she has a forum for being heard both emotionally and financially. I don't have to be the expert with all the answers."

It provides a vehicle for the planner client to examine, deepen, and affirm his or her own relationship with money. (50 percent agreed.) If you choose a planner trained in integrated financial planning, whose services include financial coaching or counseling, this will be a wonderful time to re-examine and refine the health of your own relationship with money. This process can pay huge dividends to planner-clients, just as it does any other clients.

It provides a structure of accountability where there usually is none. (40 percent agreed.) Most planners, especially solo practitioners, are at the top of the organizational chart in their own offices. They typically don't answer to anyone, which is a breeding ground for financial myopia. It's hard to know what



you don't know, and it's often what we don't know that will hurt us. A financial planner can help us fill that void. All the planners who had their own planners said the process was helpful in fine-tuning and lending a second opinion to their financial plans. Most said the process helped them discover shortcomings in their personal financial planning that they had overlooked, that they had not had time to address, or that were outside their areas of specialization.

Unintended Value Proposition: Professional Benefits

While planner-clients had expected to benefit personally, many were surprised to find as much or more value from the professional benefits they discovered. In fact, planners who had financial planners indicated they publicized that fact to prospective clients because they felt it added to their credibility. The process improved the delivery of their financial planning services to clients and the bottom line profitability of their practices in the following ways.

It deepens one's ability to internalize and communicate the value of financial planning. (73.4 percent agreed.) My relationship with my first financial planner taught me—in a way no other experience could—the tremendous value in just creating a place and time for couples to have a facilitated visit about their money. Before having a planner, I always felt I had to be providing information or solutions to my clients. I saw little value in simply facilitating a couple's discussion about money, so I rarely let such conversations develop. By being a client, and having an extremely competent planner with excellent counseling skills, I experienced the huge value a financial planner can have simply by showing up and shutting up.

I have been told by my planner-clients that they have received the same benefit. Time and time again, clients have affirmed that "holding the space" for them to negotiate tough money issues is one of the most valuable services I've provided them. It's taken me many years to internalize that my value isn't just creating CRUTs, DAPTs, or exquisite asset allocations.

It offers a rare opportunity to observe and experience another planner's process, which may result in new ideas, new tools, and improved deliverables to clients. (60 percent agreed.) Assuming you've consciously selected your planner, he or she is probably someone you respect a great deal and view as having a successful practice. This is an opportunity to experience that person's financial planning process up close and personal. I can think of no other method, except for working for a planner, where you will get a better view and understanding of someone else's process. This in itself may be worth the entire cost of the financial planning fee. It is a chance to see how another successful planner practices and to glean new wisdom and affirmation for your own practice.

As planners, we can get relatively myopic in our practices. Many of the first generation planners are solo practitioners who have never worked for or with another planner. They've heard other planners talk about their processes, but they've never watched the whole process unfold before their eyes. The closest thing the planning profession has to this would be the Financial Planning Association's Residency Program, and it is still no substitute for actually experiencing the real deal. I would suggest that even the most proficient planners can find one or two valuable nuggets that could be applied to their own practices as the result of being clients. As one planner said, "It offered me a way to bounce my strategies off someone else in a very personal way."

It increases the planner-client's understanding, trust, and empathy with clients. (57.2 percent agreed.) Probably the biggest benefit of having a planner is the experience of being a client. It opens a whole new understanding of what your client experiences in your office in a manner that can't be duplicated, and it can make a big difference in the way you interact with clients. For example, at one time I gave clients a 42 page form to fill out. Then I had to complete one of those forms myself. I've never given one to a client again.

Having the "client experience" also deepens your ability to relate to your clients, which exponentially improves the chances that your clients will implement your advice. Many planners believe that if they were to admit any financial weakness, this would breed insecurity in their clients. Ironically, the opposite is true. An appropriate amount of self-disclosure from your own experiences as a client can build trust with your clients. It takes a far more confident planner to lay open financial mistakes and imperfections than it does to bluff perfection. Giving the impression that you are all-knowing and all-seeing only causes your clients to feel overwhelmed and intimidated. Most people can't relate to someone who doesn't make mistakes or doesn't seem to know what it's like to sit on the client side of the desk. Don't ever underestimate the power of being able to say to a client, "I've been there and done that."

It helps clarify life and career aspirations and get a new vision for my practice. (53.4 percent agreed.) A planner client said, "Having my own planner helps me reassess and quantify goals as they change." This benefit is especially significant for planner-clients who are interested in adding integrated financial planning to their own practices. There can be no better training for taking clients on their interior money journeys than walking the same journey yourself.

It can offer a way to recharge and re-energize. (35.7 percent agreed.) Meeting with clients can be draining, especially for those who do integrated financial planning. It requires a significant amount of emotional energy to fully be with clients, to listen to and coach them. Having your own integrated financial planner gives you a chance to replenish that energy, renew your focus on your professional as well as personal aspirations, and maintain your commitment to and excitement about your work.



If planner-clients do their selection process right, they will choose planners who have philosophies similar to their own, plus equal or greater skills. In this case, the financial planning engagement becomes as much of an apprenticeship and coaching experience as it does a personal service. Interestingly, when framed as a practice management benefit, many planners who had told me they would be unwilling to write a check for financial planning became willing to reconsider that position.

Selecting a Planner's Planner

When selecting a planner, the planner-client needs to do a thorough job of interviewing candidates. While this is good advice for any consumer searching for a planner, it is crucial for planners. This is the area where most planners go wrong. They typically choose a colleague they have known and trusted for years. The problem is that few planners really take the time to fully understand a colleague's process and philosophy.

I recommend that you interview at least two or three planners, even if you are positive of the planner you want to use. Let each of them know you are interviewing others with the intention of finding the best philosophical match for you and your spouse. During those interviews, keep the following points in mind. Make sure you have discussed and are satisfied with each of them before you commit to engaging a planner.

Discuss your respective investment management styles and philosophies. This is probably the most important aspect of the professional relationship to clarify up front. It is critical to have a broad discussion of each other's investment philosophies and to decide how you will handle the investment process. If your investment philosophies are very similar, or if you judge your planner to have a specialty in investment advising that exceeds your own, perhaps you will decide to allow your planner to manage your portfolio as he does for other clients. But for planners with a specialty in investments or strong investment philosophies, this is a difficult step to take. In these cases, some planner-clients elect to retain implementation and custodianship, but have the other planner review and challenge their asset allocation and security selection. Taking investment advising completely out of the engagement also could be an option, especially in case of strong differences in investment philosophies. This would be the least preferable solution, as it leaves a large part of the financial planning experience untouched. It is probably preferable to find a planner whose investment philosophy is more closely aligned with your own and to consult on at least some aspects of portfolio management.

Agree on the deliverables and who will be responsible for the various implementations of the plan. It is perfectly possible and reasonable to separate the functions of financial planning advice and implementation. The mechanics of managing accounts, making trades, and so on can be done by

either the planner or the planner-client. The important thing is to establish clearly who will do what and to lay out a clear path of accountability.

Decide how often you will meet and how many meetings will be in person. In today's high-tech world, it is no longer necessary for financial planner and client to be in the same geographic area. For planner clients, this greatly expands the possible choices and can reduce concerns about confidentiality and competition. Still, it is important to be able to meet in person from time to time. I recommend as many personal meetings as possible, especially in the beginning of the relationship.

Be sure to review and sign the planner's engagement standards. Often, planners will cut corners on the administrative side of the engagement with a planner client. This often means engagement agreements are not signed, ADVs are not exchanged, and other administrative "trivia" is skipped. It is important for many reasons that no step of the process is minimized or skipped, both for the sake of compliance and to make sure the planner client has the same experience, safeguards, and responsibilities as other clients.

Have an open discussion on fears of shame, judgment, and rejection. This may be the most difficult part of the interview process, but it is essential. If you can't have that discussion initially, chances are you won't be able to work comfortably together. It is important that this discussion include fears and concerns of all parties: the planner-client, the spouse, and the planner.

Establish a clear understanding on fees and write a check for them. The reality is that many planner clients are even more uncomfortable talking directly about fees than are most financial planning clients. In addition to becoming clear about fee amounts and the exact services to be provided, it is important to be specific about how fees will be paid. Many planners exchange professional services rather than paying one another directly. In many ways it would be a better idea to write checks for services just as any other clients would do. This eliminates questions of whether services of equal value are being exchanged, more fully involves the planner-client's spouse, expands the planner-client's choices of planners beyond just those willing to trade services, and gives planner-clients a more authentic client experience.

Both you and your spouse need to interview and be comfortable with the planner. This is an important aspect of involving the spouse as a full partner in the financial planning engagement. When it comes to choosing a planner, the spouse's opinions, needs, and comfort level are just as important as those of the planner-client.

Ask the financial planner if he or she has ever planned for a planner before. Because there are so few planners who have done financial planning for a planner, you probably don't want to make this a deal breaker. Still, you will probably have a little more



comfort with a planner who has other planners for clients. Even if the planner has not had another planner as a client, asking the question offers an opportunity to discuss the issue and can give you an idea of how comfortable the planner might be with such a relationship.

Ask if he or she has ever had a financial planner. Again, just as your clients will draw comfort from the fact that you have or have had a planner, so will you draw comfort from a planner who has had his or her own financial planner.

Conclusion

In recent years, one of the goals of many in our field has been to establish financial planning as a recognized, defined profession. One of the obstacles in the way of that goal has been our own reluctance to become consumers of the services we provide. To regard ourselves as members of a profession, we need to rethink the question, Why should I pay someone else to do something I can do myself.

As one participant in the survey aptly put it, “We need to eat our own cooking.” Several planners who responded to the survey commented that they only consulted other planners for concerns outside their own area of specialization and expertise. When we perceive ourselves as members of a profession rather than of an industry, we begin to realize that facilitating complete financial planning services for ourselves does indeed lie outside our area of expertise. Those of us who choose to engage our own planners are doing much more than “paying someone else to do something I can do for myself.”

We are taking advantage of another professional’s wisdom, objectivity, and perspective, benefiting from services we cannot provide entirely for ourselves. When you have a financial planner, it means you believe in your own profession so strongly that you choose to be a consumer of it as well as a practitioner. If we are to realize our dream of becoming recognized by the mainstream as a profession, one of the next steps will be to totally embrace that profession ourselves by becoming consumers of the service we so passionately practice.

Retirement Planning Check Your Paradigm at the Door

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What you don’t know can hurt you. It’s especially true when it comes to a financial planner’s retirement planning paradigm. A paradigm is a model that gives

rules and boundaries to situations and events so we can make sense out of them. It provides a way to solve problems as well as provides a process to think through issues and arrive at resolution. A paradigm gives us filters to screen data. What’s important to remember, though, is that this screen that lets data in also keeps other information out— simply because that information does not fit the paradigm filter.

We’ve all had the experience of being in an uncomfortable discussion in which an especially sensitive topic was simultaneously known by all and avoided by all—the proverbial elephant in the room. In many ways, a paradigm is the opposite of the “elephant” that everyone knows is there. With a paradigm, we are not conscious of it until we are forced to examine it because of a challenge presented by new thoughts or concepts. Even then, many will reject the value or opportunity of the new idea and automatically cling to the known, the existing paradigm, simply because the new information does not fit their paradigm. In business, as in life, not recognizing one’s paradigm can mean disastrous consequences for success.



Swiss Watches and the Solar System

Futurist Joel Barker (1989) dramatically relates this in his story about the history of watches. In 1968, Switzerland was the leading watchmaker with 65 percent of the world market and 80 percent of the profit from the watch industry. Ten years later, the Swiss market share had dropped to 10 percent and over 50,000 of the 65,000 watchmakers had lost their jobs. What happened to cause such a tremendous change in their market? The paradigm of the Swiss watch industry regarded the manufacture of a timepiece with springs, jewels, and gears. That was how watches were made. At an international watch making conference in 1967, the Swiss exhibited a different kind of timepiece. A curiosity of sorts. It had none of the traditional parts of watches. It was put on display - with no patent protection. Two companies - Seiko and Texas Instruments - were very interested in this new Swiss invention. The Swiss had invented the quartz-movement watch in 1967 but did not see its potential because it was not in their paradigm of how watches should be manufactured. The quartz movement made watches 1,000 times more accurate in addition to being more versatile and more affordable by more people. In 1967, two organizations with the ability to shift their paradigms took the curious new timepiece and within ten years changed the market. The Swiss were blinded by the success of their paradigm and when confronted with the reality of their own invention—a new way to tell time—rejected it.

Or for another example, we can look at the life of Galileo, whose scientific study lead him to discover and accept a paradigm that the sun was the center of the universe, a concept in total opposition to the



scientific paradigm of the day, which held that the earth was the center of the universe.

While the paradigms of financial planners may not be as significant as quartz watches or Galileo's theory of the solar system, it is important to understand that financial professionals certainly have their paradigms - theories about the right way to make investments, manage money, and plan for retirement. When new ideas emerge, how those ideas are greeted and how they change existing paradigms will determine which retirement planning professionals will be successful with clients in the present as well as in the future. A retirement paradigm is the unconscious set of beliefs and assumptions that come into play each time a planner meets with an individual interested in planning for retirement. The paradigm helps the planner identify problems and find solutions, but this same paradigm can be a barrier because it will not allow new ways of thinking or viewing retirement issues to enter the decision-making process. These new strategies or ideas simply do not fit into the "way" retirement planning is done. Let's examine some of those paradigms that might operate while engaged in a retirement planning discussion.

Paradigm #1: My clients share the same planning priorities as I do.

Of course, why else would they be talking with you since they come as a referral from a great client? After all, ducks fly with ducks. To keep the paradigm fresh and vital, it might be good to engage in some self examination:

- What are the basic beliefs that govern my retirement planning approach?
- How have these beliefs changed over the past five years? Over the last year?
- How do I assess whether clients and I are on the same page on retirement issues?

Paradigm #2: The primary goal for a retirement planner is to achieve maximum financial security for the client.

The next question might be, "At what cost?" While it is certainly important to prioritize goals once they are identified, it is equally important to appreciate that priorities and goals not only change but also shift in their importance. This is so clearly demonstrated in retirement planning when we recognize the impact that a serious illness, death of a spouse, or the loss of a friend can have on priorities and goals in retirement. Oftentimes these shifts are extreme—what was significant suddenly becomes unimportant as other priorities come into clearer focus.

Perhaps a paradigm that acknowledges a plan built on a more fluid approach, acknowledging and anticipating that clients' retirement goals can and do shift from foreground to background, might be more helpful in retirement planning. This flexibility would create a retirement plan that is plastic and can accommodate shifting and refocusing because it was originally conceived to withstand the inevitable

changes that occur over time. This thread of flexibility that runs through such a retirement plan allows for the contingency that financial goals, although important, may give way to more pressing personal or social needs for a time.

Paradigm #3: Successful retirement means sustaining high income replacement ratios throughout retirement.

Planners need to know how they define a successful retirement for their clients and then be sure they understand how their clients define a successful retirement. No one can assume that all clients share the same definition of a successful, satisfying retirement or that a client's definition matches what the planner defines as a successful retirement. Based on the growing body of research on retirement and aging, it would be foolish for planners not to consider the qualitative issues of retirement planning to be just as critical as the financial factors. Just what constitutes a successful retirement is uniquely personal to the individuals planning to retire, just as it is to the planners helping to create that future dream. Planners need to explore additional factors that contribute to creating a successful retirement. Some of these factors may include:

- The role of career and work
- Perceptions and experience of health and wellness
- Re-connecting with family and other relationships
- Integration of leisure
- Personal growth and development

Financial planning is certainly the primary reason individuals seek retirement planning help, but the solution to retirement preparation is more expansive than just responding to financial issues.

Paradigm #4: Clients need to be educated.

Planners who operate in this mode could position themselves as the ultimate resource for clients. This also places planners in the pilot's seat with the control or power in the planning process. While planners are significant, it is important to remember whose retirement plan is being designed. It may be that some clients wish to give over their decision-making power to the planner. While this might be easier and make for smoother conversations, the client and the planner both share specific knowledge unique to each of them. The client knows himself or herself; the planner knows the methods and strategies. Together these two bodies of knowledge combine to generate a meaningful plan for the individual. Either one alone can be a recipe for failure. A planner who is not fully convinced about the role of qualitative issues in retirement planning might appear to listen to responses to questions seeking qualitative information, but in reality may not be actively listening to the client's responses because they do not appear to be directly related to financial areas.

A planner's personal bias or sense of unease when discussing matters that are not financial can communicate the appearance of not listening or not



valuing the responses being spoken. A client might censor what is shared with the planner or decide that the planner isn't hearing what the client is communicating, and decide to take his or her business elsewhere.

Paradigm #5: My data collection method provides all the necessary information I need.

Client information is usually collected in two forms: written and by interview. By using these complementary forms of gathering data, planners can create a more well-rounded picture of a client and obtain a broader picture of that client's definition of retirement success. So what paradigms are at work here? Think about the questions that are asked. How are they phrased? What are the assumptions underpinning their use? For example, a set of questions that focus exclusively on financial data communicates a belief that retirement planning is all about financial planning. A broader, more encompassing set of questions would gather information about interests, plans for work or volunteering, any active planning to address the nonfinancial aspects of retirement.

In the interview, how are questions posed? Are there any unusual or thought provoking questions designed to elicit unexpected information or identify a perspective that might be unique to the individual client? How are the planner's listening skills? An interview can become pro forma. With typical questions and typical answers, listening skills can diminish. Have you examined new literature and research on nonverbal communication? Neuro linguistics? Could these areas of information strengthen your skills and perhaps change your paradigm?

Once we recognize that as planners we have a retirement planning paradigm, it is important to understand the beliefs that form it. Once identified, we may find it necessary, and even desirable, to change our paradigm to include new research, models, and approaches not only from the body of knowledge that makes up financial planning but from the ever expanding bodies of knowledge whose principles apply to the work of retirement planning. Just imagine how our paradigms would expand when we incorporate research on how the different learning styles of men and women affect financial success. Or on understanding how communication styles affect the message as it is spoken and as it is heard. Or the variables involved in decision making.

New paradigms are created by people willing to think differently about issues. These new paradigms, just as the ones they replaced, work to provide the framework to provide focus and solve problems. The danger of the paradigm is not knowing we have one. In that ignorance-is-bliss state, we operate in an unconscious state as if on autopilot. Yet the world of retirement planning is moving forward with different ways of living out the retirement dream. Only retirement planners who can identify and modify their

paradigms will be successful in meeting the needs of clients planning for tomorrow's retirement today.

Swiss watchmakers who got left behind? An astronomer who made his mark in history? Your choice.

Reference

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