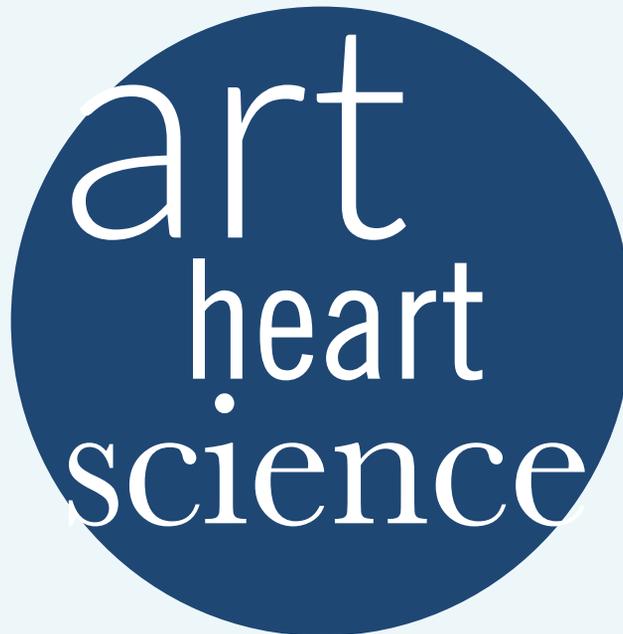




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Life Planning A More Personal Approach to Finance

Many CPA financial planners can set themselves apart in this profession by combining two skills: working with numbers and helping people. The typical client engagement is all too familiar: A client approaches you with his or her issue, such as a down payment for a vacation home. Being the financial doctor you are, you collect details of the client's financial life: assets, liabilities and cash flows, then spend hours crafting the perfect plan with various scenarios and articulate the results to the client.

You and the client both have a sense of accomplishment because you quantified a tangible goal and your spreadsheet supports it. But what if your plan is missing something? What if you set your client down the wrong path? Or perhaps even more common: What if the client never followed through with the plan you created?

Traditionally, financial planners have focused on the quantitative side of the equation—such as taxes, investments, insurance and estate planning—while underestimating the impact of the qualitative side. Some financial planners have a discovery process to learn about their clients' goals and values, but without a certain qualitative finesse, these inquiries elicit vague, boilerplate responses.

While the quantitative projections are incredibly important to the success of any financial plan, the qualitative side may be even more critical to transforming success on paper into reality. Advisers must have a deep understanding of their clients' life goals, personal values, fears and approach to money. Leading the way is a new breed of life-centered, financial professionals who are helping clients realize purposeful lives using money as the tool.

What Is Financial Life Planning?

Life planning starts with a basic premise: An adviser should first discover the client's goals and aspirations before developing financial recommendations. Seems simple enough, right? The DOL fiduciary rule is

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leading the industry in this direction. However, life planning is further rooted in the belief that every person strives to live a meaningful and purposeful life.

As such, life planning focuses on the human side of financial planning to discover a client's deepest and most profound goals through a process of structured and non-judgmental inquiry. Using a mix of professional and advanced relationship skills, life planning inspires clients to pursue their aspirations, resolve obstacles through discussion, create a concrete financial plan and provide ongoing guidance as clients accomplish their objectives.

Like traditional financial planning, life planning builds a roadmap for clients with asset allocation models, estate planning advice and tax savings opportunities. However, because the client's "life" serves as the foundation of the plan, the advice is often very different from what a traditional financial planner would give.

The life plan integrates human capital, such as the client's time, energy and skills. The end result reflects the clients' lives on a deeper and more meaningful level.

How to Transform Conversations

Market surveys consistently include CPAs as a profession that society highly trusts, which is a distinct advantage. Although advanced technical skills and public perception provide an excellent basis for CPAs to succeed, we can increase our odds of success by taking a deeper look into the lives of our clients.

While the emergence of life planning may seem like a new phenomenon, its foundation is supported by decades of research in the field of organizational change known as "appreciative inquiry." Developed by David Cooperrider at Case Western Reserve University, appreciative inquiry focuses on the positive aspects of our lives and leverages them to make changes happen.

One simple technique is to ask your client, "What would your ideal life look like in five years?" and have them describe this in detail. Instead of looking for what is wrong, financial planners should recognize a client's strengths and aspirations, an approach that has proven to be an effective way to inspire clients to make meaningful change in their lives.

Further support for this process is evidenced by the study of positive psychology, which explores healthy lives, marriages, organizations and communities. Martin Seligman of the University of Pennsylvania Positive Psychology Center summarizes his theories on happiness and well-being in three categories: positive emotions, engagement and meaning—all of which contribute to a consummate human experience.

Understanding and consistently delving into these three dimensions will allow financial planners to help create a more meaningful life experience for their clients.

The questions we ask are just as important as our perspective. Professionals trained in life planning ask what is the goal of the goal. In the earlier example, perhaps it wasn't the vacation home that the client wanted. What if further digging revealed that what the client really wanted was more quality time with family? If the client followed the original financial plan, you could actually be directing them further from their life goal. A life planner may have created a very different

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plan, perhaps finding creative ways for the client to spend more time with their family, such as renting a vacation home or cutting back hours at work.

Before assigning dollars, dates and deadlines, you need to take a step back and identify the real "why" behind your client's goals.

For most financial advisers, the skills needed to apply the principles of appreciative inquiry and positive psychology are not intuitive. Further, this type of training is rarely part of university level programs. Fortunately, there are tools that can assist financial planners who want to improve or expand their existing skillset.

For example, the Kinder Institute of Life Planning trains advisers on how to implement a process that includes a series of three open-ended, thought-provoking questions to explore what an ideal, inspired life would include. Their process then takes you through exercises designed to help the planner and client focus and prioritize. Other trainings like Money Quotient and Mitch Anthony provide similar tools.

Why?

Focusing on numbers alone is not sufficient. Integrating life planning into your practice is a way to bring more meaning to the financial planning you're already doing. Life planning is simply financial planning that gives clients an

integral role in the planning process. No longer are they only coming to you for answers, but they are now equals in planning and problem solving, often coming up with creative solutions themselves.

As a result, clients are more likely to have a stronger sense of commitment to the plan because it now serves as the architecture to support the life that they want to live. This will be critical during those times in life (or the financial markets) that require a course correction. Why not give the client a roadmap that inspires and motivates them? Does your financial plan do that? If it doesn't, then perhaps it's time to inject some passion into the numbers and re-evaluate your process.

The life planning process is in complete alignment with the professional standards regarding getting to know your client. One can argue that integrating elements of life planning is actually exercising your fiduciary duty. Without understanding people's beliefs, background and attitudes about money, how can a planner do a thorough job of preparing a plan that the client will own?

The most important benefit of life planning can be understood through the lens of risk. A simple online search will yield thousands of results ranging from interest rates, inflation, investment returns and longevity among many others as the most prominent risks to a financial plan. But risk can rear its head in unexpected ways. "The Top Five Regrets of the Dying," a book which chronicles the wisdom of numerous people in their final days, gives insight into the most important risk factor: Failing to live a life true to oneself.

The greatest risk in financial planning will not be found in the numbers we've been trained to understand, but rather in the questions we did not know to ask. 

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