

Adding Life Planning to Your Practice

Presented by: Phil Dyer, CFP, RLP



Life planning can enable you to build a richer, more meaningful relationship with clients—far beyond spreadsheets, RMDs, and investment policy statements. Rather than focus on financial goals, life planning turns the focus to the most meaningful goals of a person's life.

Phil Dyer

Joined: 08/07/2007 09:58:46

Messages: 9

Offline

Welcome AdvisorMax members to an expert forum on "Adding Life Planning to Your Practice." This is a very popular topic in the financial industry press and at many financial conferences these days, and I look forward to having an excellent discussion.

First, just what the heck is Life Planning (and why should you care)? In a nutshell, Life Planning is the process of helping clients discover deeper meaning around money and guiding them to develop their ideal life. This is accomplished by helping clients uncover what matters most to them, crafting a Life Plan and then using traditional financial planning tools to support that plan. While it sounds a bit touchy-feely, the Life Planning approach can build an amazingly deep bond between advisor and client and provide a client for life.

We will explore how to add Life Planning to your practice, including the tools and resources available, integration challenges and deciding on whether or not Life Planning is "something" you do or "what" you do (no right answer here). Whether you are an independent advisor or working within a large firm, Life Planning skills can greatly enhance your client relationships and help you build a more satisfying personal and professional life.

As a CFP and RLP (Registered Life Planner), I am honored to be your guide as we explore this intriguing frontier which I firmly believe is the next sea change in the financial planning profession.

I welcome your questions, comments and observations...so let's get started, shall we?

08/08/2007 14:05:59

Subject: Re: Adding Life Planning to Your Practice

Caleb Brown, host

Joined: 11/01/2006 00:00:00

Messages: 44

Offline

This is a great topic. Thanks for hosting Phil! We've been doing life planning for awhile but have only recently, in the last few years, formally introduced it to our process. Asking probing questions that truly gives the planner insights into what perceptions, thoughts, habits, etc. clients have about money and life is a great way to learn things about them that you might not get in a more traditional engagement. It really has improved our relationships with clients and ability to give the best advice possible.

Most of our stuff is verbal and touches on things like: first memory of money, 5 yrs to live what would life be like...etc. However, we also utilize a couple of worksheets/activities that help clients put their thoughts into words and even have them create a chart that reflects where they fall on a scale of 1-10 in multiple categories of their life such as community, health, career, family, etc.

I've heard the touchy feely phrase many times before but i think it is really just asking thorough open ended questions and listening and watching very closely. I think a lot of planners already do this, they just don't call it "life planning." Others have a hard time getting past income, expenses, assets and monte carlo, but it comes down to your client base too. For example, we've found our process doesn't work well with the engineer types, who aren't comfortable answering or thinking about non financial type things, so we've gotten to where we've stopped taking them.

Caleb

08/08/2007 15:54:18

Subject: Re: Adding Life Planning to Your Practice

Phil Dyer

Joined: 08/07/2007 09:58:46

Messages: 9

Offline

Caleb,

Thanks for your input and your comment on "Engineer types" is interesting. It sounds like you might be using the Money Quotient materials developed by Carol Anderson (www.moneyquotient.com) which has some great worksheets and checklists for helping clients to get work through and quantify some ideas around money.

One exercise I have found to be extraordinarily effective is the "describe your ideal day, week, month". This one can even work with engineers and type-A personalities! Another take on this is the Appreciative Inquiry model developed by Ed Jacobsen...which looks to explore the ideal life 5 years in the future.

You are exactly right in mentioning the open-ended questions...but the key to the whole process, in my experience, is for the planner listen effectively. This requires us to actually shut up and focus on the client...without throwing out solutions or products...and that can be really difficult at times!

Thanks for your comments,

Phil

08/08/2007 16:19:30

Subject: Financial Life Planning Resources

Phil Dyer

Joined: 08/07/2007 09:58:46

Messages: 9

Offline

I thought it might be helpful to provide some resources that planners can use to either explore Life Planning in greater detail, evaluate particular training programs and approaches and look at particular tools.

Often considered the "Father of Life Planning", George Kinder heads up the Kinder Institute of Life Planning (www.kinderinstitute.com) and is an internationally recognized authority. Author of the "Seven Stages of Money Maturity" and "Lighting the Torch: The Kinder Method of Life Planning" and his partner Susan Galvan developed the Registered Life Planner designation, a rigorous training program for Life Planners that includes several training courses and mentorship. This is the training program that I personally went through and I found it very rewarding, both personally and professionally.

As mentioned above, Money Quotient (www.moneyquotient.com) has an excellent set of materials and has also developed a very popular set of materials that can be licensed, along with a training program. I met Carol Anderson at last year's Life Planning Retreat in Colorado and was very impressed with her materials.

Ed Jacobsen, Ph.D. has developed "Appreciative Inquiry" (AI) model specifically for financial planners and writes a weekly column relating aspects of AI and how it relates to the financial planning profession. Ed is also working on a book, entitled "Appreciative Moments: Stories and Practices for an Appreciative Life". Ed also provides a number of other consultative services for financial planners. To learn more, you can visit www.edwardjacobsen.com.

Another very well-known name in the Financial Life Planning movement is Mitch Anthony and unless you have either been hiding under a rock or are brand new to the profession, you have either seen Mitch speak at an industry conference or read one of his columns. A broad range of information and services can be found at www.mitchanthony.com.

This isn't an exhaustive list...only those training and service providers I am most familiar with. Does anyone else have a service provider or key player in Financial Life Planning to add?

Phil

08/08/2007 16:43:52

Subject: Re: Adding Life Planning to Your Practice

Phil Dyer

Joined: 08/07/2007 09:58:46

Messages: 9

Offline

I thought it might also be helpful to provide some specific context on what prompted me to officially add Life Planning to my practice. Let me start with a bit of background...

After 5 years of military service (Army Officer) and a 7-year stint in pharmaceutical sales, I decided to change careers in the mid-1990s. I completed my CFP course work in 1996 and started a part-time hourly fee-only practice. I went full-time in 1997 and joined a large regional fee-only wealth management firm in 1998. After relocating from Charlotte to Baltimore in late 2000, I worked for boutique wealth management firm before striking back out on my own in 2002.

I attended George Kinder's 2-day "Seven Stages of Money Maturity" workshop in 2004 and returned to my private practice fired up about George's "3 Questions" and attempted to integrate them into my practice. Unfortunately, my enthusiasm did not yet match my skill set, so utility was somewhat limited. I decided to fully drink the life planning cool-aid in 2006 by attending the Kinder Institute's intensive 5-day training course as the next step to becoming a Registered Life Planner.

The 5-day was an amazing experience and profoundly changed my own life. Two of the tenants - (1) You can't life plan yourself and (2) you can't be an effective life planner until you have been through the process yourself - are very true! My life planning partner was actually a CFP from England and we have developed an excellent (long-distance) professional relationship. After completing the 5-day training, I moved on into a 6-month mentorship of case studies and one-on-one coaching to further hone and refine the skill set.

Looking back on my abortive 2004 attempts to integrate Life Planning into my practice, I almost shudder at my early, clumsy efforts. I strongly believe that some type of formal training and structure is enormously helpful if you are going to truly delve into life planning. These tools can be very powerful and can certainly be life changing for clients, but they also have limits and should be used with a modicum of caution and respect.

Presently, life planning is "something" I do...not "what" I do...meaning that not every single client becomes a life planning client. I have found it particularly difficult to "retrofit" long-term clients (some of which I have been working over a decade with) and integrate life planning into the relationship. However, virtually every new client is taken through the life planning process...unless it is a very limited engagement.

Questions?

Phil

08/09/2007 22:44:03

Subject: Re: Adding Life Planning to Your Practice

Tony Novak, host

Joined: 11/01/2006 00:00:00

Messages: 138

Offline

Phil,

Do you find that life planners who are actually successful in practice today were financial planners who expanded into life planning or coaches who later added financial planning services?

It seems like the first would be far more numerous but I do not actually personally know any who have done this. It seems that far more financial planners talk about making the transition than actually do it.

In contrast, two psychologists and one therapist I know in my own neighborhood have transitioned their practices by adding financial services. In two of those cases, the professionals confided some years ago that were primarily motivated to increase income beyond what they could earn on an hourly basis.

08/10/2007 09:07:40

Subject: Re: Adding Life Planning to Your Practice

Michael Kitces

Joined: 07/20/2007 10:35:53

Messages: 2

Offline

Phil,

Thanks for sharing your knowledge in such a great series of posts!

I'm curious whether or to what extent you've seen life planning integrated into so-called "ensemble firms", with multiple advisors working under a central (typically assets-under-management) firm. Is life planning a training process that all of the advisors in the firm would go through? Or do firms designate someone as the "life planner" for the firm, and route clients interested in life planning to that person?

How have you seen life planning adopted in ensemble firms?

Thanks in advance,

- Michael Kitces

08/10/2007 10:55:43

Subject: Re: Adding Life Planning to Your Practice

Phil Dyer

Joined: 08/07/2007 09:58:46

Messages: 9

Offline

Tony,

My personal (albeit somewhat limited experience) is the opposite of yours (at least in the financial planning communities that I am involved in (NAPFA, GPN, Kinder Institute). For instance, my 5-day training class had six participants...all of whom are financial planners (half fee-only, half fee/commission). At the Life Planning Conference in CO last fall, the vast majority of the attendees were practicing financial planners that were integrating life planning into their practices.

There were a smattering of other therapists/counselors...but definitely the minority.

One of the key differentiators the enhanced training drilled in was the (sometimes blurry) line between life planning and therapy. Very few life planners are therapists...and it can be a difficult line walk. I have referred one client out to a therapist due to the life planning work uncovering some deep-seated issues around family, money and control that were beyond my life planning skill set.

Hope that helps...

Phil

08/10/2007 11:00:11

Subject: Re: Adding Life Planning to Your Practice

Caleb Brown, host

Joined: 11/01/2006 00:00:00

Messages: 44

Offline

Phil,

Yes, it is a combo of Carol and Mitch's stuff.

I've had "Lighting the Torch: The Kinder Method of Life Planning on my list of 'to reads,' but haven't gotten around to it. I've heard it's excellent.

08/10/2007 11:30:56

Subject: Re: Adding Life Planning to Your Practice

Phil Dyer

Joined: 08/07/2007 09:58:46

Messages: 9

Offline

Michael,

Thanks for the question. From what I have personally seen and read in industry publications, firms are tending to go one of two ways. In a smaller firm - say 2-3 principals - all of them may bite the bullet and dive into the life planning training so each planner is qualified to work the process.

This will likely not be cost effective in a large ensemble firm, so they may either designate a lead planner/team to become expert in the life planning area or even bring a licensed therapist on staff to provide direct counseling services (a number of multi-client family offices are going this route).

I don't think there is any right or wrong answer, per se, but I think the relationship with the client is more effective if the life planner is working as a lead planner and not a dotted line. I think one of the prime reasons is that the client is likely to form a deeper bond with the planner working through the life planning issues, which could end up being a problem if principles delegate that piece of the puzzle to team member.

My thoughts...

Phil

08/10/2007 11:47:19

Subject: Re: Adding Life Planning to Your Practice

Phil Dyer

Joined: 08/07/2007 09:58:46

Messages: 9

Offline

Caleb,

"Lighting the Torch" is excellent and I recommend you move it to the top of the reading pile. What I am finding interesting is how much traction the life planning movement is gaining outside US shores - UK, Holland, Australia and Italy. While many these countries have much less well developed financial planning organizations, they have really jumped on the life planning process and ideas.

Phil

08/14/2007 13:13:26

Subject: Re: Adding Life Planning to Your Practice

Anthony Rossetti

Joined: 05/24/2007 09:48:06

Messages: 1

Offline

Phil,

I love the topic and appreciate your perspective as well as those that have already posted replies. I have been considering adding life planning to my practice since late 2004 when my firm went fee only.

Other than truly understanding the process, which there are plenty of resources to help with that, I cannot figure out how to truly integrate this into the practice and make it enhance revenue. I can see where loyalty of clients would increase but does that increase bottom line revenue.

You also mentioned that you often do not retrofit existing clients and that was my number 2 concern. I have 100-120 existing clients that range from brand new in last 2 years to people i started with when I was commission only in late 1990's. What can I provide for these folks and does it justify increased retainer fees?

Your thoughts would be greatly appreciated.

Anthony R

08/14/2007 17:39:59

Subject: Re: Adding Life Planning to Your Practice

Phil Dyer

Joined: 08/07/2007 09:58:46

Messages: 9

Offline

Anthony,

This is one of the most difficult issues to get your arms around if you are adding life planning to an existing practice. I think there are several ways to address this:

1) Fully integrate life planning into your practice and raise your fees. Fully exploring the life planning process and opportunities will be more time intensive and you should be compensated adequately for it. This can be the most difficult to do, since it usually requires a radical departure from how you are currently doing business. Some life planners I know will not take on an engagement if it does not include a full life planning "work-up". The rationale is that the planner cannot do a thorough job for the client unless they have a true understanding of the client's deepest held beliefs and goals.

2) Make life planning a separate a la carte offering that you bill for an hourly/project/retainer basis. Positioning is key here, in that you might offer it to select clients - for an additional fee - as something completely separate from your "normal" planning approach. I know a number of commission planners that have used this approach with good success.

3) Use a hybrid approach...either charging additional hours or an enhanced retainer fee for the life planning piece. For instance, I do a lot of hourly work...and for an hourly planning client, I might build in an additional 3-6 hours of billing for the life planning part of the engagement (sometimes more). Of course, this is fully discussed with the client in advance.

If you were to incorporate this into a retainer arrangement, I think you would need to price it on an hourly model with a bit of a fudge factor and look at an annual "visioning" meeting to make sure the life plan is on track and check to see if any new issues have arisen.

Not sure if that helps...but your approach is needs to be based on what works best for your clients and your practice.

Phil

08/20/2007 22:14:10

Subject: Re: Adding Life Planning to Your Practice

Phil Dyer

Joined: 08/07/2007 09:58:46

Messages: 9

Offline

As we close down our "Adding Life Planning to Your Practice" discussion, please allow me a few final thoughts...

First, if you have been thinking about making life planning part of your practice, but are unsure where to begin, please refer to the resources towards the top of the discussion. Second, while life planning may seem a bit "new age-ish" - and believe me, the professional skeptic in me thought the exact same thing - it can make an extraordinary impact on your life and your clients lives when used properly. Finally, thank you for allowing me an opportunity to share a bit about my journey and I hope you picked up a tidbit or two to explore this fascinating facet of financial planning a bit more deeply.

Thanks for stopping by and good luck!

Phil

<http://www.advisormax.com/jforum/posts/list/177.max>