

Life Planning a Universal approach to Financial Planning

In the last decades the financial industry all over the world has suffered from declining trust of consumers. How to regain this essential trust in a way that does not backfire?

In order to understand a bit more about what Life Planning actually is I would like to explain the difference between financial advice some years ago and today. In doing so I have to generalize a bit. The way advice was provided in the 'old' financial world was that the adviser knew his business. Or at least the adviser had some knowledge advantage over the client. In order to get the client to do business, the adviser startled the client by convincing the client of all kinds of risks they would be exposed to. Obviously the advice to solve these risks seemed 'free' as the price for the advice was invisibly integrated in the price of the financial products.



The most important thing most advisers did was to dazzle their clients with information and make the clients believe this was all too complicated to be able to make a sensible financial decision themselves.

And then came the internet! All of a sudden clients had access to essential information and started to come to meetings better informed. Consumer organizations and governments started to pay better attention and new legislation was put in place. Financial advisers could no longer dominate their clients with their knowledge monopoly and needed to come from another place to earn the client's trust. At the same time the price for advice shifted in more and more countries toward a fee only model.

Together with this development in legislation and the improved access to information, people also started to see that the world is not just about money. Clients started to recognize the fact that money is a means. Other values started to prevail over the mere pursuit of money.

The financial adviser has a tendency to overrate the value of money. Life Planning is the art of making the Financial Plan fit the person instead of their money. In order to be able to do this it is important to acquire new skills. We need to be able to listen to our clients, to understand what matters to them and help them to make that happen.

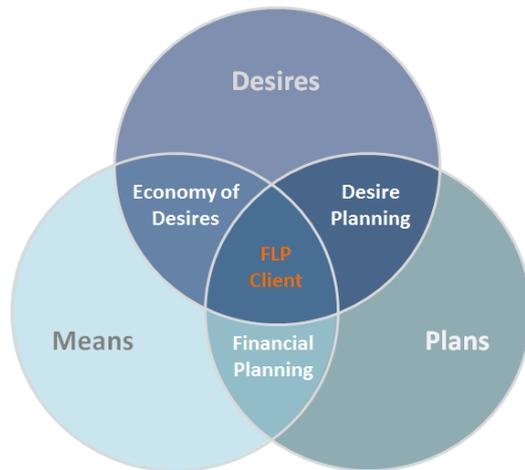
So where the 'old' financial advice mainly requires knowledge about money, with Life Planning the adviser now needs to be able to listen to their client and to inspire them to do what fulfils them. Listening proves to be more difficult for financial advisers than you might imagine. In former days advisers were focussed on recognizing a potential financial problem. As soon as the problem was identified it was just a matter of selling the solution – quite a different skill from Life Planning.

In Life Planning we listen carefully to the client to find out what matters most. We help the client to discover their intrinsic motivation and use this to help them choose the right line of action to make that happen.

So to be more precise, Life Planning is advice with the client at heart. This client centric process looks at a much wider area than just the money issues.

Financial planning is the area in which money is being planned. It is extremely common for a financial planner to come from the conviction that more money is the object of the game. The irrational

human desires are thought to be a nuisance in the process of determining a rational approach to acquire as much money as possible. Even the possible desire to avoid (financial) risk is brought back



to a rational test that should assess the amount of risk one can handle. The truth is that our risk tolerance is highly dependent on our emotional status and cannot be adequately assessed in the way we have been used to doing this.

If we do dare to look at the client's desires and we train ourselves in effective ways of helping the client to become clear on them we might get a completely different view on what is needed in the client's life. Many desires will have a price. Whether that is in money or the use of other means that are at the client's disposal is all the same. In Life Planning we like to play with this fact by asking questions that help

the client to become clear about how the economy of their desires often holds them back from even investigating the possibility to fulfil these very desires. As soon as the vision emerges from our conversations, a vision that helps clients to a better life by their standard, we will look at a strategy. The goals and the tactics lead to a solid plan that make it all work for the client. Life Planning is the unique service that combines the economy of a client's desires with the planning of them and underpins all of this with a financial plan. In other words, as George D. Kinder would say: 'Life Planning is Financial Planning done right.' Notice how in the above model Financial Planning is a limited service whereas Financial Life Planning combines all angles and aims for the facilitation of the client's passion.

Almost all great achievers and leaders are people who are extremely clear about their passion. They are driven by their passion. Their enthusiasm about it usually is an inspiration to the people around them. Facilitating clients to find out about their passion and making the financial architecture work in favour of this passion gives clients enormous freedom in their lives. This does not mean that financial precautions should be disregarded; on the contrary, it is important that the financial knowledge or expertise is used to help the client achieve these passionate goals in the best possible way. This means without exception that the client needs to be empowered to take the necessary measures to get to the right place in their life. Although the Financial Life Planner might hold essential knowledge, it is important that the adviser does not take over the client's responsibility. He must find ways to inform the client and make it possible for the client to decide for himself.

In the old system of advice it seemed like an objective to make the client dependent. When advisers do not take over responsibility for their clients they usually are afraid that the clients will be completely independent and will not need them anymore in future. Financial Life Planners seek a relationship based on interdependence which means that the client knows that they can always rely on an adviser who helps them to achieve the most important things in their life and realizes at all times that these services are realistically priced. In practice the client and adviser will notice that no plan lasts for ever. New things will arise in the client's life that will make the priorities shift and thus the financial architecture needs to be adapted as well.

In finding out about the client's desires we come across some commonalities. First of all we notice that many of the elements that bring satisfaction or a sense of fulfilment have to do with things that people need to experience. They want to travel or to have a (better) relationship with others. Taking care of others or for their own legacy is pretty common too. Last but not least we see a lot around

creativity and spirituality. Often the possession of material stuff comes up as a first inclination of what would make them happy but in general the above mentioned appears to be more important to them.

The second layer in our quest for the essence is to find out how this desire is driven. As one can be motivated by the wish of someone else (extrinsically) we find that the intrinsic motivation usually is much stronger and more at the heart of the client.



As soon as we have found the strongest passion with the client we want to understand which qualities actually drive the satisfaction. Is it about knowing something or is it important to be able to do it? Or is the overriding quality being able to experience something? This is mainly important as it helps the client to be able to come up with the appropriate strategy.

Once the client can feel the passion burning it is time to combine this with reality. Note that we do not do this any earlier as the lack of full passion in an earlier stage would cause the client to go into 'obstacle' mode. It is important from an adviser's perspective to ask the client how he sees fit to meet the circumstances through his personal environment. Without a realistic plan the passion remains a dream and will merely induce a lot of frustration.

The end phase of this planning should be that the client knows clearly what to do to get to the desired result. Again this is a planning skill that advisers bring. They can help the client to identify both the result and the strategy to get there. All along they are mindful of the financial architecture that needs to be in place to make this feasible. Again it is the client who needs to feel in charge of the whole situation. The Financial Life Planner will not automatically take the role of coach in the execution of the plans. Even if there are milestones in the planning or the client feels he needs an enforcer it would still be advisable to help the client to find someone in that role instead of taking over this responsibility.

As you might notice, Financial Life Planning is a much more universal approach to Financial Planning that empowers clients to do the things that matter to them. Making money a means to an end instead of making money into the goal itself.

Life Planning clients are usually more engaged, more loyal and more satisfied about the services of their adviser. It becomes easier to charge a realistic fee for the service as the client is clear on the added value that is being delivered.

Life Planning has taken flight all over the world and I believe it to be more than a whim. It is a trend that unmistakably and inevitably fits the emancipation of financial consumers.

Louis Vollebregt RLP®, International trainer for the Kinder Institute of Life Planning