**Goal-Based Financial Planning**

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How many of you would agree that our profession has gone through, and is going through, major changes? How many of you have been in the industry long enough to remember going door to door to sell life insurance? If you have been in this industry long enough to remember that, you probably would agree that back then we were not approaching clients to sit down and do a financial plan. We were selling them a product to satisfy a need, and, for the most part, it worked out well. Full disclosure: I was terrible at knocking at doors and selling life insurance! I had to try a different angle or I would have never qualified for the Million Dollar Round Table (MDRT) membership or be standing in front of you today.

Prior to becoming a financial advisor, I had worked on the administrative side of our business. I knew the products and how they worked, but I didn’t necessarily know how to position them. I tried approaching prospects regarding their life insurance needs, but, surprisingly, found that they were not as passionate about discussing life insurance as I was. I was getting frustrated until I decided to approach prospects about something they did want to talk about—building wealth and retiring comfortably. I started asking prospects if they had a financial plan, and often they would say yes. Then I would ask, “Do you have a good idea what your income after tax is going to be in retirement from all sources?” Most of them didn’t know the answer to that, and for those who did, my next question was “Do you know if this amount is going to be enough to sustain your lifestyle during retirement?” Ninety-nine percent of the time, they didn’t have a clue. Those questions disturbed them, and, to my surprise, I started to have success in having prospects agreeing to sit down with me. This was my entry into the financial-planning world, and selling life insurance became a lot easier to position.

Most often what I found is that they were under the impression they had a *financial plan*, but what they really had was an *investment plan*. These two terms are often used interchangeably, but there is a big difference between the two.

The investment plan is just that, a plan to save toward a goal, often retirement, and stick to it based on risk tolerance, diversification, and asset allocation to maximize returns. A goal-based financial plan involves assessing every aspect of the client’s financial life. It’s looking at the big picture and not at each goal in isolation. Getting the clients to understand this is key, especially in today’s world. How many of you have heard about robo-advisors? How many of you would agree that they are a threat to our profession? My belief is that they will be able to perform some of the functions that we perform, but they will not be able to replace the value we bring as professionals to the table.

What I will cover in this session is what goal-based financial planning means to me, the process that I use with my clients to set goal-based financial plans in place for them, and why I believe it is going to be our competitive edge to not only survive but thrive in the future.

We obtain financial advice at different stages in our lives: We purchase our first home, and we seek advice and inquire as to how much mortgage we qualify for. What type of mortgage is the best mortgage for us? We start a family, and we look at purchasing life insurance and ask how much we need to protect our loved ones. We may at the same time start thinking about future education costs, and we start saving toward that goal. As we get older, our focus shifts more toward retirement, and we start saving toward it. During these times, we seek financial advice, and we purchase a product to solve a need.

A robo-advisor will provide the answer to the questions that we are asking during these times. The financial planner will ask the questions that the client may not have thought of that may be crucial to what he or she is trying to achieve. For example, when purchasing the home, it isn’t just about how much we can qualify for. We need to look at whether or not the mortgage will put a strain on our finances. We may qualify for the mortgage, but can we afford it? Is the life insurance we put in place going to cover the needs of the family now as well as in the long term? Is saving toward education costs going to be a priority over saving toward retirement? Do we pay off the mortgage or increase how much we are saving toward retirement?

What type of products should we purchase to meet our retirement goals? Will we have enough to provide for our desired lifestyle? Will we leave an inheritance, and what is the best way to transfer the wealth? What tax implications are we dealing with, and how can they be minimized? The plan needs to cover managing debt, looking at cash flow, reviewing insurance as needs and means change, tax planning, and, most importantly, understanding that all these things are linked together. Where financial advice is about selling a product to fill a need, financial planning is about providing a service. Goal-based financial planning is understanding what money means to our clients, how they would like to provide for their loved ones along the highway of life, and at the same time making sure they are prepared for any obstacles that may be coming their way.

When I started in this business 19 years ago, the focus was on product selling. Doing goal-based financial plans was not on the mind of too many people. A lot has changed since then. Life has become much more complicated and fast paced. We have a lot of information at our disposal but not always the time to implement it. And is all the information on the internet correct? A small amount of knowledge can mislead people into thinking that they are more of an expert than they really are. As companies reduce or eliminate pension plans, we are left on our own to plan for our retirement, and, at the same time, we are faced with the fact that we are living longer, and we may outlive our money. One of the greatest hockey legends, Wayne Gretzky, has a great quote: “A good hockey player plays where the puck is. A great hockey player plays where the puck is going to be.” As the use of technology increases in everything we do, we need to look at what we are currently doing that can be taken over by a robot and what service we can provide that may be much more difficult to replace by automation. Our strength will come from providing a service, such as goal-based financial planning, by becoming their financial coaches and really understanding what is important to them and being there through whatever life throws their way to make sure they fulfill those goals. Robo-advisors may do a good job at managing money, but we do a better job at managing relationships.

Let me now share with you the process that I follow in implementing goal-based financial plans.

First, there is a false notion that only those who have wealth or are building wealth need a financial plan. The reality is that everyone could benefit from having one. The sooner people start, the more successful they will be in reaching their financial goals. The problem is that not everyone wants to. From experience, I find that in most cases, the older the prospects are and the more focused they are on eliminating debt and retirement planning, the more interested they become to go through the process initially.

Once the prospects have agreed to go through our process, we send the clients a checklist of items to bring in, including wills, mortgage statements, etc. We also send them a cash flow analysis to complete. And if they find completing the cash flow analysis overwhelming, we ask them to bring in three months’ worth of bank statements and credit card purchases, and we help them fill it out. The bank statements have all their automatic and ATM withdrawals and debit purchases, and together with the credit card statements, it is easy to paint the picture of what their monthly expenses are. Most prospects find this a great exercise as it is sometimes the first time they realize how much money it takes to keep a roof over their head, if they are spending more than what they are making, and if they are going deeper and deeper into debt.

The information from the cash flow serves many purposes. For life insurance needs, we look at how much their current combined net income is. If one of the spouses were to pass away, we can look at the impact on the income compared to what costs would be eliminated. People are often under the false impression that if the debts are paid off at death, the family should be OK.

To show that this is not always the case, I remove the debt payment, which would be eliminated if one of them should pass away, and then look at what expenses would stay the same.

Property taxes, house insurance, utilities, etc. will not reduce if one of the spouses passes away. If the costs cannot be covered by the income of the spouse who is left, the difference needs to be covered by life insurance to replace income to retirement and sometimes past it if they are not putting enough away for retirement. This need is even more emphasized if they still have a young family. Once they understand how their cash flow would be impacted, positioning life insurance becomes a lot easier.

The cash flow is also useful for retirement planning as it provides information as to how much is needed to provide for their current lifestyle, which will probably continue through retirement. For this, we look at expenses that will hopefully disappear at retirement (i.e., debt payments, support for their kids, savings toward retirement). Then we add costs that might increase (i.e., more time to travel, entertain, pursue hobbies).

The first meeting is anywhere from one and a half to two hours long, and most of the talking is done by the prospects. During this first meeting, the focus is not only on gathering all the hard facts, such as how much debt they have, investment portfolio information, etc., but a lot of time is spent on soft facts. The purpose of the first meeting is to get a good idea of what type of clients I am dealing with. Are they savers or spenders, analytical, or do they want to keep the communication quite simple and compact, but, most importantly, what are their short-, medium-, and long-term goals?

Most often, they have a difficult time telling you what they want to achieve. This might sound strange, but I find that very few people give much thought to where they are heading financially because of the busy lives they live. They sometimes spend more time planning their vacation than planning their financial future. One question, which I am sure you have heard before and which I find very effective, is: “If we were meeting three years from today, what must happen over the next three years, both personally and professionally, for you to feel happy about your progress?”

I am sure you each have examples of other soft questions you use that you find effective. Here are some more of the questions I use:

* If you could go back in time, are there any financial decisions you would change?
* Is there anything that keeps you up at night?
* Do you have any major purchases planned over the next three years?
* What are you most proud of?
* Is your will and power of attorney current?
* Is there anything else that I should be aware of? (This is always my final question.)

It always amazes me what the prospect is willing to share as we go through the questions. One example is when, a few years ago, I asked this last question. I had met with this client and her husband a few weeks prior as they wanted to put life insurance in place to cover the mortgage on their rental property. They had agreed to do a full financial plan, but at the next meeting, only the wife showed up. I asked her why her husband wasn’t with her, and she said that she did all the finances for the household and that she would have all the information I needed. The focus of the plan was their retirement, and I made the comment that we could proceed, but it would be a good idea to have him be part of the next meeting.

We went through the fact find, and when at the end I asked the question “Is there anything else that I should be aware of,” she said, “How can I put this? My husband is not part of my retirement plan!” She was planning to leave him as soon as the kids were in postsecondary school. In our conversation prior to this question, she had mentioned wanting to put more money toward retirement savings, but she was also worried they would not have enough funds for the children’s education. I thanked her for being honest as my recommendations would now be different based on this information. I advised her to maximize the savings toward education costs and hold off putting any more funds toward retirement. The funds that she would accumulate toward retirement would be split between her and her husband while the education fund would stay with the kids. It eased her mind that they would have enough funds to cover those costs, especially since this would be the time that they would be going through divorce, and she wanted to make sure that the kids’ education would not suffer. She has since left her husband, there is enough money to put the kids through university, and she is now aggressively saving toward her retirement.

The checklist that we send out to clients asks them to bring in their will and power of attorney. I ask for this as often there is no will or power of attorney and when there is, it is often outdated. I was meeting with a couple who was referred to me. The husband, who had been in business with his brother purchasing and developing land, was in the process of breaking the relationship as they had a major falling out. In fact, it was serious enough that they were taking each other to court. I asked if they had brought in their will, and they handed it to me stating that they had not looked at it for a long time, and it probably needed updating. I took a quick look and asked them if they knew who their executor was, but they could not remember. The executor was the brother whom they were in the process of taking to court. They were so grateful that I could bring this to their attention. On the way out the door, this couple asked if I could have the paperwork ready for them to sign to move their funds to me when they returned for their second appointment. They said that they valued the information I had given them regarding the will, and they were looking for someone to guide them through all their finances and not just invest the money for them in a vacuum.

When the clients interface with a robo-advisor, they meet with the robo-advisor in the digital world. When we go through the questions during the fact-find process, we meet them in their world. We get to know them, their families, their worries, and their dreams.

By the time the fact find is completed, not only do I have a good indication of what matters most to the prospects, but it also gives me time to start building trust with them, and they start to understand the value I can bring to the table. The second appointment is booked before the prospects leave.

When they return for the presentation of the plan, I go through a summary of what was discussed in the first meeting. As the original meeting could have been two weeks prior or more, it gives me the opportunity to take them back to what was discussed and what they voiced was important to them. I let them know that I am going back to what was discussed to make sure I heard it correctly. This summary covers all aspects of financial security: cash flow, debt load, education costs, risk planning, retirement, and estate planning.

The meeting rooms in our office are equipped with large monitors. The financial plan is projected onto the monitor, and I walk them through the input of information. This way they become part of the planning process, and they can see exactly what figures and assumptions were used. If they agree with the input, they cannot argue with the result. The software I use is a Canadian-based software called The Razor. I use it as I find it very user friendly, and the input is easily followed by the clients. The output can be 20 pages, or it can be as few as 3. It depends on the complexity of the plan and the personality of the clients as to how much in-depth information they need.

When doing the retirement projection, there is one page that summarizes the four options the clients have based their retirement goals on. If they are not on target, what income are they on target for? How much longer would they need to work to achieve the desired income? What rate of return is needed? How much more do they need to save? If they are on target, it will indicate that they can either spend more, retire earlier, or need less risk in their portfolio to achieve the desired results. If they have more than needed in total assets, it means that they will be able to leave an inheritance. What is the best way to leave an inheritance? Life insurance of course! If this is the case, the conversation goes to estate planning and positioning permanent cash value life insurance to be funded from the portion of the portfolio that is not going to needed for their retirement or the portion they feel comfortable aligning to it. They can access cash values later in life if circumstances change and more cash is needed during retirement. If not, they reduce their taxes while living by tax sheltering funds in the contract, and they leave a much bigger estate to their loved ones.

If the client is not on target, it is a wake-up call for them as they obviously will not be able to support their current lifestyle. I had a client who was on her own and, although I had emphasized the importance of putting more savings toward her retirement, she could not curb her spending, especially when it came to shoes and purses. When I put her through the planning, and the output showed that for her to keep her current lifestyle she needed to work until age 82, she was shocked but came to her senses. She increased her monthly savings and now comes in every year to see how much closer she is to being able to retire in her sixties.

One of the biggest worries for people entering retirement is if they will have enough. Without a financial plan, two things may happen:

1. Money is spent without knowing if it will be enough to cover the extra expenses that may pop up during the later years, and they may live the last few years of life in squalor.
2. They may deprive themselves of a more comfortable retirement because they worry about running out. A few years ago, I sat with an 85-year-old who had recently lost his wife. He said to me, “Aurora, I only have one regret. I wish we had spent more money in our early years of retirement enjoying life a bit more than we did because we worried about running out. Now, I am alone and have money to spend but no one to spend it with.”

I leave the prospects with a copy of the financial plan as well as an action plan. Recommendations are made that are in line with their goals, and a deadline is set to achieve that goal by. At an MDRT meeting over 10 years ago, one of our speakers said, “The difference between a dream and an hallucination is a deadline.” And I could not agree more. Once we put a deadline to a goal, our actions tend to move toward that date. If we don’t set a deadline to a goal, chances are we may never achieve it. The action items are prioritized as they may not be able to deal with all the action items at the same time.

Once the prospects agree to work with me and the priority item is dealt with, I ask them how often they would like to meet to review the plan. They may want to see me more often than once a year, but I ask that they see me at least once a year. A lot can happen in a year, and by setting the expectation that I will review their plan after a year, it also holds them accountable. At the review meeting, I measure the progress they have made toward their goals and look at what other action items they may now be ready to implement. Going through the full planning process takes longer than just seeing the client and doing a sale. However, I end up with more multiple sales, and the relationship is more long term as they see me as their financial coach.

The action plan along with the financial plan becomes their guide as to what they are trying to achieve in life. It is not just about saving money because money is never just about money. It’s about making sure they are living within their means, providing an education for their kids, enjoying time away at a dream destination, or being able to give back to their community. By attaching a dollar value to their dreams and creating a plan to get them there, a comprehensive goal-based financial plan is much more than a road map to their financial future. It is a road map to their life!

The financial plan also takes the focus away from returns and puts the focus on their goals and what they are trying to achieve. During the financial crash of 2008 and 2009 when clients were anxious about their future, I brought them in to review their plans to see what impact the drop in the value of their portfolio had to their long-term goals. More often than not, clients were pleasantly surprised. It wasn’t as bad as they had thought. It was easier to convince them to stay the course and not make irrational decisions.

Although we review the clients’ goals once a year, the clients get touched on different occasions throughout the year. We recognize birthdays, milestones, special occasions, and we try to especially be there if there is a death in the family. We send greeting cards for different occasions, and we try to personalize them as much as possible. For example, if we know of the birth of a child or grandchild, the staff tries to find them on Facebook, and, usually, they will find pictures of the new bundle of joy. We copy and paste the picture on the front of the card and send a welcome card to the baby noting the baby’s name and, if possible, the date of birth on the front of the card. The service we use for this is SendOutCards, which is based in the United States. Our staff picture goes on the back of the card. You can even send little gifts with it, such as a pink or blue giraffe. They also have a gourmet food basket that you can send to someone who has purchased a new home.

If we are dealing with a death claim, I try to attend the visitation or the funeral if possible. About one month after the funeral, we send out a book, *Healing After Loss* by Martha Whitmore Hickman. It is 365 pages, and is meant to be read one page per day. It provides daily meditations for working through the grief. At the one-year anniversary of the death, we send a card simply stating, “We are thinking about you,” signed “Aurora and Staff at Aurora Tancock Financial.” Nothing else needs to be said. They know exactly why we are sending the card.

Goal-based financial planning has had a huge impact on my business.

My firm has become a referral-based practice, and outside of seminars to the Niagara Regional Police, all other new clients are direct referrals from existing clients. They are not being referred because I have better products or can guarantee them higher returns; they are being referred for the financial plan. People are looking for someone to help them organize their finances because of the hectic life that they lead. Our tagline has become: “We focus on organizing your finances so that you can focus on living your life!”

When they call in to set up the first appointment, they ask to have the checklist sent to them that lists the documents they must bring in as well as the cash flow analysis. The person referring them has already familiarized them with our process, and they have already started to build the trust for us. It makes my job much easier.

I mentioned doing seminars for the Niagara Regional Police. The opportunity to do this occurred because of a financial plan I did for one of my clients 17 years ago. I knew she worked for the Niagara Regional Police in the HR department, but what I did not know was that she was the person responsible for organizing their retirement seminar every year. After I presented the financial plan to her, she asked if I would like to be part of the seminar. She said they had another advisor who provided information on investments, but they had no one who talked about the comprehensive approach of financial planning and didn’t just concentrate on the investment side. She felt that those attending the event could really benefit from the process I just went through with her and her husband. I was just starting my career back then, so this was a huge opportunity for me. I was doing the happy dance inside when I heard her say, “Your involvement in this seminar needs to be strictly educational. You cannot come across as a salesperson. You cannot hand out any marketing material, but you can hand out your business cards if someone asks.” My happy dance was no longer that happy, but I figured I had nothing to lose. I did the first seminar but did not get one referral from it. However, I was invited to return the following year and be part of it again. At the second presentation, I obtained one referral who became a client, and I was invited back the following year to do it again. I have now been part of the seminar for the last 17 years. After a few years of doing the seminar, what started to happen was that we would get calls in the office stating that they had attended my seminar two to three years prior and they were now ready to come and see me. This has now created a steady flow of prospects, and, as a result, I am well known at the local police station, but for a good reason so far! From our clients and the seminars, we have had over 50 referrals this past year and closed over 90 percent of them.

Every October, we hold a client appreciation dinner for the clients who have referred someone to us for a full financial plan. This is our “Thanksgiving Dinner,” and it is held in October because in Canada, this is when we celebrate Thanksgiving, and this gives us the opportunity to thank those clients who have helped us build our business during the past year. We have held the event for the last 10 years, and some of the clients have attended almost every one of the dinners because they keep on referring. We ask them to feel free to bring a friend or family member whom they would like us to meet. It is a sit-down dinner, and no business is spoken that evening. We bring in entertainment or a speaker that would be of interest to the audience. We had a psychologist at one of the dinners who spoke about the emotional side of retirement. And recently we had a magician who included the audience members in his performance and left us baffled, and we are still trying to figure out how he performed some of his tricks.

The second benefit to my practice is that there is a high level of personal fulfillment as I have become part of my clients’ lives. I have watched them achieve their goals, and I have been told that I have made a difference in their lives. We often become their “rock” when they are going through a tough time. One of my clients called me on his way home after a visit to his doctor. He had just been diagnosed with terminal cancer, and on his way home before telling his wife, he called me. He needed to be reassured that she was going to be OK financially before he spoke to her about his future. I doubt that a robo-advisor would be able to provide that type of support.

Robo-advisors will serve a purpose for those clients who are looking for basic financial advice and just want to purchase a product. They may appeal to millennials because they prefer to do most things on their phones or on the internet, or to do-it-yourselfers who prefer passive investments and are looking for a lower cost alternative. Passive investments have gained strength during the last few years as we have had very good returns in the equity markets. When we eventually see a shift to a bear market, it will be interesting to see how much hand-holding a robo-advisor will be able to provide during those times.

If someone does not need professional advice, the robo-advisors may be a good choice, but I believe you always get what you pay for it. Many of us use a form of robot to get advice. Let me ask you: How many of us, if we have an ailment, go to “Hey Google” to see if we can do something about it ourselves? Probably a good many of us! How many of us would use a robot to fully replace our medical doctor?

As we look to the future, our challenge is to look at ways that automation can help us in serving our clients, and it may be that robo-advisors and financial planners can coexist side by side.

I mentioned at the beginning of the presentation that financial advice is about putting in place a product to satisfy a need while goal-based financial planning, on the other hand, is about providing a service. Our real value is not just about getting clients to accumulate wealth; it’s about creating plans, providing the advice that goes with the plan, and, most importantly, holding the clients accountable to the plan.

In closing, I would like to leave you with a quote from a character in Dan Millman’s book, *Way of the Peaceful Warrior*: “The secret of change is to focus all your energy, not on fighting the old, but on building the new.” It is the human connection and human touch that I don’t believe can be replaced, and it will be our competitive edge that will not only help us survive but I believe thrive in the future.