



Written by Simon Olive and edited by Clive Ford

“Money can’t buy you happiness, but it does bring you a more pleasant form of misery”
Spike Milligan

Introduction

With the homogenisation and reducing cost of products in the market place and a move towards passive and outsourced investment management, advisers are looking at alternative ways to use their time to add value to their clients. This chapter will make a case for the relevance and beneficial impact on clients, of a “life-planning” approach. In the last few months my colleagues and I have seen a significant growth in the demand for support in this area.

Elements of an advisory business’s investment proposition can be delegated to a trusted and expert third party without diminishing a client’s perception of the value they derive from working with their adviser.

However, the creation of a meaningful financial planning strategy, underpinned by a regulatory framework, remains the exclusive domain of the financial adviser. If you follow the mantra of “Do only what only you can do” (Sir John Harvey Jones), then the delivery of a regulated financial planning service fits the criteria for adviser activity perfectly.

In order to state the case for life-planning, I will summarise a view of how modern consumer trends have helped to obscure many people’s view of what represents the most fundamental financial decisions they need to consider.

I will define what I mean by “life-planning” and explain the various elements that add up to the effective delivery of a life-planning service. Other aspects related to operating as a life-planner will also be referred to and these include:

- acting in effect as the agent of the client
- client networking
- education programmes for clients’ families
- optimising tax positions
- planning using trusts
- business consultancy
- looking after the pennies / budgeting - Insurances & utility review

Consumer affluence and the peer pressure it creates

In the second half of the 20th century, multi-media marketing aimed at an increasingly affluent western society combined with readily available credit facilities fuelled demand for aspirational goods which were simply not available during the post-war decade and a half of austerity.

Springboard 8 – The Value of Life Planning

Organisations from a wide range of market sectors which supply consumers have long-realised the benefits of associating their “brands” with either iconic individuals or the achievement of an ideal lifestyle.

Oliver James’ book *Affluenza*, focuses on what he calls the “Affluenza Virus” i.e. the placing of a high value on money, possessions, appearances (physical and social) and fame. Through a number of international studies he surmises that people who apply such values are at a greater risk of emotional distress, depression, anxiety, substance abuse and personality-disorder. The wealthier the nation the greater is the risk. Americans are between 3 and 10 times more likely to suffer from depression today than in 1950. Despite being 40 times wealthier than Nigeria, America by some margin is the most emotionally distressed of all nations. The expectations of most Nigerians is simply about having a roof over their heads, food to eat and affording an education for their children.

In Britain around 25% of the population is reckoned to be under emotional distress with another 25% on the verge. Men with earnings over £50,000 per annum are more prone to depression than those earning less and also under most stress to find a satisfactory “work-life” balance. They feel chained to the expensive lifestyles to which they have committed.

People working hard, earning “good money” and buying “nice things for the family” may well feel under pressure to maintain their income and spending levels. They may feel there are no alternative strategies available, but probably do secretly feel there are ideas out there that could offer the prospect of at least slowing down the hamster wheel off which they dare not jump just yet!

Understandably, many individuals focus on the here and now rather than on the longer term impact of financial decisions they are taking.

However, people who achieve a balance between:

- earning sufficient to cover their needs
- having sufficient time with the family
- pursuing their own hobbies
- giving something back to the community in some way
- having an idea of what they want their future to look and feel like.....

....seem far happier and more fulfilled than those simply trying to climb a ladder, keep up with the Jones’, own a bigger house or upgrade urgently to the latest gadget or model of car.

The role of a financial adviser is to help a client pause, take stock and if necessary, re-evaluate the reasons why they feel the need to keep on striving in their professional life, sometimes at the expense of their short medium and long term personal life.

It is not the adviser’s role to question the wisdom of the way clients choose to work or how they spend their hard-earned income or bonuses. There is nothing intrinsically wrong in wanting to provide an “ideal” lifestyle for oneself and one’s family today and this will often involve the purchase of “nice things” or holidays etc. However, once a client is really clear about their truly important short, medium and longer term priorities, they can make even better informed decisions about how best to utilise the financial resources at their disposal.

Advisers are equipped to provide clients with the peace of mind that comes from knowing they have taken practical steps to:

- protect their and their family’s current and future lifestyle
- make the most of their opportunities to accumulate, enhance or preserve their wealth
- develop a plan based on ensuring they enjoy the fruits of their investment and pension plans

Springboard 8 – The Value of Life Planning

- become financially well organised and “in control” of their financial life
- have access to an expert, qualified, trusted financial “coach” to review progress and prompt timely action
- be free from worry about getting the right things done on time
- have a co-ordinated, practical, jargon free financial strategy

As an outcome of a modern planning process, clients may also decide to change the way their time and physical and emotional energies are allocated across work, home and other social or community-based activities.

Modern approaches to financial planning

There is a fairly widespread realisation in the UK that individuals need to create their own “welfare state” rather than rely upon government benefits.

It has become increasingly important to raise client awareness of the financial consequences of premature death or disablement or inadequate planning for retirement income.

Advisers spending more time at the start of a client relationship on understanding their client and helping their client think through these issues are best positioned to receive a fair return for the value they deliver. They are also able to lay the foundations for a long term, mutually profitable relationship with their clients.

This approach helps clients to articulate their goals and highlights the benefits of engaging a trusted adviser to build and maintain a strategy to enhance the probability of achieving those goals. Skilful and relevant questioning helps a client to take a step back from their often frenetic day to day working lives, see things in a clearer way and understand how they can take more control over the decision-making which affects their current and future lifestyles.

Oliver James in *Affluenza* refers to an Australian survey where respondents were asked how much more they would need to earn to be happier. Whether they earned \$20,000, \$200,000 or \$2 million the common response was “another 30%”. This response begs the same question posed in the title of a book called “How much is enough?” written by Arun Abey who co-founded the international lifestyle financial planning firm, ipac securities..

Abey points out how consumer attitudes have shifted over the last few decades.

Attitudes we used to hold:	Attitudes we now hold:
<ul style="list-style-type: none">• Plan for the future• Debt is bad• Wait until I can afford it• Thrifty (positive connotation)• Extravagance / indulgent• Save for a rainy day	<ul style="list-style-type: none">• Live for the day• Credit is good• Have it now• Tight (negative connotation)• Lifestyle• Buy a home theatre for rainy days

The 2008 “credit crunch” and ensuing banking bail out crisis may have prompted a temporary reversion to more traditional attitudes to financial decision-making.

A re-focus on the need to save, invest and create a sense of financial independence from the State may yet emerge as a longer-standing trend amongst consumers. This may entail foregoing some possessions or activities for “status” in the short term to ensure the achievement of longer term security and goals.

Springboard 8 – The Value of Life Planning

The path to a client's increased awareness of a wider financial context can be carved out of a range of approaches to advising clients.

I will describe the typical range of approaches practised by advisers in the UK and world-wide. There are no regulator-approved definitions for the labels I have given to these approaches. So, my definitions are set down for the sake of clarity in this and subsequent chapters.

Approaches to advising and their relative value to clients

- **Financial Advice**
- **Financial Planning,**
- **Life Planning**
- **Cash-flow modelling**

Financial Advice - tends to result from client and adviser taking a snapshot of the client's needs or wants at a particular moment in time. The snapshot may apply to a narrow aspect of the client's financial affairs. Advice would then focus on identifying the gap between the client's current and desired state and recommending solutions to close that gap. Attitude to risk and capacity for loss are catered for in the advice process but not the client's broader aims, objectives and issues.

The narrower focus applied may make the advice to clients cheaper in the short term to deliver. In the longer term, the need to revisit additional, wider aspects on an ad hoc basis may make the accumulated actual and opportunity cost more expensive than other approaches.

Financial Planning - considers all key aspects of financial planning. As a result the broad strategic plans put in place may stand the test of time and the solutions be better integrated to provide more long term value for money than a narrower interpretation applied through financial advice.

However, this approach tends to focus on the "what" and "how much" point of view rather than the "why" rationale for assembling an integrated, meaningful financial strategy.

Life Planning - this approach helps clients to understand their attitudes towards money, consider what is really important to them in life and define a broad, balanced set of goals and objectives for which a co-ordinated financial strategy is required.

This approach can help clients realise the need to take responsibility for, and therefore become fully committed to, their goals. This helps them to maintain a focus on their longer term savings and investment strategies. It can also help them better understand their emotions relating to investments and hence be better prepared to accept or tolerate risk more readily when market volatility occurs.

The philosopher, Jacob Needleman wrote "without an inner aim, greed is inevitable". If there is no central purpose, clients will never know "how much is enough". Finding that inner aim is often about a move away from a client's self-interest towards a definition of success related to what they have done for others. We probably all know someone who appears to "have it all" but is not content; we also know others who have much less in the way of material goods, but lead a fulfilling, happy life.

A life planning approach is not based on the premise that enjoying the material trappings of an affluent lifestyle is contradictory with what might be thought of as a more "fully-rounded" lifestyle. But, it is based on the assumption that acquisition for the sake of acquisition isn't conducive to long term satisfaction of fundamental lifestyle needs.

Springboard 8 – The Value of Life Planning

Cash-flow modelling

Financially speaking, we all know more or less where we are currently. What we really want to know is... where are we going?

The affordability of a desired lifestyle requires the timely availability of sufficient after-tax income to at least match the expenditure required.

A positive personal cash flow is fundamental to our sense of financial security and peace of mind.

However, most people understandably focus only on their short term cash-flow and at best have a vague idea of what will happen in the medium term let alone the longer term

The old adage of 'fail to plan – plan to fail' has never been so relevant as it is today with less real State support available at key times - such as retirement, ill-health, death or loss of employment. Cash flow planning is vital if financial goals are to be achieved – such as a comfortable retirement.

Cash-flow modelling systems can provide a detailed picture of a client's current financial position. It will then illustrate how their financial future looks, by rolling their financial position forward in time, year by year, taking account of all the relevant factors and anticipated events along the way.

Advisers and clients can then "model" the effects of pretty well any financial action or change, at any point in time... helping clients answer those "future" questions, such as:

- When can I afford to make the choice to carry on or to stop working?
- If I give some of my money to my children, will I still be able to live comfortably?
- What rate of investment return do I need to achieve my objectives?
- Will downsizing our home in the future release enough cash to support or fund my retirement?
- What will be my estate's likely inheritance tax bill, and are there ways of reducing this liability?
- If I die or get seriously ill, how will things look for my family financially?

Lifetime cash-flow modelling is of tremendous value to people who wish to:

- Become and remain financially well organised.
- Determine their lifetime goals.
- Create a lifetime cash flow plan.
- Control their tax liabilities.

A cash-flow modelling exercise typically leads to a personalised report and discussion which:

- Presents a clear and detailed summary of a client's financial arrangements.
- Defines the client's version of the 'good life' so you can begin working towards it.
- Sets out a path towards achieving and maintaining financial independence.
- Quantifies the capital and income provision required to cater for the financial consequences of the death or disablement of the client or their partner.
- Identifies opportunities to minimise tax liabilities.
- Analyses future income and expenditure using assumptions agreed with the client.
- Leads to creation of an investment strategy tailored to short, medium and long term aims and takes account of attitude to short term volatility in the value of investments
- Raises awareness of tax issues likely to arise on death of the client or their partner.

Springboard 8 – The Value of Life Planning

Just like the business plan of an organisation, the output of a cash-flow modelling exercise is of no value if it is filed away and not reviewed and revised in the light of changing circumstances or assumptions.

A cash-flow modelling tool is a method of reviewing a client's "business plan" and putting them back on track when the winds and tides of life conspire to blow them off course.

At its simplest level, cash-flow modelling may be used to establish a shortfall in retirement funding. At a more comprehensive level, it would cater for a client's total capital and income needs over a financial lifetime. At either level it can be a vital element of a client's planning process.

Clients need to be aware that the picture of the future examined is based on several assumptions regarding earnings growth, investment returns, interest rates etc. The exercise helps people evaluate the pros and cons of different approaches to their financial planning.

Modelling can also highlight whether clients are exposed to more investment volatility or risk than is required to achieve their objectives.

Alternatively, it might illustrate a need to

- set aside more capital to achieve their objectives,
or
- be prepared to take more risks
or
- re-evaluate their goals

For any number of reasons, no plan stays perfectly on the course originally designed. Therefore, it is important that clients review their plan periodically to consider any necessary adjustments, to keep their plans heading towards their intended goal.

Generally speaking, client objectives don't change, but the tactics used to achieve them might alter if reality varies greatly from the original assumptions built into the client's plan, or if new product or tax regimes over-ride existing arrangements.

The frequency of review and significant changes to plans needs to be carefully managed as too many short term adjustments may just cause the plan to weave from one extreme to another rather than follow an investment journey in keeping with the volatility anticipated for the level of risk to which solutions are matched.

Combining Life planning & Cash-flow modelling

"Those who are victorious plan effectively and change decisively. They are like the great river that maintains its course but adjusts its flow... they have form but are formless. They are skilled in both planning and adapting and need not fear the result of a thousand battles for they have won in advance, defeating those that have already lost" SUN TZU, CHINESE WARRIOR – 100 B.C

Life planning brings real meaning to goals that clients are able to articulate properly and probably for the first time. Life Planning sets a clear destination and strategy (the great river),

Cash-flow modelling and a review process helps adjust the flow to deal with the many "battles" they will face. It helps clients evaluate what they really need to do in order to make the dreams come true. It may mean they need to take more or less risk, set aside more money or it may mean they can spend more money now with confidence in their longer term financial strength.

Springboard 8 – The Value of Life Planning

Life Planning can:

- help clients reflect on what they do and don't enjoy doing and try to help find ways of getting the balance right.
- create an opportunity to share thoughts, feelings and emotions which in itself is therapeutic – a problem shared is a problem halved.
- help clients reflect on the benefits to the heart and the soul of being generous / giving, doing something for nothing
- help clients create a balance between work, rest / relax and play. Exercise and open air is great for psychological health as well as physical health.
- help clients reflect on what is “really” important. What do they want to be remembered for? Maybe “less can be more”, which means clients can benefit from reducing the pressure on themselves, to strive for the next status acquisition.

Growth of Life Planning in the UK

There is a growing level of interest in what is referred to as Lifestyle Financial Planning and Cash-flow Modelling. Some firms use them as approaches with their most affluent clients. But, elements of both these services are also relevant to the “Me-Too” segment of a client bank. The adviser skill is to use them appropriately to meet the needs of the client in a way that is profitable for their firm.

George Kinder has done much to introduce the basis of this offering to the UK market. The understanding of psychology and the effective counselling skills required of George's approach may have created an obstacle for many UK advisers.

In his book “7 Stages of Money Maturity” Kinder brilliantly illustrates how important it is to understand what money means to us and why. You may question whether if it proposes a concept you can deliver in your capacity as a financial adviser. Some UK advisers have however adapted a number of the principles he espouses into what they feel is a workable process for their markets and clients.

Whichever approach advisers adopt, if more advisers help more clients to articulate meaningful objectives and understand how they can be achieved with the on-going support of a trusted adviser, then the UK advisory market will grow stronger in the wake of RDR.

Impetus for life planning approach from RDR

RDR presents a great opportunity for advisers to segregate the value and price of each element of the services they offer.



In this context, products or “solutions” are servants to the client's financial plan. In turn, the plan is

Springboard 8 – The Value of Life Planning

only as good as the motivation of the client to follow it. The client's motivation is determined by their degree of "buy-in" to the goals they now realise, as a result of their adviser's lifestyle planning approach, are important to them.

Why should advisers exploit this impetus?

Advisers can retain a focus on general financial advice, emphasise the importance of product and / or portfolio selection, tax and trust planning. However, they will not expect to earn the levels of revenue per client they may have expected pre-RDR or the levels achievable by advisers who offer broader value.

Maintenance of pre-RDR revenue levels would therefore require the acquisition and maintenance of a greater number of clients. They may need to seek a target market that is more price sensitive and have simpler financial planning needs.

On the other hand advisers shouldn't seek to enter the lifestyle planning arena unless they have a true interest in meeting the needs of clients in this market and a belief in its value.

It takes conviction to develop the skills and knowledge required to deliver a lifestyle planning approach to best effect. If it is simply done to justify the maintenance of revenue levels, then the adviser's true motivation will show through and the value of the client experience will be undermined.

It takes time and commitment to move into this market and it extends the engagement process with a new client. However, there is plenty of evidence to suggest that clients will pay profitable fees for the initial engagement and that it leads to stronger, longer term and valuable relationships through:

- Improved client retention
- Increased levels of revenue and margin year on year as clients see and pay for the value of the proposition, entrust and set aside more wealth to meet their objectives
- Improved levels of introductions to better quality clients seeking this approach
- The business being able to produce more from fewer clients
- A detachment of reputational risk and value from things outside of the adviser's control such as product and portfolio selection
- Focus being on things in a firm's control - setting goals, strategy, service and relationship
- Profitable fees not dependent upon "product" purchase or the scale of funds managed

The approach won't suit all clients. Not all clients who want it will be able to afford this service. Equally it will be for firms to consider how they may deliver degrees of life planning to different segments of their target market at a profitable rate.

What does effective delivery of life planning require by way of skills and knowledge?

An advisory business needs a balance of skills.

One side of the equation requires creativity, empathy, relationship building and strong communication & coaching skills

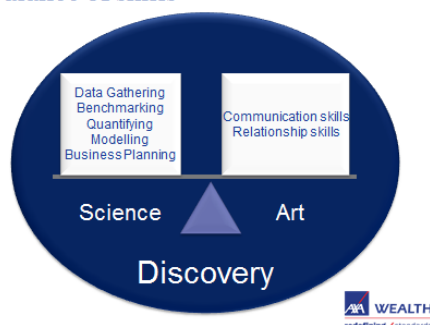
These soft skills are complemented by the traditional analytical and technical skills.

As with any balancing act, there are times when weight is only required from one side. The strength of the technical side in many advisers is far higher than on the artistic side as it is the technical side that is most tested and challenged by the regulator / compliance and has driven business

Springboard 8 – The Value of Life Planning

propositions in the past. The temptation therefore, is for advisers to revert to playing to this “strength” too soon and too much in their advice process.

A balance of skills



It's worth examining the components required to deliver effective communication and relationship skills.

Communication skills

This requires an adviser to develop or hone their questioning and listening skills, particularly to help clients better understand themselves. Whilst it is important for an adviser to understand their client, the real value-add for the client is in what they can discover about themselves.

Many advisers are well versed in the art of fact finding around the current financial position of a client and agreeing certain financial objectives, but to truly understand a client we need to understand their past and their broader motivations / goals.

By encouraging clients to share their past from the day they were born to where they are now, an adviser can understand more about the influences on their life, what may impact on their beliefs about money, attitudes to risk, what drives them and their goals and views on financial planning? This is an immensely valuable exercise for both the client and adviser.

So advisers need to invest time understanding the clients past, but they also need to develop skills in helping clients evaluate what is important about their future. By using a questioning approach similar to that which I shared in Chapter 3 – “Where are you heading?” an adviser can help clients really explore what is really important to “be, have and do” and formulate meaningful goals to which they are more likely to commit and plan towards.

This requires good questioning and excellent “active” listening skills. To listen effectively requires genuine interest in hearing all about the speaker, and is a skill which is easier said than done.

The classic barriers to effective active listening include:

- Feeling that you are not adding value unless you are saying something / giving something, hence shifting ownership of the conversation back to you and not waiting for the client to finish. You have to trust that the value is in the questions you are asking; just getting the client to think and allowing them to articulate their thoughts is of immense value to them.
- Competitive interrupting – being too keen to show you understand them with your own examples, again shifting the focus back on yourself.
- Wanting to fill any silences/filling the gaps – being uncomfortable with too much thinking time.
- Thinking of your own agenda:
 - trying to diagnose the problem before hearing them out fully (not letting go of the technical hat)

Springboard 8 – The Value of Life Planning

- thinking about what solution this client needs as they speak
- how much time has passed?
- Fatigue - not fully concentrating
- Becoming distracted caused maybe by not setting an appropriate environment for the meeting
- Allowing preconceived ideas / views to begin to establish judgements/prejudices

An impartial fee charging approach

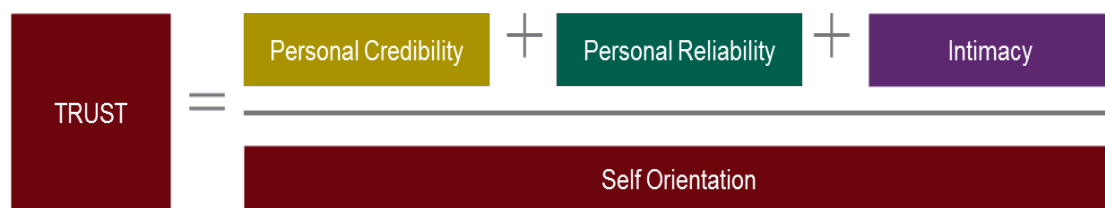
A common cause of listening distraction can be to do with how an adviser gets paid for doing what they do. If they are paid when money moves from “A” to “B”, rather than for the process of helping clients understand their position, goals and strategy then it will impact on what pops into their head when the client is talking.

If they are paid to ask questions and listen at this stage of the process irrespective of the outcome, then they will be better placed to do the job required effectively. If they are doing this for “free” in the hope that it will lead to a solution sale for which they will get paid, then their focus may get distracted and perspective coloured.

Developing trust

There is significant value added by helping clients build the right financial planning strategy, using good tax and trust planning and appropriate portfolio construction. However, the adviser needs to be able to put all their technical know-how to one side in the early stages of a life planning process. This task can be made easier for an adviser who uses a para-planner.

The early stage of the process requires the adviser to adopt a coaching role to help their client reflect on their lives, what is important to them and what their goals are. This helps to build the critical ingredient of trust. David Maister’s book “The Trusted Adviser” refers to the following key ingredients in a “trust equation”.



- Personal credibility is created by the adviser’s experience, skills and knowledge in the field where they purport to add value to their client. This is enhanced by saying what they choose to delegate or refer to others.
- Personal reliability is enhanced by being able to “do what they say on the tin” in a timely way with the right degree of accuracy and consistency.

Personal credibility can be the easiest to demonstrate at outset and reliability can be established by being organised and structured.

Maister highlights “the most common sources of differentiation in trustworthiness come from intimacy and self-orientation. Both are relatively scarce compared to credibility and reliability. People trust those with whom they are willing to talk about difficult agendas (intimacy) and those that demonstrate that they really care (low self-orientation)”.

Springboard 8 – The Value of Life Planning

- Intimacy means developing the right level of empathy with, and understanding of, the client. It is about being prepared to share emotional feelings relating to the matters at hand, often the adviser has to be prepared to share his feelings to draw a client's feelings out.
- Self-orientation refers to the degree to which an adviser acts in their own interests / motivation or agenda. It is represented in the equation as the denominator. This means the trust a client will feel is going to be higher if their adviser has a low sense of self-orientation.

The more you can demonstrate you are truly acting on the client's behalf, to their agenda the lower your self-orientation "score" will be as a denominator in the equation and the greater level of trust that will be developed.

So the adviser who:

- seeks to understand their client to a greater degree,
- has outsourced all the areas that could detract from their credibility or impact on their reliability
- creates a method of remuneration which enables them to maintain a focus on the clients agenda and be truly impartial

.....will have the foundations to build increasing levels of trust.

Creating time to invest in conversation

To free up the time to focus on key conversations and ensure the efficient delivery of advice and service in order to maintain high credibility and reliability scores, an adviser needs to be able to delegate tasks of low priority or in areas they are less well equipped to deliver.

As the adviser experiences and sees the impact on clients of this way of working they become more comfortable with simplifying or outsourcing many of the areas they have previously made overly complex.

I recommend the books I have referred to written by

- Arun Abey – "How Much Is Enough"
- Oliver James – "Affluenza"
- George Kinder – "Seven Stages of Money Maturity"
- David Maister – "The Trusted Advisor"

They will give you excellent and interesting perspectives on the impact of money on people's lives and how to open up and develop meaningful discussions on the subject.

If you don't currently have the fully developed skills, confidence or belief in the value you can add by discussing what money means to people, these books will help you make a decision as to whether this is an approach you wish to develop.

Additional value add services

Many advisory firms have rationalised their client banks and streamlined their services. They have also explored areas where they can add value within their client proposition, in particular for their more affluent clients whose time is at a premium.

Springboard 8 – The Value of Life Planning

Some examples are:

- Being the agent of the client – some liaise and co-ordinate the affairs of their client with other advisers. This saves the client time and money and ensures the right synergies are created across the board. Typically this may involve liaising with the Accountant, Solicitor, other Investment Advisers, Bank Manager, Estate Agent, Building Society, Product Providers, Insurance Agents, Motor Dealerships even Travel Agents. Some advisers now have links with Travel Agents to help their clients plan the holidays of their dreams etc.
- Client networking – many clients who run a business can be helped by introductions to other clients who may become clients, suppliers or partners of their company. Some firms' co-ordinate a series of events where clients can bring guests (prospective clients) be it Golf Days, Race Days (Motor / Horse), Theatre Evenings, Meal out with speaker etc.
- Education programmes for the family – some firms run financial or business development workshops for the children of wealthy or business clients to help them understand some of the principles of good financial planning and business management.
- Optimising tax & trust planning – this may be developing a greater in house expertise or forging links with other planners to ensure they can maximise the benefits of this aspect of financial planning for their clients.
- Business Consultancy – some firms in the corporate market may act as a sounding board for their clients on aspects of their business strategy.
- Looking after the pennies / budgeting – This is a bit like a Martyn Lewis Money Saving Service: reviewing insurances across the piece (Car / Home & Contents / Pet / Travel etc.) either done in house or via an outsourced link, reviewing utility suppliers and bank / building society accounts.

Summary

As firms focus their energies on the higher value segments of their client bank, seeking to secure enduring and trusted relationships with them we have seen more and more developing a wider range of services and skills. The trend in the use of cash-flow planning linked to Life Planning propositions will grow.

Success requires a shift in mind-set and development of new skills. The role of technician is balanced with the role of coach and confidante. Firms and individuals need to create the time and capacity to invest in clients and streamline or outsource lower value aspects of what they do and/or find clients with the willingness and ability to pay for what is a premium rate proposition.

It is extremely important to note that Cashflow Planning is not a product that should be sold in isolation, is part of a Financial or Life Planning proposition and before using it anger firms need to ensure they:

- Know who it is appropriate for, their target market
- Have materials that help them articulate the value of this proposition that will motivate clients to put in the work
- Have a process to help clients evaluate and understand their goals
- Establish the extra work involved, what is done at what stages of the process and are there extra meetings to be held and how that impacts on the costs of its provision
- Understand how and what you will charge to ensure cash-flow and profitability are not impacted negatively but positively
- Have polished their questioning and listening skills to effectively help a client through the process you want to take them.
- Then how do you use the cash-flow planning?

Springboard 8 – The Value of Life Planning

Too often firms simply talk about the cash-flow plan as a proposition in itself and wonder why it doesn't get much buy in.

Based on what Chapters 6, 7 and this one have covered, advisers should feel quite comfortable if they wish to re-position their added value away from claims they can:

- pick the “best” or “cheapest” product to maybe save a client a differential in reduction in yield of say 0.1 to 0.3% per annum, assuming it can be measured / proven over the term of the contract
- pick a portfolio that may beat a benchmark average by a percentage or two

.....and they want to focus their time, energies and skills on:

- ensuring that they know and understand their clients, their aims, objectives, fears and hopes so they can truly empathise, play devil's advocate to consider alternatives and challenge their own thinking and be trusted as an adviser
- ensuring the clients have a clear understanding of their personal goals and their importance to them
- establishing what the financial goals are to achieve those personal goals
- establishing the right financial planning strategy to achieve those goals incorporating tax wrappers and trusts
- optimising tax opportunities annually to maximise chances of achieving those goals
- having regular reviews be it three yearly, annually or more often to keep them focussed on their objectives, reviewing and maintaining their longer term strategy and plan
- encouraging clients to set aside more money sooner rather than later to avoid the compound cost of delay and ensuring they are adequately protected
- helping them make a 0.50 % more or so on deposits, save a few pounds on insurances, loans, utilities, budgets etc. here and there
- helping them understand their emotions around risk and investment performance and not make irrational decisions based on fear, greed or the herd
- helping them understand what they need to know about their financial planning to be reassured around their plan and likelihood of achieving it
- having the time and flexibility to react to enquiries to put a client's mind at rest
- take a pro-active approach to prompting clients when the time is right to review plans
- maintaining the right asset allocation and re-balancing periodically to ensure that better returns and less volatility is experienced
- helping clients achieve “peace of mind” which comes from having a sense of control over their financial planning arrangements.

The value added by doing this well can be significantly higher than the value perceived from time spent focussing on product and fund selection which have an unknown end benefit or cost.

The price for such propositions should therefore reflect the value irrespective of the products and portfolios put in place as a result. Pricing will be the topic dealt with in Chapter 9.