

Financial Planners Look at All Money Issues for a Client: From Health Care to Estate Planning

Financial Planning Basics

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Why Work With a Financial Planner

We've written this "Financial Planner" column for many years. Typically, we focus on specific planning concepts for reducing taxes, funding college, legacy planning or other techniques to better organize your financial life.

Many of us, however, reach a point when work, family or other real life demands monopolize our time. In addition, as changes to the tax code as well as tools for planning and investing proliferate, the task of managing your financial life grows more complex every year.

It has been several years since we've discussed what a financial planner is, why you might want to work with a financial planner and how to select one. This article focuses on the financial planning process.

When Alex started in the investment business more than 40 years ago, she started as a stockbroker working for a regional New York Stock Exchange firm. At that time, the term financial planner didn't exist. There was no regulation, no certification, no standard of ethics. Today we have all of these, but we find that often people are still confused about what's involved in the financial planning process.

Who Is a Financial Planner?

It is common to see the term "financial planner" confused with the term "financial adviser" (or advisor). The primary function of a financial adviser/investment manager is to manage your investments. Financial planners take a more comprehensive look at your situation, looking at your total financial picture, including cash flow, debt, taxes, estate planning, health care, insurance and more.

They help you define your financial goals, prioritize them and then work out a plan to help achieve your goals on an ongoing basis. Over the past 15 years, this was most commonly a written financial plan delivered in hard copy to you at the end of the planning process. As technology has improved, more and more planning is done virtually, via an online planning portal. This allows the plan to grow with you as circumstances change, and you to more easily collaborate with your planner on any decisions. Many planners also help you manage your

investments, once your overall picture has been established and your goals have been defined.

Why Would You Hire a Financial Planner?

Often the motivation for seeking the services of a financial planner is a life event. The most common one is preparing for retirement. You might want to retire at a certain age but don't know whether you can afford to do so. Other motivating events include the death of a spouse, an inheritance, a job change, the birth of a child, a marriage or a divorce.

Planning doesn't have to be predicated on a big event.

All of our time is precious; for many there's great value in paying a financial planner to oversee their financial life so that you can free up that time to spend on the things that are most important to you.

What's Involved in the Financial Planning Process?

Working with a financial planner requires time and effort on your part as well as that of the planner's. First, you complete a financial data questionnaire. This may be a paper questionnaire along with a request for copies of statements for your assets and liabilities, your insurance coverage and your tax and legal documents. Or you may have an online planning portal accessible to you and your planner, which allows you to enter this data online, upload documents and link accounts.

The next step is for you — and your partner if you have one — to sit down with the planner and define and prioritize your short- and long-term financial goals. Sometimes a couple may find out they have different priorities that come out in that meeting. The planner will typically also work to determine your risk tolerance, which also often differs between two people.

After this initial meeting, the planner prepares a financial plan that would include a balance sheet, a taxable income and cash flow statement for the current year, and a projection of what income, expenses and taxes will look like in the future.

Depending on your age and your planned retirement date, this projection could be as long as 40 years. A comprehensive plan will typically include a review of your current investments, estate-planning documents and insurance coverage.

If you plan to pay for college education for children/



grandchildren, cost estimates would be included. Finally, there will be recommendations for actions you should take to achieve your stated financial goals.

Once the plan is put together, the planner would meet with you to review it, answer your questions, make adjustments based on the discussion and make sure the plan meets your needs. From there, the planner will help you implement the plan recommendations. This may relate to investment changes, or for instance, a referral to a lawyer to update your estate plan.

Financial planning technology has made significant strides over the past several years, and now more than ever the financial plan is a living document. If you went through a planning process 10 years ago, the experience will likely be much different today. Once the initial financial plan has been created, it should be reviewed regularly to account for changes in the economy, tax laws and your own situation.

What Does a Financial Plan Cost?

It depends on how complex your situation is. You might have a very complicated situation or one that's relatively simple. Most planners will give you an initial free consultation and based on that initial meeting can estimate what the plan will cost prior to starting the client engagement. Some planners charge a flat fee based on the amount of worked involved in the plan. Some charge an hourly rate, while others operate on an annual subscription or retainer model.

Why Can't I Do This Myself?

You can do some of it yourself. There are apps and software that can be helpful to you, particularly for retirement and college planning. Certainly doing this is better than not doing anything. But software can only take you so far.

There are myriad decisions over the course of your life that may require a human touch. Issues such as

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who should be the executor of your estate, how to make gifts tax-efficiently to assist family members and how to deal with changes to tax laws. If based on your current situation you can't retire at 55, as you wanted to do, what do you do?

This is where a trusted planner can walk you through various scenarios, help you make changes to your lifestyle, investments or timeline and put you in position to achieve your goals.

In addition, the planner can provide you with objective advice based on experience working with other clients over the years.

For example, spouses may disagree about financial matters. One may think leaving money to their children is more important than traveling, while the other may disagree. In these instances, the planner can discuss the pros and cons of each and help find a compromise — something a machine can't do.

Conclusion

Of course, we're biased. As financial planners we have seen successful long-term results and think everyone can benefit from receiving financial planning advice at all stages of their adult life. When you're young, it may seem like there's not much to discuss, but a common refrain we hear from our older clients is "I wish someone would have given me some advice sooner." Typically, you would discuss how to budget, what insurance coverage you needed and how to invest your retirement assets.

As you get older, you need advice about what size house you can afford, the type of mortgage you

should take out and how to plan for the education of your children. Once you've accumulated some assets, you can start focusing on retirement planning. After you retire you might focus more on your estate planning.

Financial planning is a lifelong process. Having a professional financial planner partner as you move through life should make it easier to do so successfully.

The independent advice a trusted financial planner can provide you should help you achieve your goals, lead the life you want to live and leave a legacy for future generations. In our next article, we'll discuss how to find a planner to help you plan your next chapter. **B**

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