FPA
FINANCIAL PLANNING ASSOCIATION

RESEARCH & PRACTICE INSTITUTE™

Financial Planning in 2015:
Today's Demands, Tomorrow's Challenges

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WELCOME

What are the critical issues financial planners will have to address in the coming years to effectively help their clients? How do they engage in the practice of financial planning today and how might that change tomorrow? What is the perception of financial planning today?

These and other issues are the focus of ***Financial Planning in 2015: Today's Demands, Tomorrow's Challenges,*** conducted by the FPA Research and Practice Institute™ (RPI).

This report aims to help financial planners better understand how their peers are engaging in the financial planning process, how they leverage resources, how technology may or may not play a role in the process, and how clients today perceive what financial planning is. The study also looked closely at these issues through the lenses of both CERTIFIED FINANCIAL PLANNER™ (CFP®) professionals and non-CFP® professionals.

By conducting original research on profession-related and business-centric topics and issues, RPI answers the pressing questions that help financial professionals prosper in today's challenging financial services landscape. Be sure to visit www.OneFPA.org/Business-Success for more from FPA and the FPA Research and Practice Institute™.

Lauren Schadle

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METHODOLOGY AND PARTICIPANT PROFILE

This report was created on the basis of input from 771 financial professionals who offer financial planning to their clients. The survey was executed by If Not Now Research between July 31st and August 14th, 2015 using an online survey. The margin of error is +/- 3.53%.

A full profile of the respondents is in the Appendix; however, key points are summarized below.

- Sixty-eight percent hold the CFP® certification
- Thirty-eight percent are with an RIA, 22 percent with a national or regional broker-dealer and 7 percent with a national or regional wirehouse
- A third of respondents generated $1m or more in gross revenue in the last 12 months

Financial planning is both an art and a science, and given the breadth of knowledge and competencies required to perform financial planning effectively, it comes with challenges. For that reason, the Financial Planning Association (FPA) gathered input from more than 750 financial professionals – all of whom offer financial planning to their clients – to understand how financial planning is being delivered today and to identify the key challenges that will influence the profession going forward.

We spoke to planners across channel and across the country. All respondents provide financial planning to their clients to some degree, and 68 percent hold the CERTIFIED FINANCIAL PLANNER™ (CFP®) certification. A full profile of the respondents can be found in Appendix 1.

THE SCOPE OF FINANCIAL PLANNING

The study highlights that while the majority of respondents follow the six step process associated with financial planning process, as outlined by the Certified Financial Planner Board of Standards, Inc., the scope of planning provided varies greatly from one planner to the next. For perspective, 30 percent of CFP® professionals deliver financial planning to fewer than half of their clients, and 19 percent deliver financial planning to all of their clients.

CRITICAL ISSUES GOING FORWARD

The study identifies and examines four aspects of financial planning that are emerging as critical for planners, which will influence how financial planning is delivered going forward.

1. The changing client conversation. Planners identify ten topics that are influencing client conversations as part of the financial planning process:

- Helping clients navigate family dynamics, working with the next generation and associated estate planning issues
- Helping clients plan appropriately for age-related change, including the death of a spouse, elder care and long-term care
- Helping clients manage behaviors and emotions related to money and decision making
- Helping clients define their income needs in retirement and designing income strategies
- Risk management, including insurance and income protection strategies
- Responding to a low interest rate environment
- Helping clients navigate issues related to career
- Availability of new technologies
- Fees and value
- Navigating healthcare options today and post retirement

2. Client segmentation and specialization. About half of planners say they specialize in working with a specific market segment, with business owners topping the list of most common at 28 percent. Only 10 percent of respondents indicated that they specialize in working with millennials, while 14 percent say they do not work at all with this group of clients. Forty-four percent of respondents say they have adjusted – or completely changed – their offer for millennials.

3. Integration of automated platforms. Technology emerged as an important client conversation and, not surprisingly, many respondents spoke about robo-advisers as one of the areas that they will address in their businesses or with clients going forward. While more than half of planners believe they will use automated solutions to enhance their service offering, 42% of planners do not feel that such technology will play any role in their business.

4. Fees and profitability. On average, planners reported investing just over seven hours in developing an initial plan for a client. In addition, the team invested six hours on the initial plan. Despite the significant costs of delivery, only a third of all respondents said they always charge a separate fee for an initial plan. Both CFP® and Non-CFP® professionals are considerably less likely to charge separately for plan updates, and nearly a third of professionals (32%) offer a discount on the planning fee if the client implements the recommendations with them. Of the respondents who provide planning to some but not all of their clients, three-quarters said profitability is higher or much higher for the clients who receive financial planning.

EXECUTION

This study went into significant detail on how planners are executing on each step of the financial planning process. The data was gathered primarily to provide planners with a view into the businesses of their peers and a point of comparison for their own processes. The data highlights:

- Significant variation in how planners are executing on each stage of the process
- A reliance on the planner (as opposed to his or her team) for key steps including data gathering and, in some cases, data entry
- The use of manual processes to delivery or supplement data analysis
- A reliance on paper reports, often supplemented by online reporting

CLIENT PERCEPTION

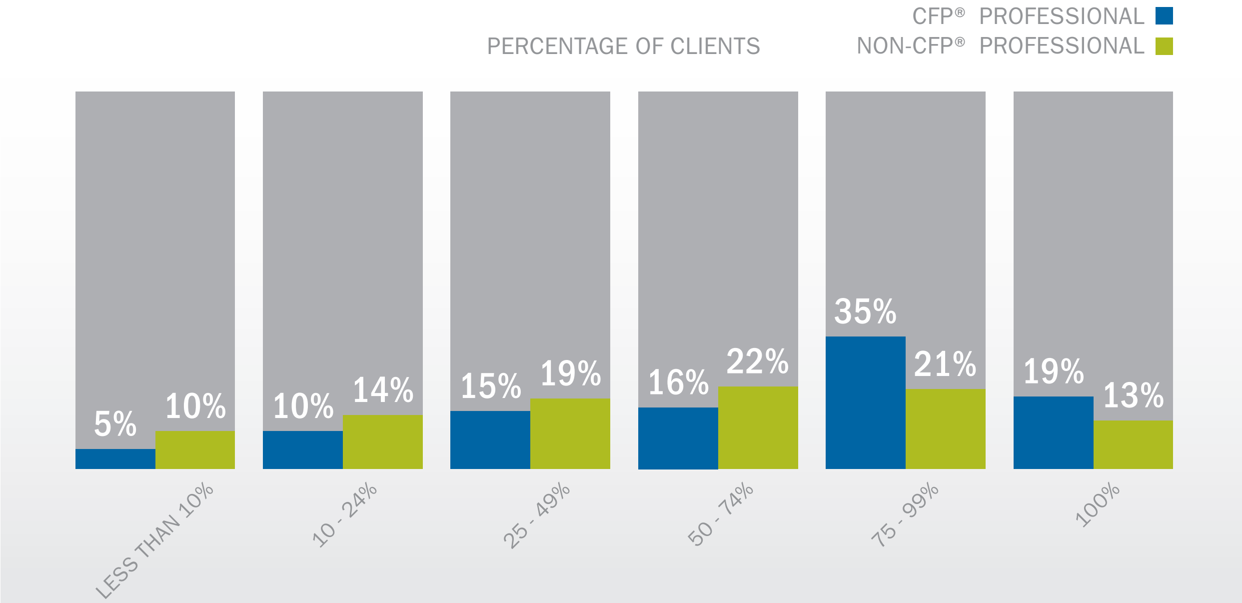
Despite the significant efforts that planners invest in helping clients define their goals and in structuring and implementing a robust financial plan, many still question if clients fully appreciate the value of financial planning. When it comes to client perception, planners believe that clients consider investment planning and retirement most important and that they place lower value on other core areas of financial planning, including tax and estate planning.

The study points out that part of the perceived confusion among clients may be because more clients believe they have a financial plan than is likely the case. A recent investor study of more than 1,000 clients[1] highlighted that nearly half of clients (49%) who work with any financial professional (financial planner or otherwise) believe they have a written financial plan. It is possible that client perceptions of financial planning may be tied to an experience that does not reflect a true financial planning process.

[1] If Not Now Research, Investor Research, 2015

One thing is clear: While there is broad agreement on the six steps associated with the financial planning process, as outlined by the Certified Financial Planner Board of Standards, Inc., the scope of planning provided varies greatly from one planner to the next. For some, the financial plan is the cornerstone of the relationship for every client, and for others financial planning is a value-added service that may be provided to a select group of clients.

While CFP® professionals are more likely to offer financial planning to a higher percentage of their clients, there is a significant range across planners.



Q: *What percentage of your clients receive financial planning?*

Not only does the scope of financial planning vary across planners, we also see significant differences in the range of services that are provided as part of the financial planning process.

PERCENTAGE OF CLIENTS RECEIVING ADVICE / ANALYSIS IN EACH AREA			
	ALL CLIENTS	MOST CLIENTS	SOME CLIENTS
Income			
Cash Flow	37%	35%	25%
Major Purchases	16%	35%	44%
Budgeting	15%	23%	52%
Debt Reduction/Elimination	10%	16%	65%
Risk Management			
Life Insurance	35%	38%	24%
Long Term Care Insurance	21%	31%	41%
Disability Insurance	19%	25%	41%
Optimizing Employee Benefits	15%	30%	39%
Health Insurance	13%	16%	39%
P&C/Liability Insurance	11%	14%	26%
Investments			
Wealth Accumulation	64%	30%	5%
Specific Investment Selection/ Recommendations	57%	28%	10%
Education Planning	16%	27%	55%
Concentrated Stock/Options	10%	9%	58%
Tax Planning			
Investment Loss Harvesting	21%	29%	43%
Roth IRA Conversions/ Recharacterizations	13%	24%	59%
Self-employed Retirement Plans	9%	15%	71%
Tax Return Preparation	4%	7%	12%

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***Q:** In which of the following areas do you provide analysis or advice and to what proportion of your clients?*

PERCENTAGE OF CLIENTS RECEIVING ADVICE / ANALYSIS IN EACH AREA

	ALL CLIENTS	MOST CLIENTS	SOME CLIENTS
Retirement Planning			
Retirement Income Strategies	36%	46%	17%
Social Security Maximization	24%	39%	33%
Defined Contribution Plans	10%	31%	49%
Defined Benefit/Pension Plan	8%	12%	61%
Deferred Compensation	5%	10%	64%
Estate Planning			
Titling of Assets	28%	32%	28%
Gifting Strategies	14%	25%	55%
Charitable Planning	10%	19%	62%
Estate Document Preparation	6%	11%	14%
Medicaid Planning	4%	7%	39%

Q: *In which of the following areas do you provide analysis or advice and to what proportion of your clients?*

The variation in scope and delivery of financial planning provides rich context for an examination of how financial planning is being delivered today. Before we do so, however, we want to look forward and examine the issues and challenges that will impact planners and the delivery of financial planning. Specifically we'll look at four issues:

- The changing client conversation
- Client segmentation and specialization
- Integration of automated platforms
- Fees and profitability

THE CHANGING CLIENT CONVERSATION

Over the last 10 years, planners have increasingly focused on issues related to aging, family and the technical issues associated with retirement income planning.

In order to tap into the thinking of planners across the country, respondents were asked to share their thoughts on the issues they are addressing more today and those they see taking center stage going forward. Looking back, 10 key issues emerge and are listed below based on the frequency with which they were identified by respondents. Beneath each are some sample verbatim comments from the participants.

1. HELPING CLIENTS NAVIGATE FAMILY DYNAMICS, WORKING WITH THE NEXT GENERATION AND ASSOCIATED ESTATE PLANNING ISSUES
• Connecting with their adult children.
• Consolidating accounts to simplify estate transfer.
• Family legacy planning, especially with business owners.
• Generational planning. Engaging the children and grandchildren of clients in financial planning.
• How to “help” the children without enabling them.

2. HELPING CLIENTS PLAN APPROPRIATELY FOR AGE-RELATED, INCLUDING THE DEATH OF A SPOUSE, ELDER CARE AND LONG-TERM CARE

- Aging in place vs. retirement communities; healthcare choices.
- Alzheimer's, and other health-related issues that may affect their ability to understand the recommendations and choices provided.
- Assisting parents with long-term care.
- Coping with the loss of the partner who had done all/most of the financial planning.
- Cost of long-term care and how to self-insure.
- Elder care issues for families in transition.

3. HELPING CLIENTS MANAGE BEHAVIORS AND EMOTIONS RELATED TO MONEY AND DECISION MAKING

- The emotional relationship with money and how personal behavior effects money decisions.
- How spending affects success with retirement goals.
- Retirement transition, not only financial, but emotional.
- Psychology of money decisions and conversations with children, parents, other professionals.

4. HELPING CLIENTS DEFINE THEIR INCOME NEEDS IN RETIREMENT AND DESIGNING INCOME STRATEGIES

- Increased life expectancy and outliving financial resources.
- Fewer pensions, more talks over creating a guaranteed income stream.
- Need for guaranteed lifetime income and under-performance of the markets; lowered income.
- Retirement planning, transition and income strategies.

5. RISK MANAGEMENT, INCLUDING INSURANCE AND INCOME PROTECTION STRATEGIES

- Alternatives to stand-alone LTC.
- Protection issues, specifically disability and LTC. Asset Location.
- Protection of investment income.

6. RESPONDING TO A LOW INTEREST RATE ENVIRONMENT

- Market downside protection. Looking more at alternative-type investments with a high market and low rates. The most significant would be we are now assuming lower rates of return for client assets in their plans.
- An extended period of low inflation/low interest rates.
- Generating income in a Zero Interest Rate environment.

7. HELPING CLIENTS NAVIGATE ISSUES RELATED TO CAREER

- Client career changes in their 40's or 50's to a low-paying field that they're passionate about.
- Clients taking sabbaticals (1-2 years break, then returning to work).
- Functioning as a change agent via coaching: career optimization, life/work balance, behavior change.
- How to find meaningful engagement in the post-business years.

8. AVAILABILITY OF NEW TECHNOLOGIES

- Communication methods (new opportunities to connect via online, text, email, in-person at their home/office).
- Digital Estate Planning.
- Proliferation of financial advice online and low-cost competition by robo-advisers.

9. FEES AND VALUE

- Fee sensitivity and lowering expectations regarding investment returns.
- How clients are charged for planning and service vs portfolio management.
- The shift toward charging less for AUM, and more for financial planning.

10. NAVIGATING HEALTHCARE OPTIONS TODAY AND POST RETIREMENT

- Obama Care and how it is affecting their health Insurance. We are also involved with transitioning our clients to an adult living facility. The quality of care from these locations is not consistent.
- Retiree medical costs
- The cost of healthcare and what the best choices are for Medicare. Also, helping children with finding care for their parents and consider the cost of the options.

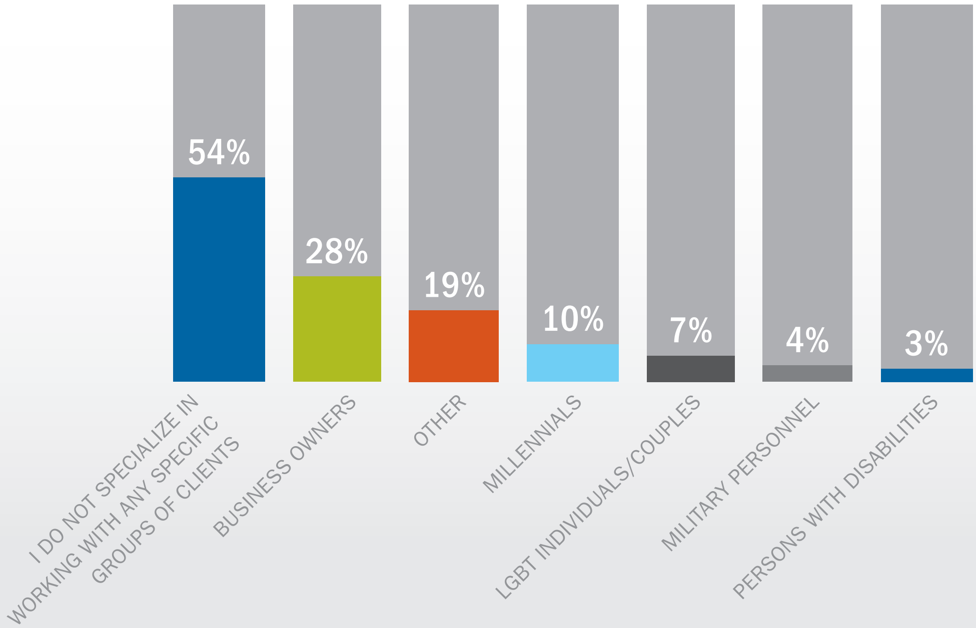
Looking forward, planners anticipate some of those same issues will continue to influence how financial planning is delivered.

ISSUES TO BE ADDRESSING MORE DRAMATICALLY 10 YEARS FROM NOW
• 401(k) guidance and retirement period draw down strategies with the Boomers.
• Alternate retirement strategies
• Asset depletion analysis. Personal organization - to determine what people have and what they don't have and might need.
• Behavioral finance will be taken for granted instead of a novel idea, incorporated as part of policies and processes; Planning for digital assets; Quality of end-of-life vs. quantity - managing doctors, medical issues, and insurance claims and coverage.
• Business succession. Philanthropic planning.
• Continued acceleration of technology acceptance. Greater competition with robo-advisers. Greater niche identification and specialization from financial planners.
• Dealing with heirs/beneficiaries of current clients.
• Divorce planning and new planning issues related to new types of marriages.
• End-of-life issues/hospice.
• Engaging children in care of parents' finances (assisted living choices), making sure money will last as care costs increase, gifting, cash flow, charitable gifting.
• Family meetings to prepare the next generation for receiving inheritances.
• Financial and Life Coaching.
• Generating income in retirement; personal advice vs. automated advice.
• Interactive planning and data consolidation.

Q: *What issues do you expect to be addressing dramatically more often 10 years from now?*

CLIENT SEGMENTATION AND SPECIALIZATION

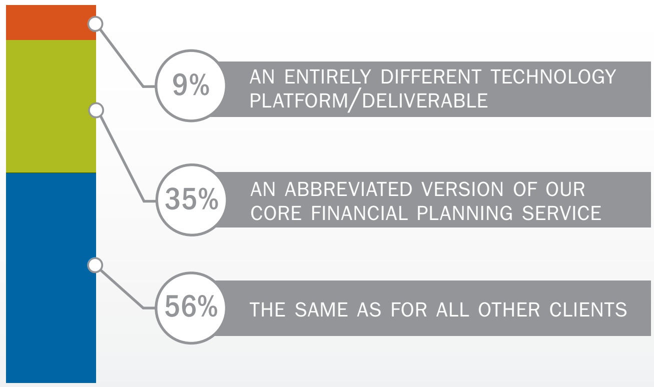
Many of the comments from respondents reflected a need to ensure that planning reflects the needs of specific segments. A small but significant portion of planners say they specialize in working with specific market segments, such as business owners. Only 10 percent of respondents indicated that they specialize in working with millennials; however, nearly 90 percent say they actively seek to engage with the adult children of their clients through one-on-one meetings or education to some degree.



Q: Do you specialize in financial planning for any of the following groups? Please select all groups for which you specialize.

The data related to working with millennials forms a barbell – 10 percent of planners say they specialize in working with this segment while 14 percent say they do not work at all with this segment. The remaining planners say they work with millennials but do not specialize in planning for this group. This should not be surprising in that planners reported that 75 percent of their clients were retired or within 10 years of retirement.

For the 86 percent of respondents who do work with millennials, the question is whether they have changed their offer to reflect the needs of this group. Forty-four percent of respondents say they have adjusted – or completely changed – their offer for millennials.



Q: *Which of the following best describes your financial planning offer for millennials? (n=those who do work with millennials.)*

Of those who work with millennials, 13 percent report having a different fee structure for these clients.

Planners share how they have changed their offer to meet the needs of their millennial clients.

RE-DEFINING THE OFFER FOR MILLENIALS
• Abbreviated version of financial planning focusing on saving, retirement saving, cash flow analysis, basic estate planning for those with modest needs; full blown Financial Life Planning for millennials w/ substantial assets, utilizing lots of technology.
• Different goals/focus to the discussion and planning.
• Different planning needs, millennials like to participate more.
• Fee only, Web-based planning software. They don't have many assets but need a plan of action.
• Fee structure different, i.e., pay for the plan itself sometimes instead of fee on AUM because many millennials don't have the assets to make the latter cost effective for the time spent. Also, stronger focus on using social media to update and engage, I have also updated my website to be more interactive as opposed to just informational.
• I focus more on budgeting, student debt, buy or lease, and goal funding rather than retirement planning.
• I generally do a two hour "Real Time" session. Having said that we are looking into some subscription services that we feel will better serve this group.
• I offer one and done sessions. They come back annually or when their situation changes.
• I structure financial planning services as packages, similar to ordering off of a menu. That way, millennials can select the "package" that is most appropriate for their price point and lifestyle.
• I try to get them to see how doing one thing differently today can positively impact their future financial situation. Start planning early.
• It's a self-contained $1500 package online to answer the question "When Can I Really Retire?" with a six- month use period.
• It's more streamlined and technology leveraged with more of a do-it-yourself (or at least access it 24/7) component. Everything is mobile friendly and eSignatures are used almost exclusively.
• More a "short form" as their complexity is generally much less; Briefly cover simple estate planning, work out numbers for debt reduction/college saving, etc., Give good advice on investments in retirement plans, touch on retirement planning.
• More focus on planning for early in life events such as starting a family, estate planning, budgeting, job changes, 401k rollovers.
• Offer robo-adviser investment platform rather than customized portfolio.
• Our millennial clients often have different priorities than our older clients. We're putting greater emphasis on helping them establish good saving and overall financial decision making habits.
• Reaching out with social media such as Facebook and catering to their needs with younger advisers.
• Scaled down with detail. Focused more on getting their financial house in order and building the base with main focus on risk management.
• The software program we use incorporated more modules to deal with more life events, such as buying a house, saving for longer durations of time, incorporating health care options, college planning, etc.

RE-DEFINING THE OFFER FOR MILLENNIALS
• Using Skype or GoToMeeting to meet with out of town clients. We also use model portfolios rather than individually designed portfolios. Since they all have very similar basic planning needs, we use more bullet points with action steps, rather than long narratives.
• We have a younger staff, use a great deal of technology, have a website and brochure designed to attract them and we specialize in Socially Responsible Investing. We also hold family meetings involving their parents and them.
• We have fewer meetings and more one-page summaries.

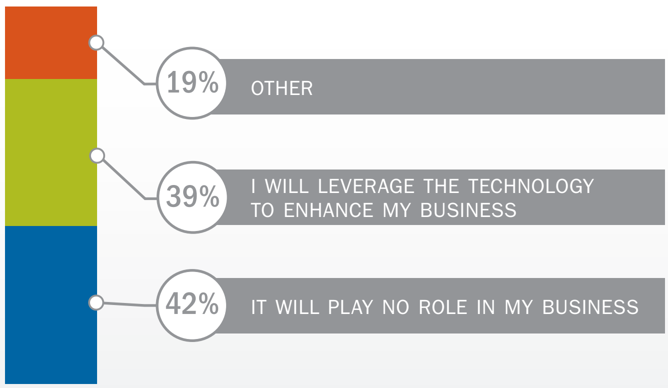
Planners share how they have changed their offer to meet the needs of their millennial clients.

FEES AND THE MILLENNIAL CLIENT
• Three fixed price packages.
• A reduction in plan cost as an introductory offer to new professionals (from $2500 to $500). Other planning (like college loan management) is based on percentage of income, and I allow them to pay over time with no interest.
• About 20% lower.
• All-inclusive Fee Only payable on monthly installments.
• Annual planning fee and asset management fee.
• Fee structure encourages consolidation of assets with break points and total reduction in bps at each break point as they accumulate more assets. Also there is no minimum fee and no minimum account size requirement.
• Flat fee (paid monthly, quarterly, semiannual or annual) each year for financial planning. For investments, it is an AUM or transaction cost depending on dollar amount, complexity of strategy and the clients objectives.
• Minimums are lower. Fee structure is the same with exception of adding fees for in- depth planning (wealth mgmt clients receive with percentage of AUM fee).
• Most of my planning for millennials is pro-bono, since my goal is to coach them into AUM clients as they accumulate wealth.
• Most of them fall under the service agreement of their parents until age 25. It is a case by case basis if they are over 25 years of age.
• Our consultation financial planning fees are scaled to four income levels based on their ability to pay. In this way the folks who need our consultation and years of wisdom can afford to take advantage of us. This allows us to actually provide all kinds of financial advice and solutions to their problems with no need to sell a product to get paid for our time.

Planners share how their fee structure differs for millennial clients

INTEGRATION OF AUTOMATED PLATFORMS

Technology emerged as one of the 10 key themes that planners are addressing more now with their clients. Not surprisingly many respondents spoke about robo-advisers as one of the areas that they will address in their businesses or with clients going forward. The comments do not suggest a fear of this trend, rather they acknowledge that robos may play a role. That said, 42 percent of planners do not feel that robos will play any role in their business.



***Q:** Which of the following best describes the role of robo technology in your business?*

When asked how robo technology will be integrated, respondents spoke about using it as a supplement to the advice they provide, outsourcing investment management to technology to focus on the value-add side of the business, creating a segmented service offering and targeting younger or cost-conscious clients.

INTEGRATING ROBO TECHNOLOGY
• Allow you to work with simple situations and leverage technology.
• As a less expensive option for clients with smaller investment accounts.
• As a supplement to the advice that I give.
• As a way to introduce ourselves to the next generation. We can leverage our time by educating them & building relationships while they wait to inherit or are building their own wealth.
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Planners share how they might use robo solutions to enhance or support their current financial planning offer.

INTEGRATING ROBO TECHNOLOGY
• Allow you to work with simple situations and leverage technology.
• As a less expensive option for clients with smaller investment accounts.
• As a supplement to the advice that I give.
• As a way to introduce ourselves to the next generation. We can leverage our time by educating them & building relationships while they wait to inherit or are building their own wealth.
• As we currently utilize interactive planning via web-based software to which we can provide client access, those clients desiring a less hands-on approach by the planner to the financial planning can go with a virtual do-it-yourself planning model enhanced by supplemental professional services (tax and investments).
• Automated education, communication, and information gathering solutions.
• By using it for children of clients and younger prospects.
• Data collection and reporting.
• Developing a branded customized turnkey solution with robo company.
• Financial planning software and data aggregation software work together to get data in and tracked and we can add our 'human' CFP® side to enhance what is shown and find real-world solutions for the client.
• I plan to make it a central part of my business to make me more efficient.
• I will look to use robo solutions for those clients who would like to manage their own accounts and do not want to incur fees for asset management. This will be a guidance only and answer any questions they may have.
• Ideas only at this point, but potentially use for the children of clients or young people getting started with saving that have little to invest and don't meet firm minimums.
• It can provide foundational assessment and calculations. I will take it from there to provide the human component.
• It will be used as an entree or initial portal to identify those cases that need to be promoted to higher level, fee-based planning status.
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Planners share how they might use robo solutions to enhance or support their current financial planning offer.

INTEGRATING ROBO TECHNOLOGY
• Likely use this as a review tool with the clients so it becomes the base of our conversation.
• Living balance sheet system is interactive and puts power in the clients hands and allows concepts to be better understood.
• Offer lower cost service models with differentiated service offering.
• Provide a website for certain very specific aspects of the financial plan, which will provide a specific quantitative result.

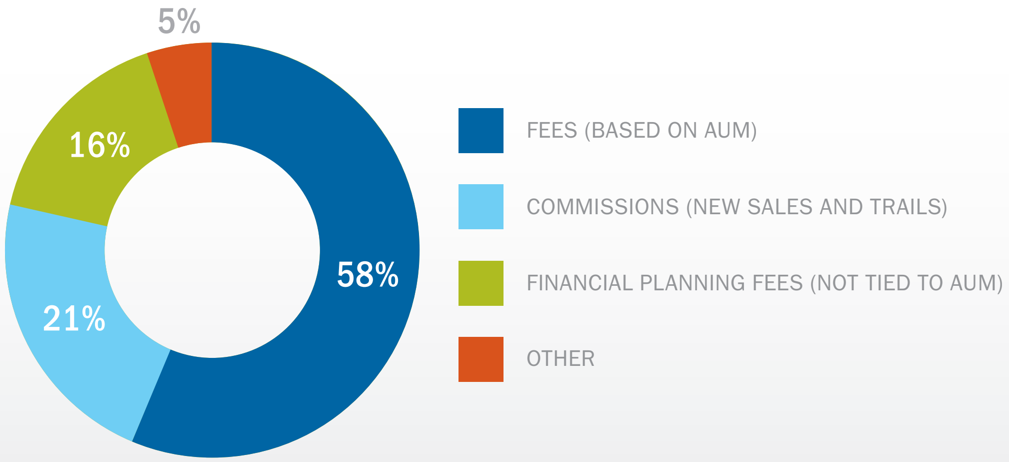
Planners share how they might use robo solutions to enhance or support their current financial planning offer.

FEES AND PROFITABILITY

The issue of fees ranked as one of the 10 issues that planners are evaluating in order to drive or maintain profitability in their businesses. In order to gain greater insight into this issue we look at revenue, costs and charging.

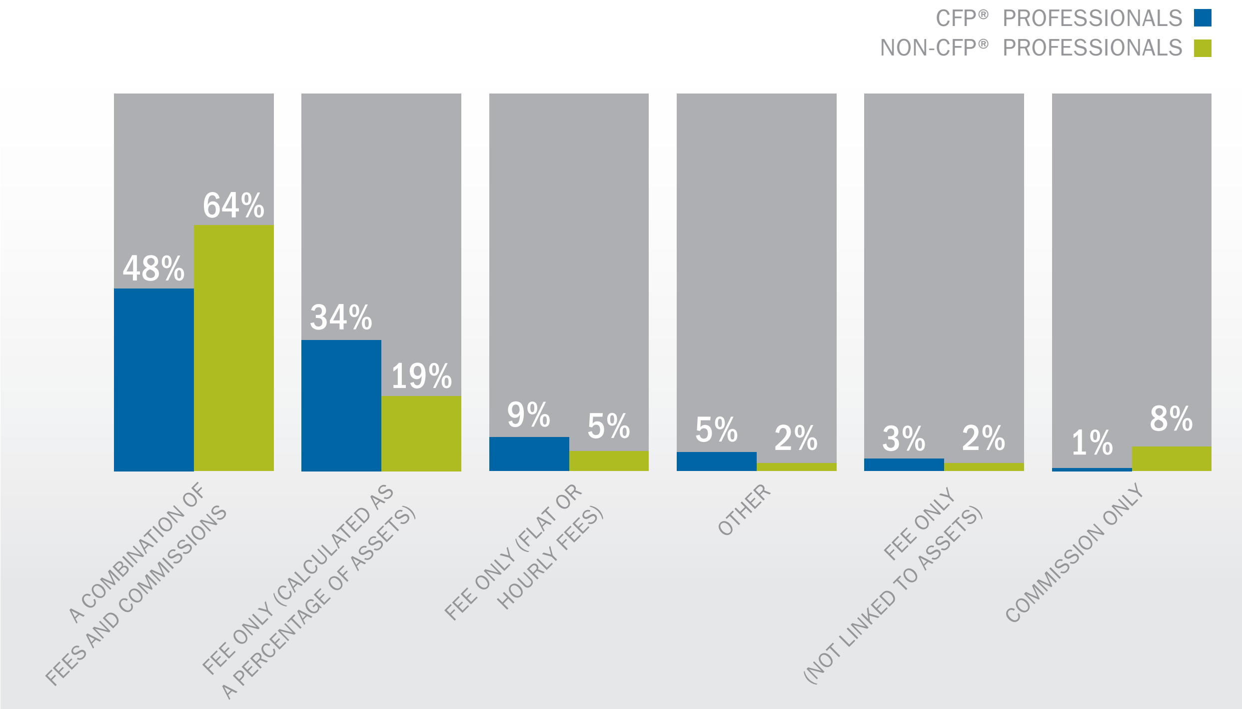
REVENUE

Just as the scope of planning differs, so do the revenue models for those providing financial planning. Across all respondents, 16 percent of revenue is generated from financial planning fees that are not tied to assets under management.



Q: *How did your firm revenue break down in 2014?*

The revenue split varies by individual planner, based on the way in which he or she charges. Whatever the model, the proportion of planners that charge a fee that is not linked to assets is very low.

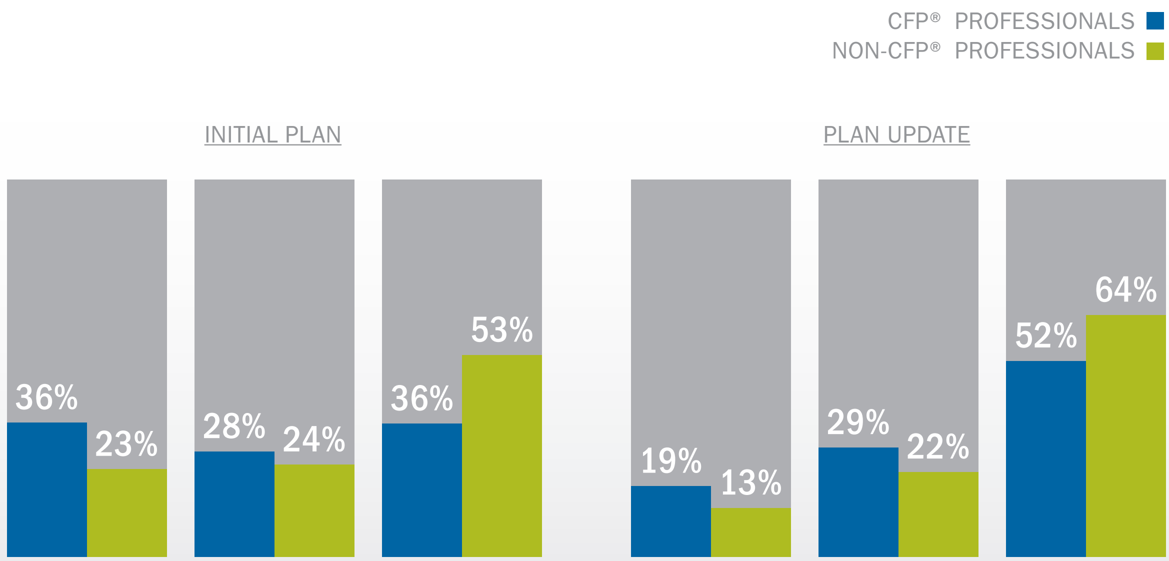


Q: *Which of the following best describes your firm's revenue model?*

COSTS AND CHARGING

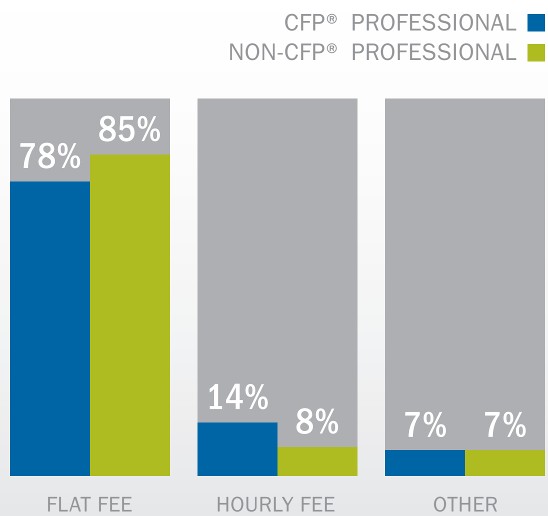
On average, planners reported investing just over seven hours in developing an initial plan for a client. In addition, the team invested six hours on the initial plan. That time represents a significant cost and does not, of course, include the cost of technology, ongoing education and monitoring of plans.

Despite the significant costs of delivery, only a third of all respondents said they always charge a separate fee for an initial plan. Both CFP® and Non-CFP® professionals are considerably less likely to charge separately for plan updates and nearly a third of planners (32%) offer a discount on the planning fee if the client implements the recommendations with them.



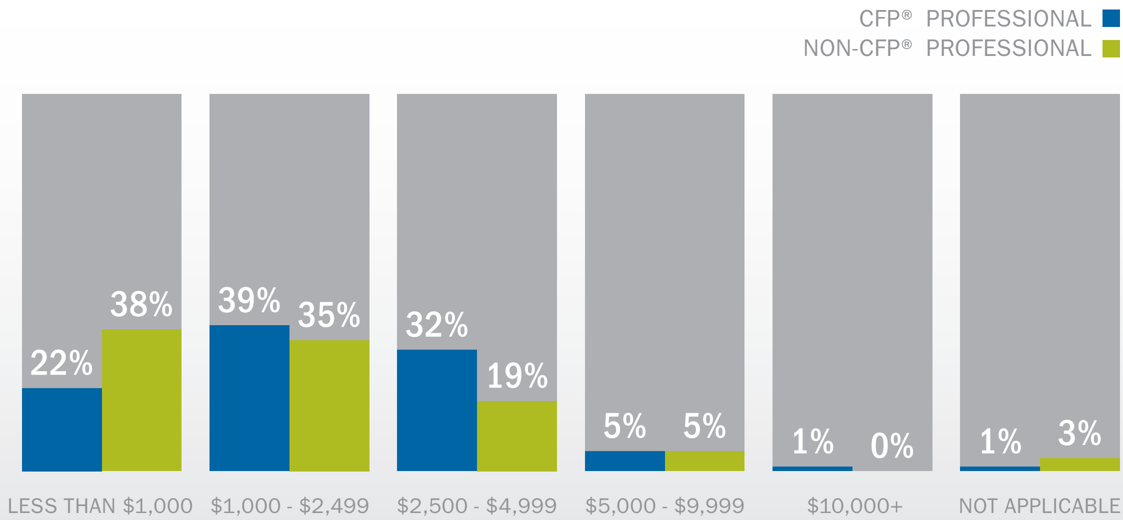
Q: *Do you charge a separate fee for an initial financial plan?*

Flat fees are the most common form of charging, with CFP® professionals slightly more likely to charge by the hour. For plan updates, respondents are somewhat more likely to charge by the hour than a flat fee, if they charge at all. Sixty-five percent of those who charge for updates say they charge a flat fee and 28 percent by the hour. Eighty-seven percent of respondents say they generate less than $2,500 for a plan update with 53 percent receiving less than $1,000.



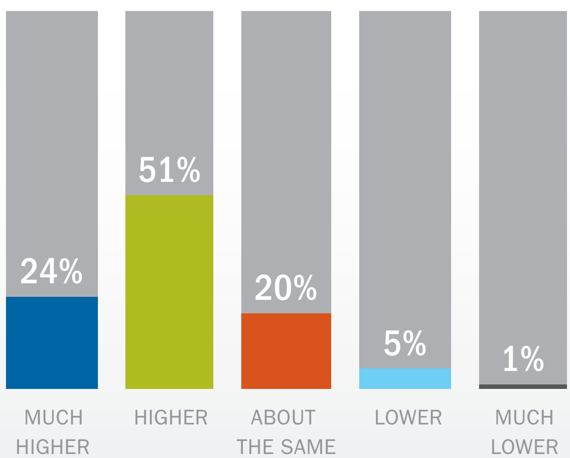
Q: *How do you charge clients for an initial financial plan?*

Perhaps as the result of their charging practices and perhaps because CFP® professionals are more likely to work with higher net worth clients, they tend to charge considerably higher fees.



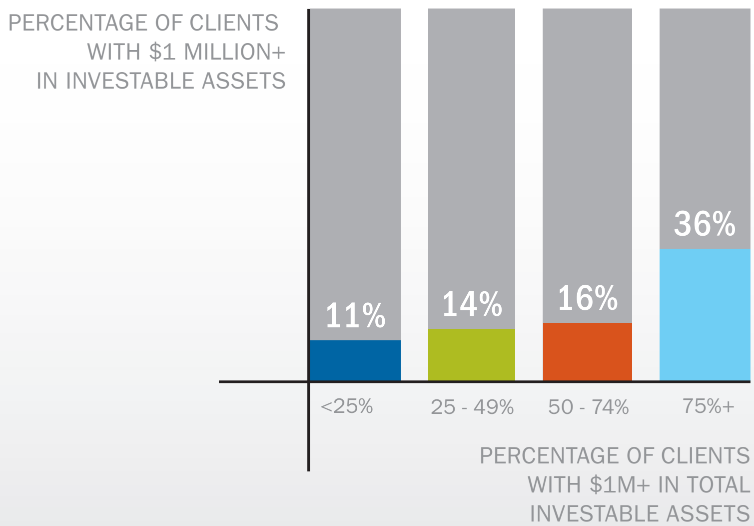
Q: *What is your average financial planning fee for an initial financial plan?*

Those fees result in higher profitability in the eyes of respondents. Of the respondents who provide planning to some but not all of their clients, three-quarters said profitability is higher or much higher for the clients who receive financial planning.



Q: *How would you describe the profitability of your clients who receive financial planning compared to those who do not? (n=those who did not respond that all clients receive financial planning.)*

In part, the perception of higher profitability is also because those planners who have made financial planning core to their business tend to work with more high net worth clients.



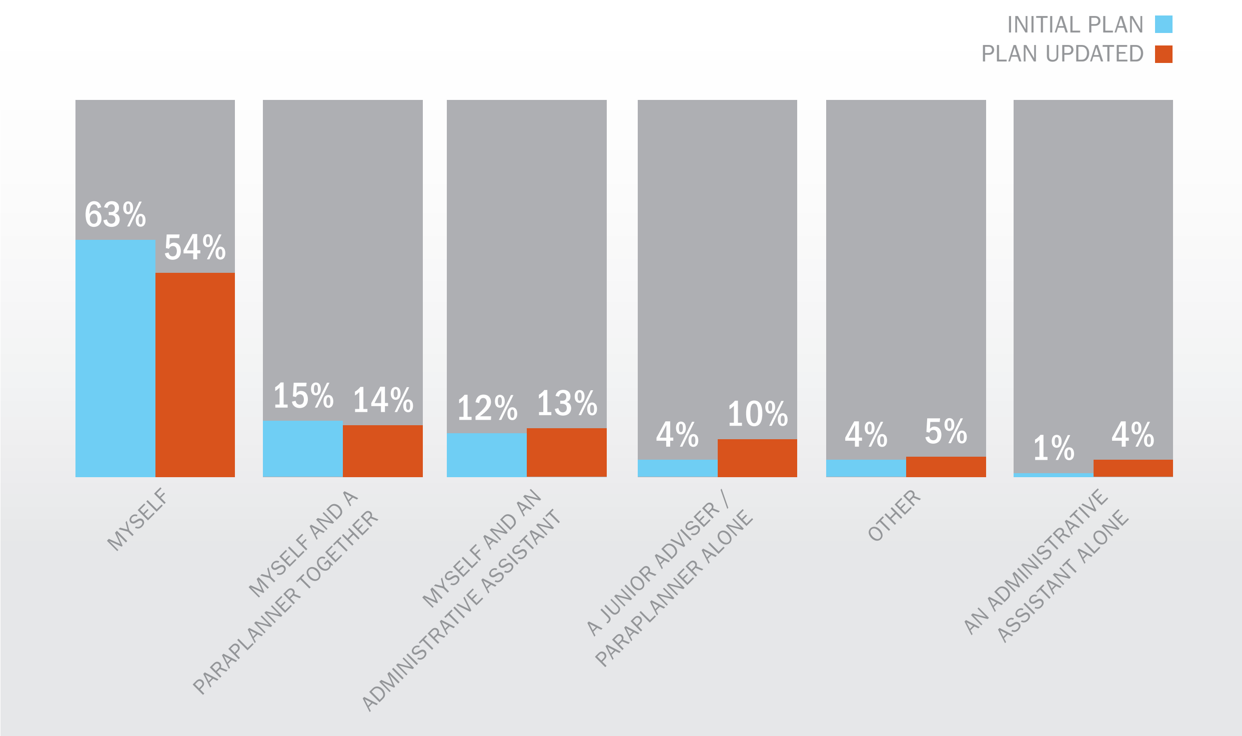
Q: *What is the account size (assets) of an average client household?*
Shows the percentage of clients with $1m or more in investable assets.

While the future presents new challenges in how planners will work with their clients, the present is about quality, efficiency and execution. Respondents were asked a series of questions on the last five steps of the six-step financial planning process to gain greater insight into how financial planning is being delivered.

DATA GATHERING

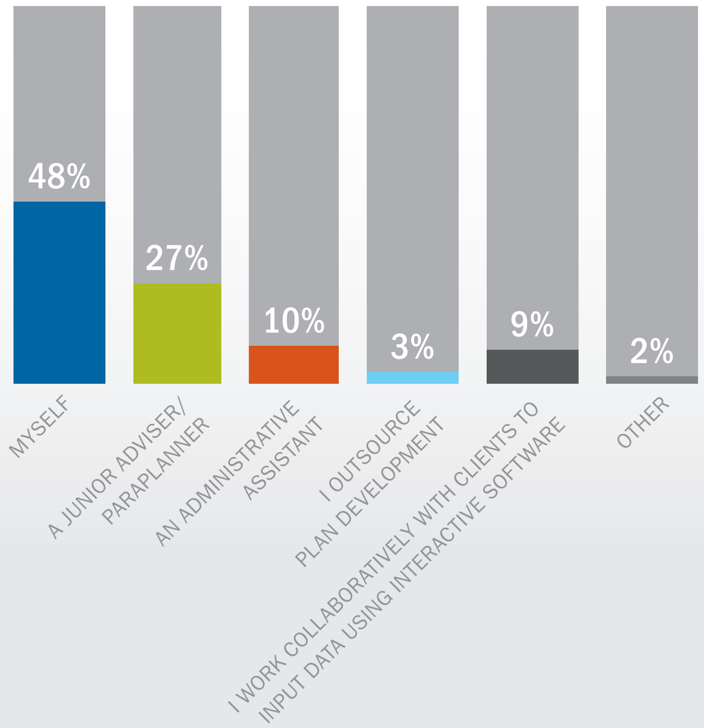
Based on the data shared, it is clear that planners struggle to enhance the efficiency of the financial planning process without compromising quality. Individual planners bear the lion's share of the work when it comes to financial planning, even when there are other team members to support the process, such as a paraplanner. To start, we examined how planners gather data.

For initial plans, planners are involved in data gathering 90 percent of the time either alone (63%) or in concert with a paraplanner or assistant (27%). For plan updates, some planners rely more heavily on the team although they are still involved 84 percent of the time.



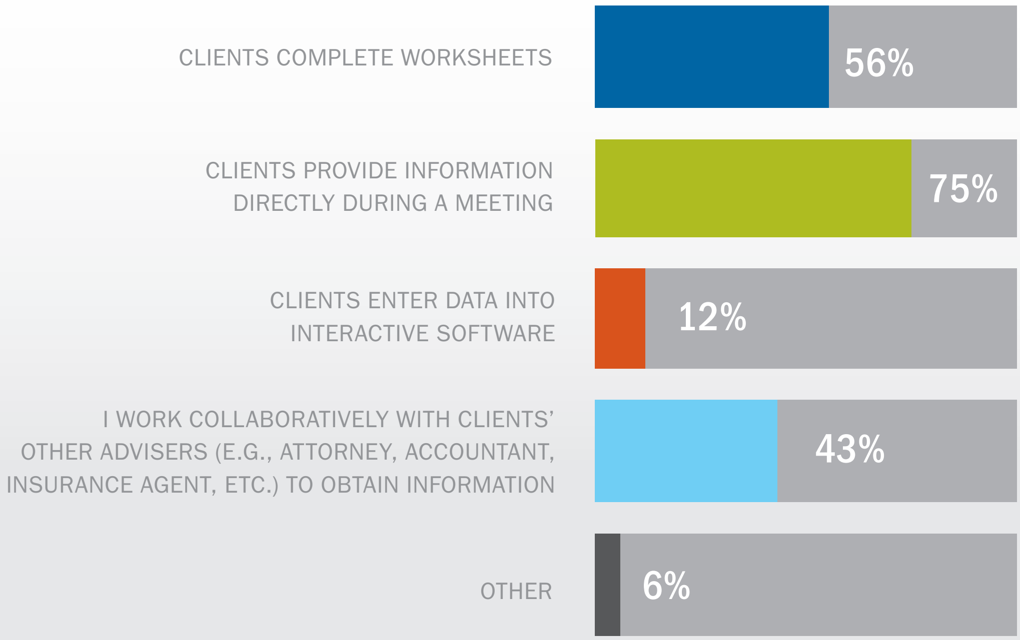
Q: Who gathers data for initial plans?

Even when it comes to the data input for the initial plan or plan update, nearly half of planners say they do the work, although they are more likely to use a paraplanner or assistant for this phase of the planning process. Only three percent of respondents said they outsourced plan development.



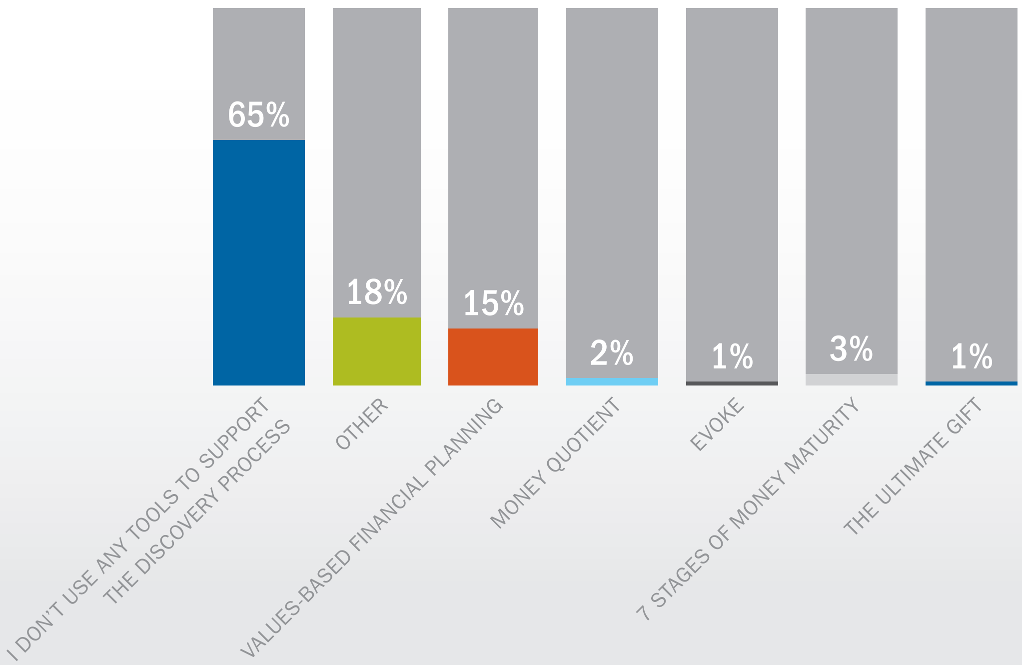
Q: *Who typically does the data input for an initial plan or plan update?*

The reason that planners are so involved in data gathering is likely because much of the data is gathered during the client review process. In only 12 percent of cases do respondents say they ask clients to enter data directly into a software program. For plan updates, planners are less likely to ask clients to complete worksheets; relying primarily on information gathered during client reviews.



Q: *How do clients provide data for an initial plan? Please select all that apply.*

What is clear is that planners rely almost entirely on experience to gather the right information. Fully 65 percent of planners say they use no additional tools to support in the discovery process. A small minority (15%) use some form of values-based planning.



Q: *Which, if any, of the following, are you using to support the discovery process? Please select all that apply.*

While tools and standardization can help make the data gathering process more efficient, time may still be the enemy of effectiveness when it comes to financial planning. Because it can be a challenge to collect and analyze information (e.g. tax information) in a timely way in order to provide meaningful advice, we asked planners what they do to ensure that all relevant client information is collected and reviewed in a timely manner.

TIMELY DATA GATHERING
• As tax preparers, we provide client with an organizer to help them gather the information we need to do their returns. For planning purposes, we use interactive data- gathering software, shared online folders and account aggregation to assemble the information we need for planning.
• Clients sign off up-front to allow us to talk with their other financial professionals. Our planning fees are also collected quarterly, and clients prefer to see progress in the planning as they continue to be billed for it. (If clients go dormant, we have been known to pause the collection of the planning fee.) However, seeing the bills can remind clients to send us data we need. When we send them reminders of data needed, we also include reminders of what they wanted to accomplish through the planning, which provides them the “why” they would want to spend time on the data gathering, during their always-busy lives.
• Develop a document checklist that is manageable that a client can work through. Allow clients to deliver information via encrypted online vault.
• Establish client deadlines for their data. Have frequent meetings of less than an hour to move the ball forward. Review data against tax return. Review liabilities for unmentioned costs and spending behavior.
• Give clients a prepaid 8 1/2 “x 11” envelope (or 3 if they don’t use the computer much) to mail me items. Meet at their workplace to pick up (co-workers ask who I am!) Sign them up to confidential web page to send “secure” emails with attachments. Tell them I need info within 2 weeks.
• Have my assistant send out a Pre meeting checklist and follow up a day before to insure they have all items needed or Re-Schedule the appt.
• I provide guides/worksheets to help them collect what I will need, I work directly with their other professionals (CPAs and attorneys), and if needed, will remind my clients of what I am missing that is preventing me from fulfilling what they have paid me to do. I also collect all planning fees in advance in full so that they have skin in the game.
• Use our CRM to establish workflows to collect information systematically. Use a document management system and client portal to easily collect and store information. Use GoToMeeting with clients to review things in real time.
• We have a 10- to 15-minute “check-in” phone conversation monthly.

Planners share how they ensure they have all the data they need in order to make timely and effective decisions for their clients.

The focus of the initial set of questions are tactical in nature and may hide a deeper concern. How do planners help clients set realistic expectations to create a link between the data gathered and the recommendations? Respondents shared their thoughts on helping clients set meaningful goals.

MANAGING EXPECTATIONS
• All decisions are based on priorities. Do you want the new lake house? Are you willing to work 5 more years to have it?
• Allow them to define their goals and rank them in order of importance; then visually show them the actual cost for each and allow them to readjust to a more realistic goal.
• Asking them really good questions and getting to the core of what they believe in and what moves them.
• By providing a range of possible scenarios and setting expectations well below best-case-use of historical data usually helps adjust for irrational exuberance or emotional investing.
• By setting goals collaboratively.
• By talking with them about their lives and what is important to them, by explaining that we only invest monies they won't need to access in the next 3-5 years, by matching their investments to their goals and time frames, and by continually having them focus on their investments' long-term performance (reinforced by including only cumulative returns for their investments in their annual financial plans).
• Discuss unknowns - medical costs, health needs, realities of life expectancies, impact of lost Social Security when 1st spouse dies, erosion of purchasing power by inflation, large unplanned lump sum needs, stress testing portfolios, targeting protecting lifetime need for basic necessities. Educate on retiree medical costs and LTC costs.
• Education on historical performance metrics within the limitation of time reasonably available to them, and the increasing probability of unexpected health risks associated with the aging process.
• Education on rationality with investments, clearly understand risk tolerance, understanding of investment diversification, continued perspective on expected returns (and related risk of standard deviation) each year as we meet with them.
• Have them bring us a budget and then live it for a month.
...continued next page...

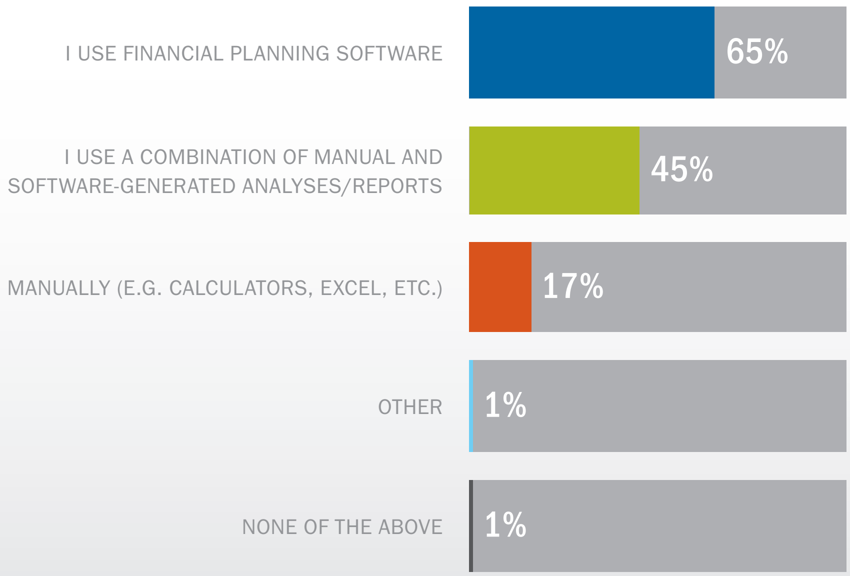
Planners share how they help clients set realistic expectations.

MANAGING EXPECTATIONS
• Help clients understand that there are only 4 "levers" we can pull: 1) time until goal starts, 2) amount of the goal, 3) amount they are saving toward the goal, 4) investment allocation. The closer we are to the goal, the less impact some of the "levers" will have. I help them be intellectually honest with themselves.
• Show the array of options they have, trade-offs between this and that, and let them know they have ultimate control over how their life unfolds.
• Smile and ask them to explain their position...then share historical data to support or dispute the expectations.

Planners share how they help clients set realistic expectations.

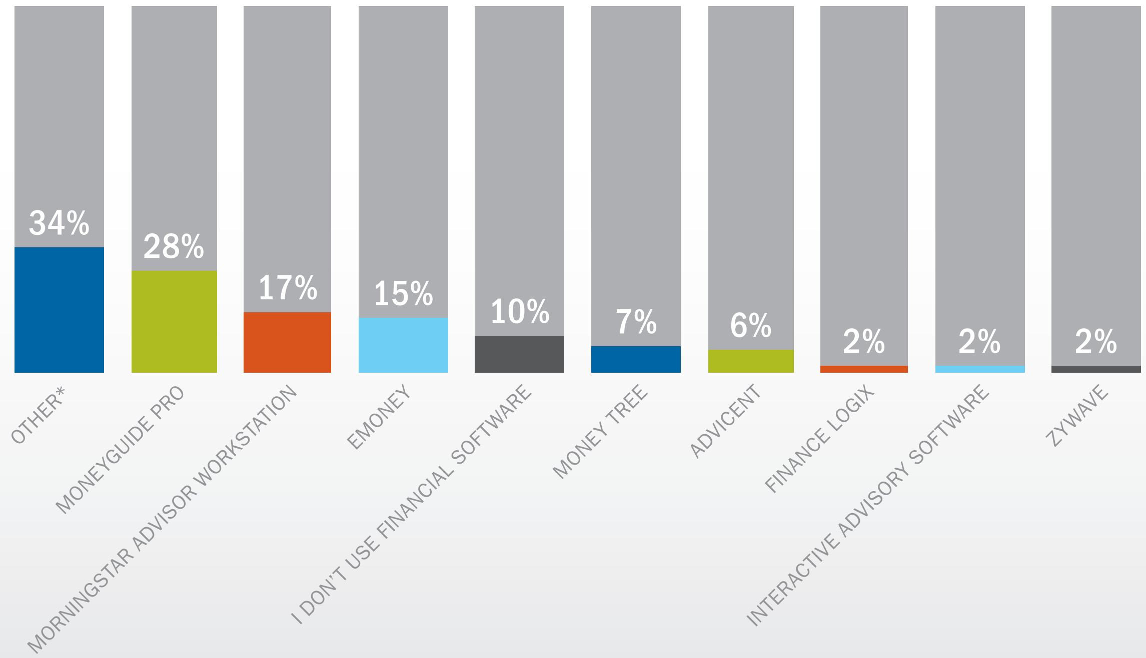
ANALYSIS AND EVALUATION

While financial planning software is widely available and the functionality has been greatly enhanced over the years, many planners still rely on some manual analysis either completely (17%) or in combination with financial planning software (45%).



Q: *How do you perform financial planning analyses and create reports for clients? Please select all that apply.*

Among respondents who use financial planning software, Advicent/Naviplan, MoneyGuidePro, Morningstar and eMoney were the dominant programs used.



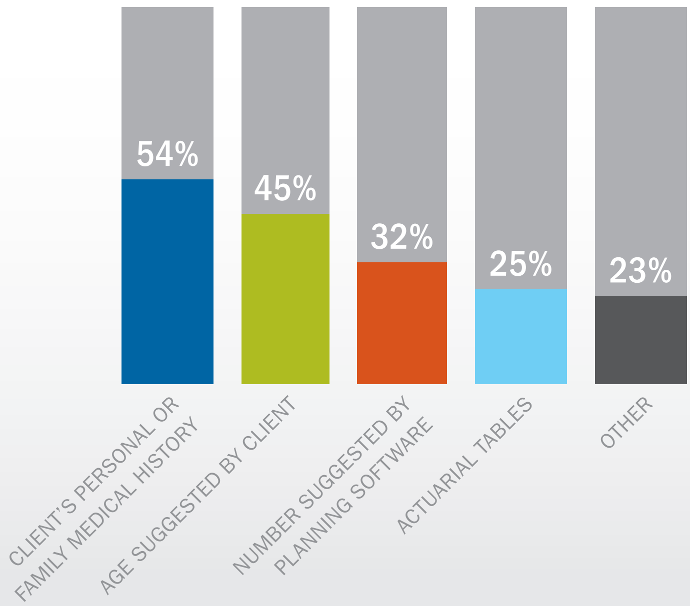
*Note that 'other' includes a large number of references to naviplan, which would now be included with advicent

Q: *What, if any, software do you primarily use to create an initial financial plan? Please select all that apply.*

The scope of planning in a business, however, doesn't have a significant impact on efficiencies. Those who offer planning to all or almost all of their clients tend to take on much of the work themselves and rely, to the same degree as others, on paper-based reporting and manual data-gathering techniques.

DETERMINING THE 'PLAN TO' AGE

Financial planning software provides critical information on the 'plan to' age for about a third of planners (32%); however, most supplement that with other information. The tools used to determine the 'plan to' age vary significantly, with the client's personal history being the most significant determent. Half of planners use no method (4%) or one method (50%) alone to determine the plan to age while the other half use a combination of methods.



Q: *How do you determine a 'plan to' age for clients? Select all that apply.*

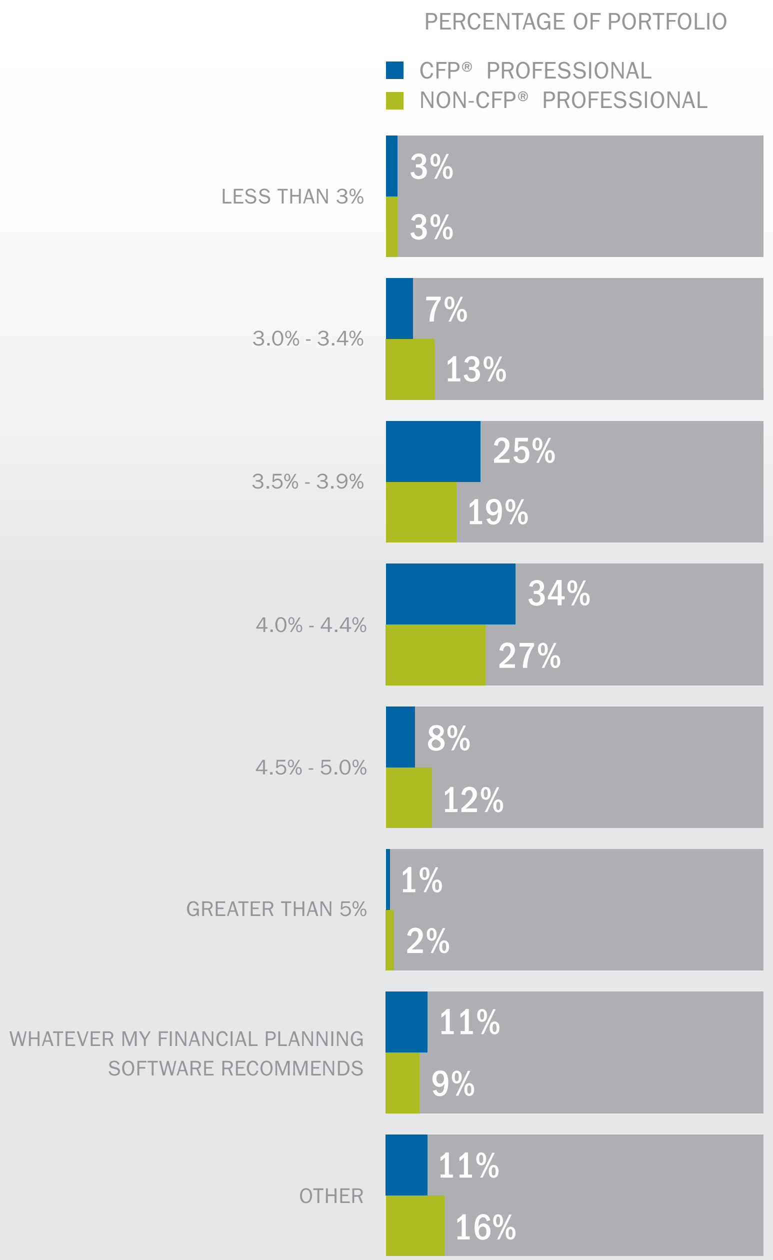
APPROACHES TO RETIREMENT INCOME PLANNING

Systematic withdrawal continues to be used most often, and the majority of planners use multiple approaches. Despite the recent media coverage, equity glidepath is not as commonly used, and nearly one in three planners (27%) were not familiar with the technique. CFP® professionals are less likely to use equity glidepath (49% do not use) compared to non-CFP® professionals (35%).

	PERCENTAGE OF RESPONDENTS			
	DO NOT USE	OCCASIONALLY USE	FREQUENTLY USE	ALWAYS USE
Systematic Withdrawal Approach	10%	28%	51%	9%
Cash Reserve Approach	17%	32%	32%	13%
Bucket Approach	19%	32%	34%	10%
Essential-Versus-Discretionary Income Approach	22%	35%	28%	10%
Fixed/Guaranteed Income Strategies	22%	45%	27%	3%
Equity Glidepath	44%	19%	8%	1%

Q: *How frequently do you use each of the following strategies/approaches to provide retirement income to your clients?*

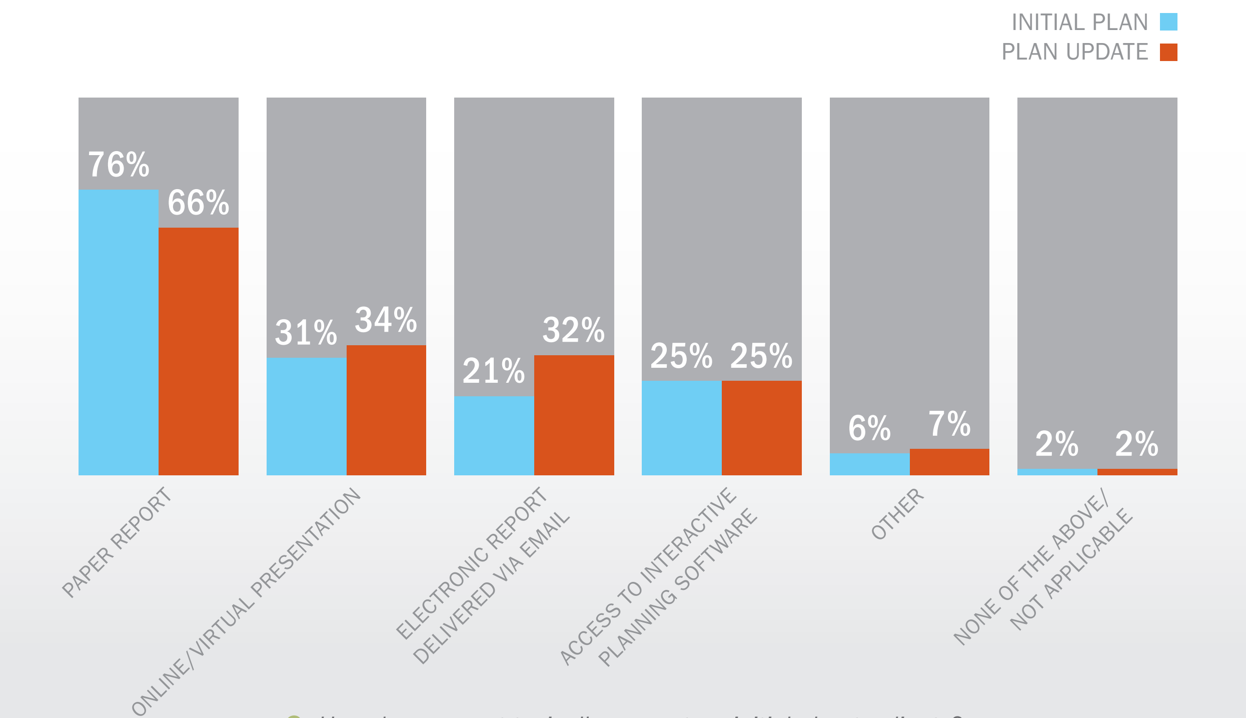
For those using a systematic withdrawal approach, a typical withdrawal rate is between 3.5 percent and 4.5 percent.



Q: *What percentage of the portfolio do you typically recommend as an initial sustainable withdrawal rate when using a systematic withdrawal approach?*

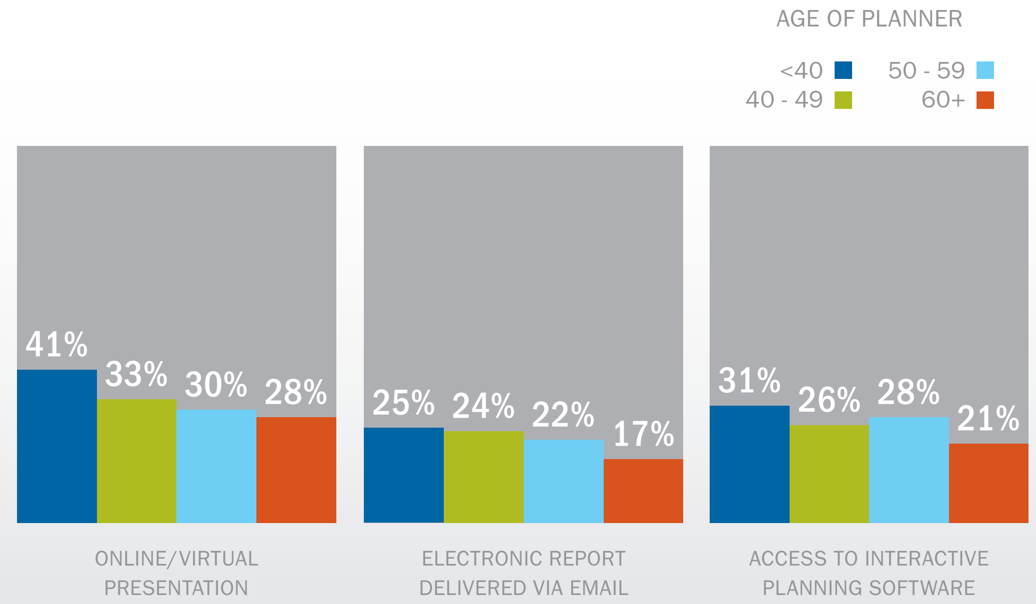
DEVELOP AND PRESENT PLAN

While the process of gathering data may be manual, you might expect that plan delivery would be more automated. This is not the case. Three quarters of respondents say they deliver a paper report to clients, in some cases supported by online access. Online access has clearly not replaced paper but is more likely to support it. However, planners are somewhat more likely to use electronic delivery for plan updates.



***Q:** How do you most typically present an initial plan to clients? Please select all that apply.*

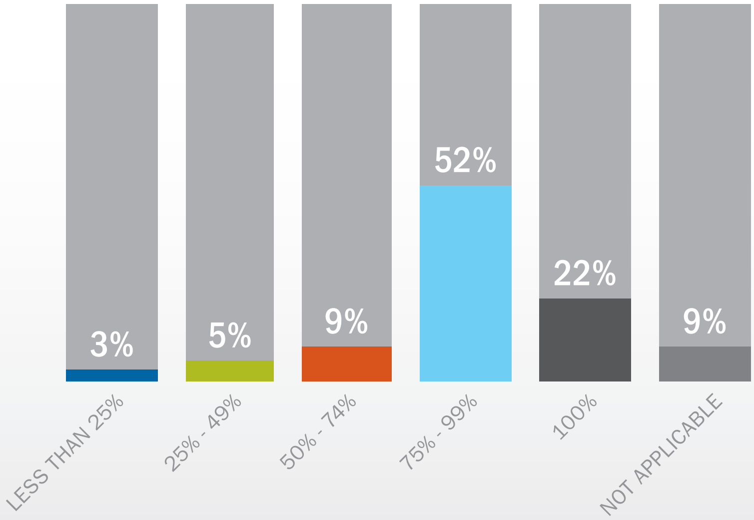
The age of the planner makes a difference when it comes to presenting a plan. The younger the planner, the more likely he or she is to deliver a plan online, through email or with interactive planning software.



Q: *How do you most typically present an initial plan to clients? Please select all that apply.*

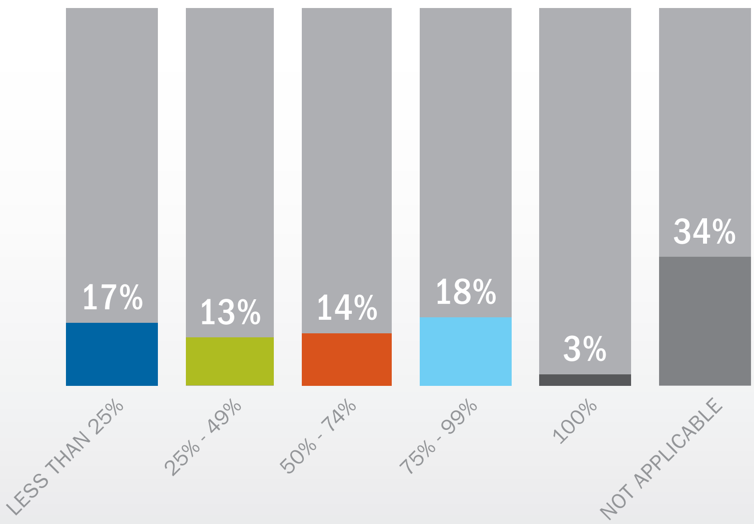
IMPLEMENT RECOMMENDATIONS

In general, planners say that clients implement their recommendations by investing assets. Nearly three-quarters of respondents say implementation takes place 75 percent of the time or more.



Q: *What percentage of financial planning clients implement your recommendations by investing assets with you?*

There is some evidence that when planners are more focused on financial planning as a core offer, clients are more likely to invest assets based on the recommendations. Across the board, planners say clients are less likely to purchase insurance products from them based on their recommendations.



Q: *What percentage of financial planning clients implement your recommendations by purchasing insurance products from you?*

For perspective, respondents provided full details of the products they are using to implement plans with their retired and soon to be retired clients.

PERCENTAGE OF CLIENTS RECEIVING ADVICE / ANALYSIS IN EACH AREA			
	RETIRED ONLY	SOON TO BE RETIRED ONLY	RETIRED AND SOON TO BE RETIRED
Individual Investments			
Bonds	10%	5%	51%
CDs	11%	4%	26%
Dividend-Paying Equities	6%	6%	57%
Non-Dividend Paying Equities	7%	4%	29%
Treasuries/TIPs	7%	4%	29%
Funds			
Bond Funds	7%	5%	77%
Equity Mutual Funds	6%	5%	79%
Exchange-Traded Funds (ETFs)	5%	4%	69%
Guaranteed Payout Funds	6%	3%	12%
Management Payout Funds (Income Replacement Funds)	3%	3%	9%
Separately Managed Accounts (SMAs)	3%	5%	37%
Target Maturity Funds	1%	13%	13%
Annuities			
Advanced Life Deferred Annuities (ALDA)	3%	3%	6%
Fixed Deferred Annuities	8%	8%	21%
Immediate Annuities	30%	4%	14%
Long-Term Care Annuities	4%	6%	15%
Variable Annuities with Guaranteed Living Benefits (GMIBs, GMABs, GMWBs)	4%	10%	37%
Other			
Combination Products (e.g. Life Insurance and Long-Term Care)	5%	15%	36%
Limited Partnerships	1%	5%	16%
Real Estate Investment Trusts (REITs)	3%	7%	46%
Reverse Mortgage	12%	1%	4%

Please select any of the following financial products you typically use/recommend with your retired or soon-to-be retired clients (those who will retire within the next five years) for retirement **income generation**. *Please select all that apply for each category.*

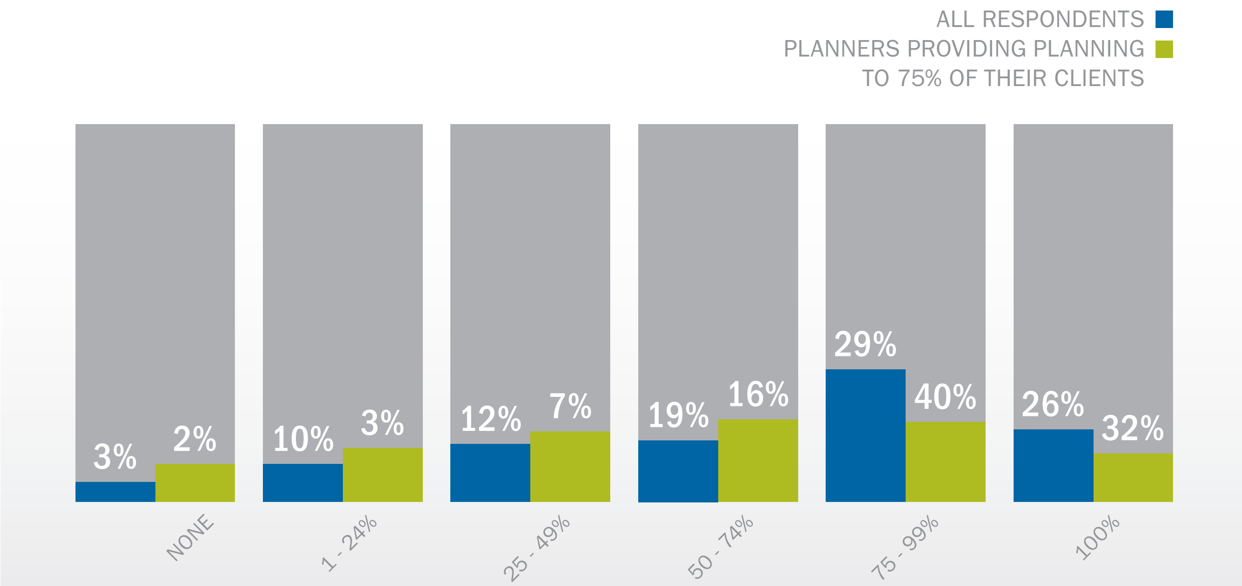
And while making the recommendations is one thing, helping clients stay sufficiently motivated to stick to the plan is another. When asked about how they help clients stay the course, planners talked primarily about focusing on the 'why' so that clients have a clear picture of what is most important.

MOTIVATING CLIENTS
• Always bring the conversation back to their big picture why. I show them what's possible and that helps keep them engaged and motivated.
• Always schedule a meeting at the end of a meeting.
• Clarify and simplify complex topics so that they are able to make better decisions for themselves. Point out all the ways that we are saving money through reducing taxes and unnecessary costs in their savings plans.
• Coach them to see the problem can be solved. Offer client success stories.
• Create expectation beforehand that they must be responsible for implementing. Don't take on clients who don't fit the profile.
• Develop a one page summary of the plan with step by step recommendations. On a quarterly basis, I check in with them and ask them specifically about the recommendations that were made and how they have progressed.
• Focus first on their written values, second on written goals & third on emotion management.
• Get them to build a vision of what they are striving for and put a picture of that somewhere to remind them why they are working so hard and saving so hard.
• Give them a short list of tasks, perhaps 3 to 5 items at a time. Offer to help them make a phone call to an attorney or CPA or whatever the task requires. Offer to go with them to an estate planning attorney meeting or CPA meeting.

Planners share how they motivate clients to take action on implementing their plans.

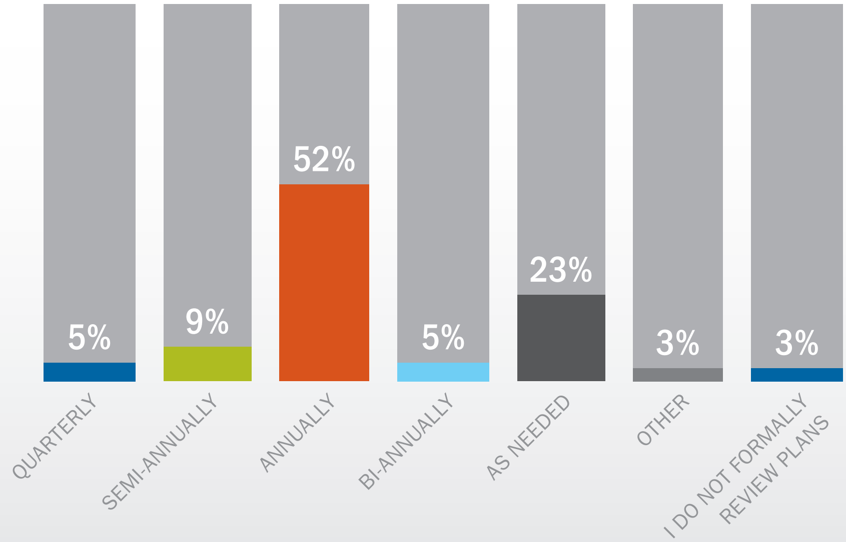
MONITOR

There are few other aspects of the financial planning process that differ across planners as much as the review process. Ten percent of respondents say they conduct formal financial plan reviews for less than a quarter of clients, and 26 percent say they do so for all of their clients. The outcome was not significantly impacted based on whether the respondent held the CFP® certification, but it was impacted by the scope of planning. Those planners for whom planning was provided to 75 percent or more of their clients were much more likely to conduct formal reviews for more of their financial planning clients.

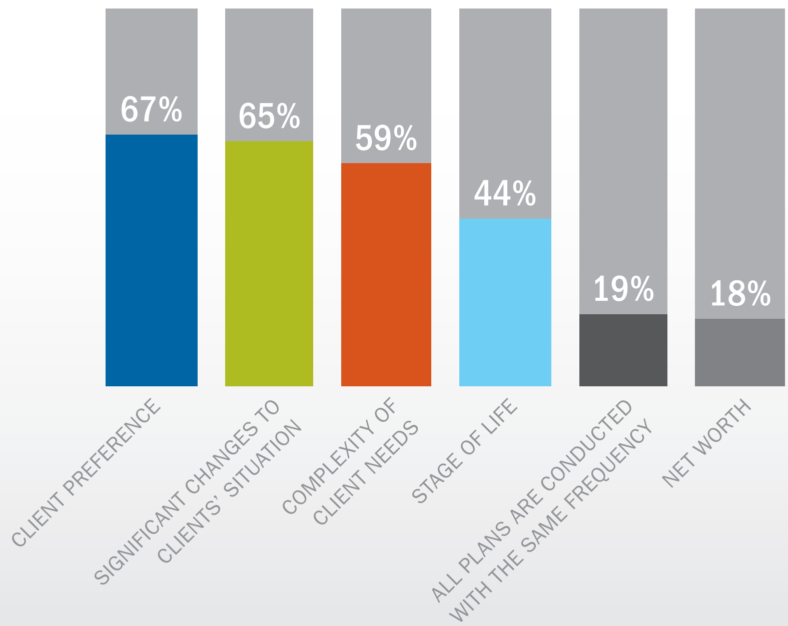


Q: For what percentage of your financial planning clients do you conduct formal financial plan reviews?

Similarly, while many planners conduct reviews annually or more frequently (66%) the balance did so less frequently or as client needs dictated (23%). Frequency was typically dictated by client preference or a significant life change and rarely determined by net worth.



Q: *How frequently do you typically conduct formal financial plan reviews?*



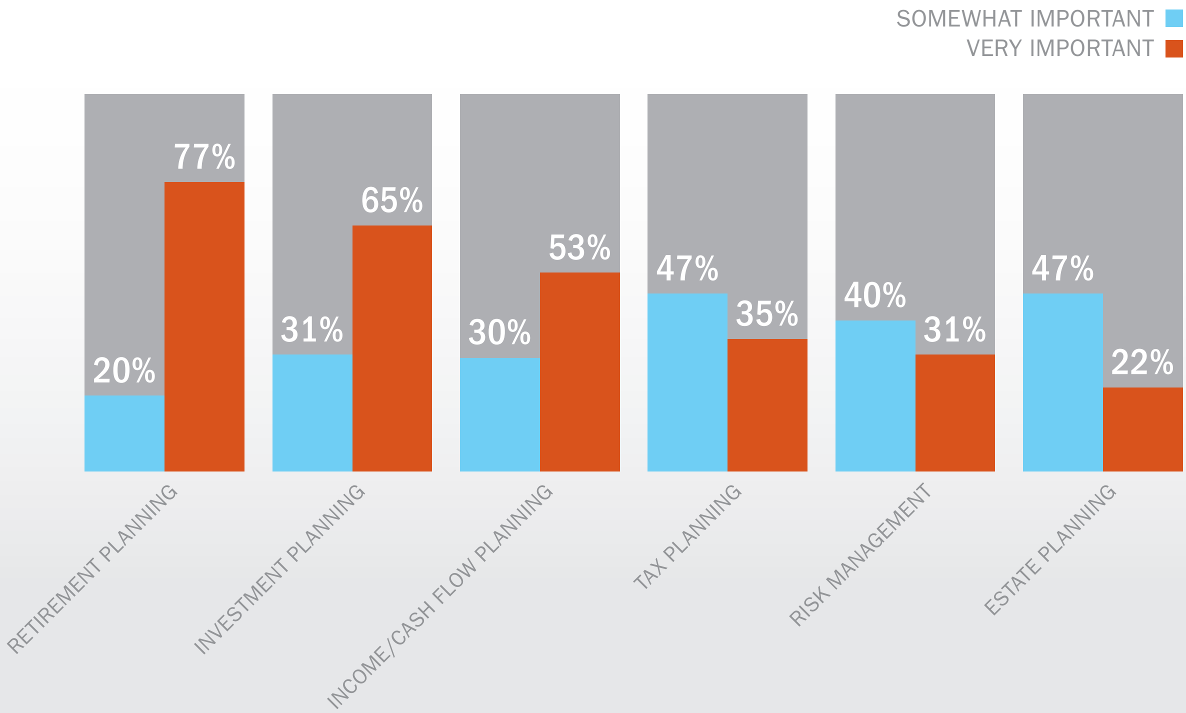
Q: *What determines the frequency with which you conduct plan reviews? Please select all that apply.*

Despite the significant efforts planners invest in helping clients define their goals and in structuring and implementing a robust financial plan, many still question if clients fully appreciate the value of financial planning. It is ironic that one of the challenges for planners may be that more people believe they are receiving financial planning than is actually the case. A recent investor study of more than 1,000 clients[2] highlighted that nearly half of clients (49 percent) who work with any financial professional (financial planner or otherwise) believe they have a written financial plan. Further, 86 percent of clients somewhat or completely agree that a plan will help them to reach their financial goals.

The good news is that the perception of having a formal plan is directly tied to both satisfaction and referral activity. The bad news is that the high percentage of people who say they have a formal financial plan suggests that some clients who do not have a plan believe they do. This situation creates a dilemma for those professionals who are actually providing financial planning. Is it possible that some clients do not see the value of planning because they are using their own experience as a point of reference and that experience does not reflect a true financial planning process?

When it comes to client perception, planners believe that clients consider investment planning and retirement planning most important and that they place lower value on other core areas of financial planning, such as tax and estate planning.

[2] If Not Now Research, Investor Research, 2015

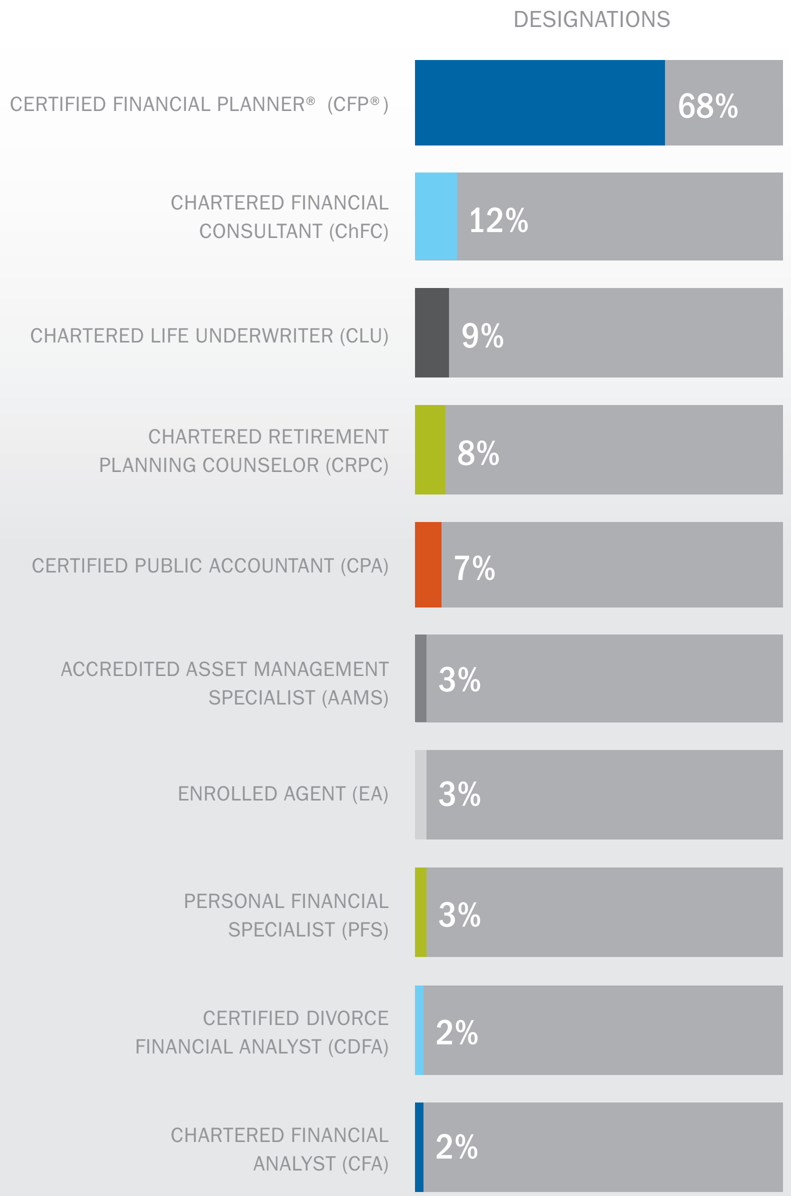


Q: *Thinking about the components of financial planning through the eyes of your clients, how do you think clients perceive the importance of each of the following:*

CONCLUSION

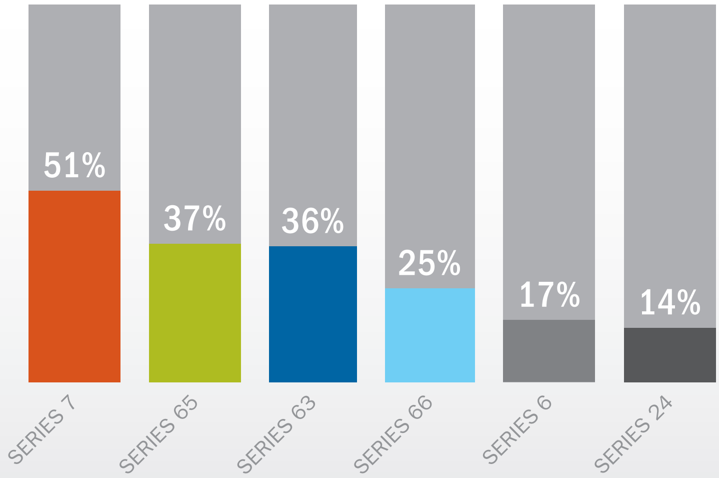
This study covered a wide range of topics, examining how financial planning is being delivered today and planner perceptions of the future. It is clear that there is significant variation in how planners are delivering financial planning, even among those who deliver the six-step financial planning process outlined by the Certified Financial Planner Board of Standards, Inc.

Despite that variation, planners agree that the client conversation will change going forward, focusing on issues such as family, aging and career. These changes will demand both a sensitivity to specific client issues and new expertise to deal with them effectively. What emerges from the responses of planners across the country is that many are looking closely at how they can set themselves apart through specialization, evaluating how they can integrate new technology and assessing the impact of both on their current fee structures. While the study focused separately on planner views of the future and the realities of today, the real question is how the two will come together. How will the trends and challenges that have emerged impact the way planners effectively and profitably deliver financial planning in the future?



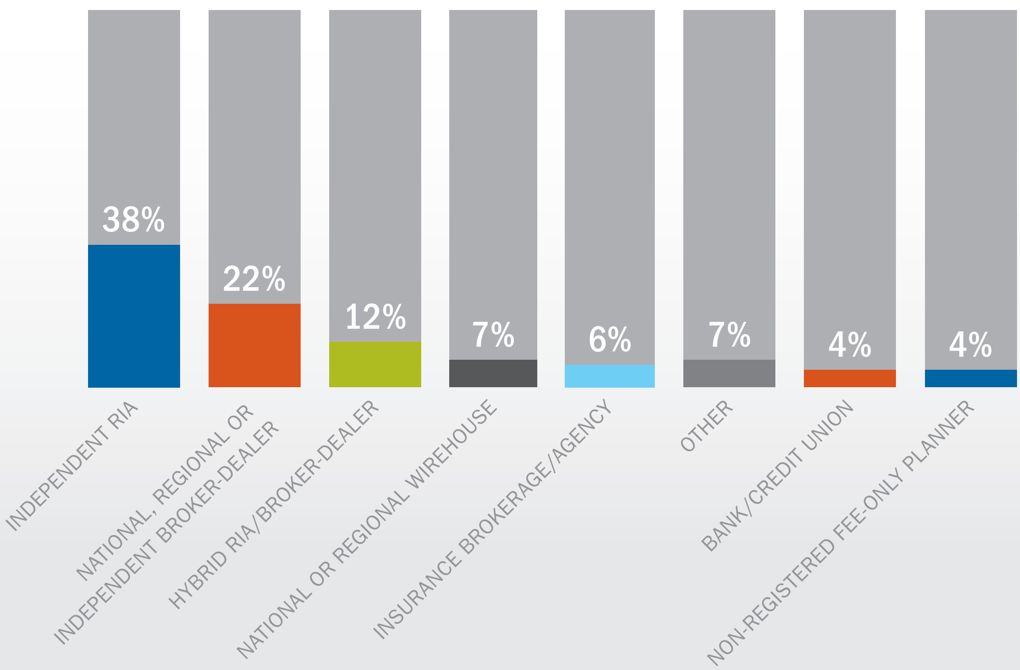
Q: *Which of the following designations do you hold?*

LICENSES

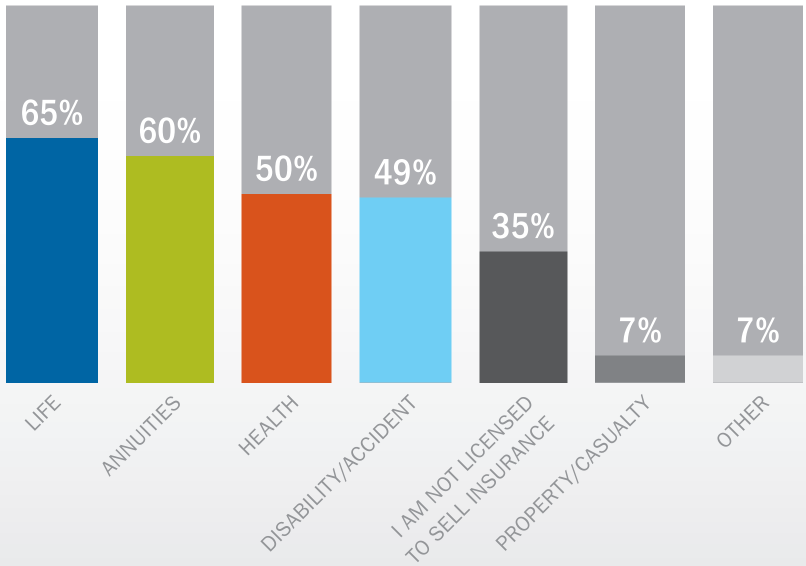


Q: *Which of the following licenses do you hold?*

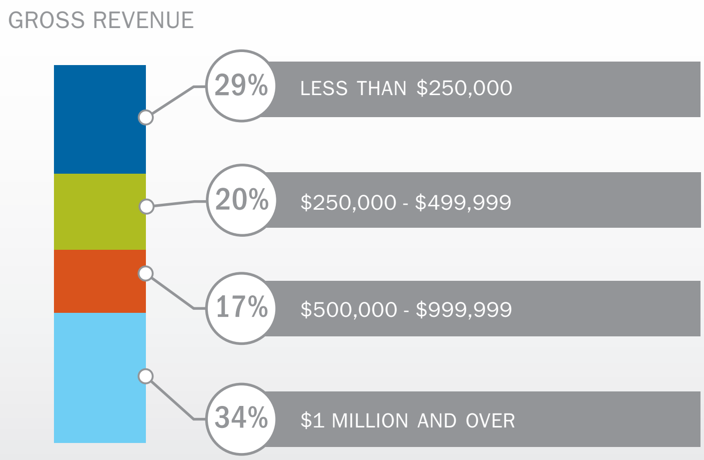
CHANNEL



Q: *Which of the following best describes your business model/firm?*

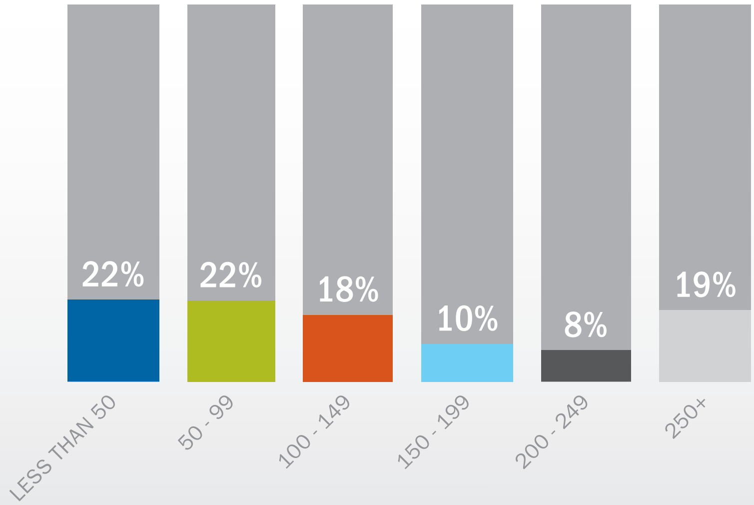


Q: *What types of insurance are you licensed to sell? Please select all that apply.*



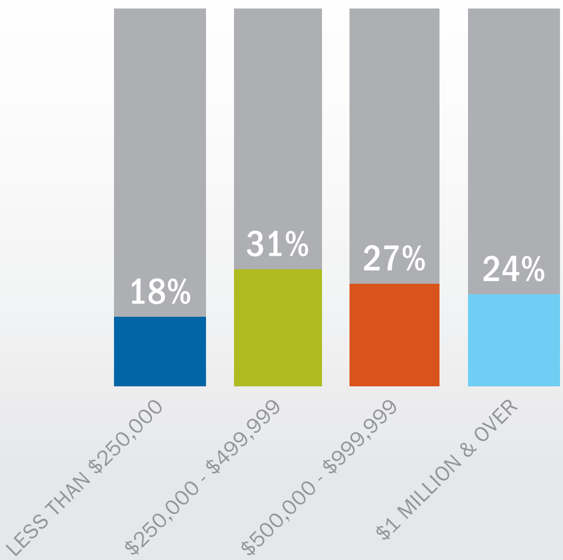
Q: *What was your gross revenue, from all sources, in the last 12 months?*

NUMBER OF CLIENT HOUSEHOLDS



Q: With how many client households do you work?

AVERAGE ASSETS PER CLIENT HOUSEHOLD



Q: If appropriate, what is the account size (assets) of an average client household?

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