Progressive Planning

ROSLYN MASON

NATIONAL ACCOUNT MANAGER

LIFESTYLE

FINANCIAL

PLANNING

Issued by Credit Suisse Asset Management (Australia) Limited ABN 57 007 305 384. AFS Licence Number 238390.

TABLE OF CONTENTS

FOREWORD

Most financial planners are so busy working within their business that they do not have many opportunities to look outside their own dealer group or in fact, own business.
We have identified this as an opportunity to add value to your business outside of the usual product information. In our role of liaising with advisers in Australia and overseas, we see and hear what trends and issues are affecting the industry. We understand that advisers are time poor and have no time to conduct such research.

Our HYPERCOMPETITION PAPERS* authored by Brian Thomas and Clayton Coplestone were the first instalment of these collections of thoughts.

Justin Brooks has written a paper on WINNING THE HIGH NET WORTH CLIENT* and Scott Wilkie has produced a report on THE EFFECTS OF CURRENCY ON A GLOBAL PORTFOLIO*.

The concept of Progressive Planning has been a fantastic project for me. Like most of you, I felt that this was an indefinable concept and could never be truly quantified. I feel very pleased with the outcome of this paper and hope you not only enjoy reading it, but also gain some ideas that can possibly be implemented into your business to help you differentiate your service offering.

This paper could not have been produced without the input from the following people. Some have directly contributed to writing the paper, whereas others have taken the time out of their busy lives to speak with me and motivate me to complete this project.

In alphabetical order they are:
Nick Brinkworth, Justin Brooks, Helen Constantinou, Clayton Coplestone, Paul Etheridge, Paul Evans, Manny Fiteni, Leisa Gardiner, Duane Girton, Nick Groeneveld, Peeyush Gupta, Ian Hutchinson, Carol Kamien, Wayne Lear, Hugh Massie, Roger Paul, Mark Peterie, Alf Priestly, Michelle Tate-Lovery, Brian Thomas, Guy Thornycroft, Lee Virgin and Phillip Volk .

Regards

Roslyn Mason
National Account Manager

* Copies of these papers are available from www.csam.com/au

1. WHY THE NEED TO DISCUSS AS AN INDUSTRY?

There is continuing pressure on financial planners to evolve from their historic role as product salespeople to become more relationship centred. Many advisers are also facing the hard task of defining their service offering to clients.

Advisers are looking for solutions and over the past three years, we have heard more and more talk about the concept of Lifestyle Financial Planning.

There are a number of reasons why we have heard more about it recently and why we need to discuss it further.

Firstly, our industry has been severely hit by **poor investment performance** of equity markets over the past 3-4 years.

Within the industry we are all aware that we are unable to influence equity markets. When times are good however, advisers have been known to take the praise for the good performance and the client then believes that this is the planner's 'value-add'. When markets fall, the client begins to question the adviser's service. Advisers recognise that they are not in control of markets and therefore market performance cannot be the main selling point in relation to the service that they charge for. (The cynic would say this is the only reason why Progressive Planning techniques are being discussed at present although this ignores the important contribution it can make to the industry).

The second reason why advisers are beginning to discuss Progressive Planning techniques relates to the **consequences of falling markets and their reliance on commissions** (percentage of AUM) versus a flat fee. Advisers have suffered diminishing revenues and have been looking for alternatives creating much debate in the industry over fees versus commissions.

The reliance as an industry on this variable income has meant that much of the adviser's focus has been on increasing volume by trying to obtain more and more clients in order to boost revenue. The industry is beginning to see the benefits of stable revenue.

Furthermore, as was raised in our Hypercompetition Papers, advisers are relying on third parties for their income. If an adviser relies purely on the fund manager or platform for their income, they need to question what would happen if one of these parties needed to cut costs and decided to reduce trails as a result? The adviser clearly would have very little control of their revenue model if this were to be the case.

Thirdly, the **transition to Financial Services Reform (FSR)** in March 2004 has placed extra strain on advisers, particularly with respect to fee disclosure. Although advisers have always had to disclose all fees, it is fair to say that most clients do not know how much they are paying for their entire financial journey. Clients are beginning to un-bundle that journey and are discovering how much they are paying the financial planner, the platform and the product manufacturer. Each participant in that journey needs to produce a clear value-add proposition, so that clients can determine whether they are receiving value for money.

Fourthly, the financial planning community has recently suffered from a relatively **poor reputation** within the wider community.

The ACA/ASIC Shadow Shopper report helped create this perception with accusations of poor advice and problems with disclosure etc. The ACA has the financial planning industry in its sights and stated through it's publication, Choice Magazine, that "If superannuation choice of funds is implemented, stronger evidence of professionalism and better quality of advice will be required before planners are allowed to get their hands on the hundreds of billions of superannuation dollars currently denied to them" [1].

And finally, **the next generation of investors** are entering the phase of their lives where they need advice. There have been presentations by industry groups at conferences and professional development days and it is becoming common knowledge that the generation Xer's needs differ greatly from those of the Baby Boomer. Baby Boomers have tended to be price sensitive whereas younger clients appear to prefer to pay for quality. The Generation Xer needs a very strong, trusting relationship with their adviser, one as a coach rather than teacher. They need to believe that they are receiving real value for money (at present they are mostly sceptical) and need to be listened to. They will not accept a standard plan, it must be tailored to their own situation.

[1] Choice - "Financial Planning survey: the next steps".

2. WHICH SPACE WILL YOU PLAY IN?

LIFESTYLE PLANNERS ARE MUCH MORE LISTENERS THAN TALKERS, SOLUTION PROVIDERS NOT SALESPEOPLE.

David Chaplin,
Editor IFA Magazine

The financial planning industry is still relatively young and we are in a fortunate position where we can influence the direction in which this industry will advance.

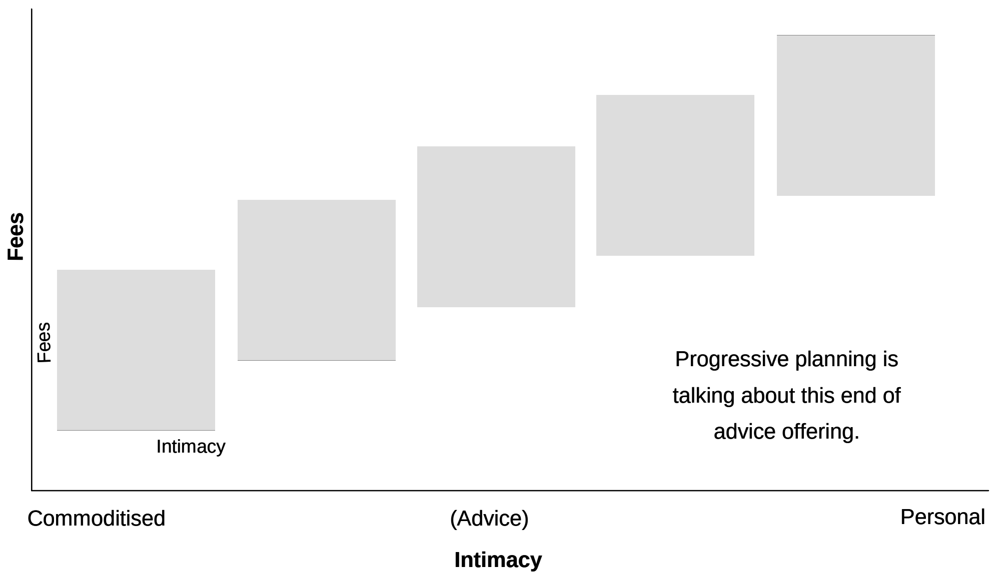
Each adviser needs to individually assess where it is that they want to play. What is their value add proposition? What will they be offering the client?

If the adviser chooses to focus on asset allocation, fund selection and performance as their main value-add proposition, then this paper is not going to be of interest.

If the adviser wants to go down the path of providing financial guidance and performance of funds but also wants to engage the client more and provide relationship centred advice, then this paper addresses some of the techniques that advisers are beginning to implement.

This paper is not for all advisers and only you can determine what your role will be. This paper is designed to provide ideas to those that wish to move further to the right on the advice scale (see diagram).

WHERE ARE YOU FOCUSED?



3. FEE BASED PLANNING DEFINED

Many advisers assert that they run a fee-based planning practice, then they go on to say that they charge a "fee" based on a percentage of the client's funds under advice. It is therefore necessary to clarify the definition of 'Fee Based' referred to throughout this paper.

Fee Based Financial Planning is a fixed amount charged to a client for an agreed level of service. This is charged based on the level of SERVICE not based on the value of ASSETS.

There are very few advisers within Australia therefore that are true Fee Based businesses. An example would be an adviser who offers a number of service levels. Each level has it's own clearly defined "value-proposition" and a set amount is charged for that service. It means that the client determines the service that they choose and can afford and they know exactly what the adviser is offering them.

This should not be confused with the current discussions within the industry of fees versus commissions. Whether you charge an actual fee or commissions is irrelevant. The important issue is whether you are charging a fee for service, not a fee for funds under advice.

An example is a notional account as defined by Paul Etheridge[2]. This is a cash account set up in the clients name and would receive all trailing commissions from the various product providers throughout the year. At year-end, the client is to pay the charge agreed at the beginning of the relationship. That annual fee will be taken from this account. If the balance falls short of the fee, an invoice will be sent to the client. If there is a credit balance at year end, this can either be brought forward to contribute to the next years fee, or rebated.

Another issue that is always raised with this type of discussion is what about recurring income? Many Fee Based practices will have a retainer with each client. Each client would be debited a monthly fee from their notional account depending on the overall price agreed upon.

In the United States, the number of fee-based practices are gaining in strength. A group of fee only advisers established the National Association of Personal Financial Advisers (NAPFA)[3] and there is talk of a similar group wishing to establish something akin to this in Australia as they see the potential for this within our industry in the future.

Clearly Fee-Based revenue models and Progressive Planning go hand in hand and it will be the natural path that our industry will take as we want to be the financial adviser on all money related issues, not just for those areas that we are paid a commission. A simple example is that of Residential Property. Advisers exclude this investment option for their clients because firstly, they cannot legally give advice on this investment and secondly, because the adviser cannot charge for this advice. Interestingly most advisers themselves are residential property owners but somehow disconnect their needs and wants from their client's. Progressive Planning is the "Total Advice System". Whatever the client's needs are in relation to ANY investments, the Progressive Planner will be equipped to accommodate.

WE ARE PROFESSIONALS SO WHY NOT CHARGE LIKE PROFESSIONALS.

Raymond White - Raymond White and Associates (Charter)

FEE CHOICES

- Charge by the hour
- Using notional accounts (receiving trails)
- Charging per individual service (menu)
- Pre-determined package choices

2 Paul Etheridge is a UK Financial Planner and established Prestwood Software www.prestwood.com.au - refer appendix for further details

3 www.napfa.org

4. WHAT IS PROGRESSIVE PLANNING?

YOUR ADVICE HAS CONSEQUENCES FAR BEYOND YOUR CLIENTS FINANCIAL PLAN. IT FORMS A PART OF THEIR COMPLEX JOURNEY THROUGH LIFE, AND IMPACTS EVERY DECISION THEY MAKE.

Hugh Massie-Coddington

Many financial planners have evolved from an insurance sales background. We have come a long way since then, but our industry is still quite young and the question is: "What will the role of the financial planner be in the future?". The exciting thing is that we can shape the role of the financial planner. What is it that we want the financial planner to represent? Purely advising on investments or on all issues relating to money?

As the following diagram from IPAC shows, advisers have journeyed from being 'Product Sales' focused to becoming the 'Expert'. This is where the majority of financial planners in the industry are currently positioned. There are however quite a few advisers now moving to the next phase, which is to be the client's ally/guide or financial coach.

Each adviser needs to answer the following question for themselves - What is the value that they provide to their clients? Can this be quantified? Can the fee be justified?

THE TRANSFORMATION OF ADVICE

The journey of advisers	**PRODUCT SALES →**	**EXPERT →**	**ALLY/GUIDE**
Adviser behaviours			**Knows the right questions**
		Knows the right answers	**Knows the right answers**
	Knows the product	**Knows the product**	**Knows the product**
Client outcomes	**SATISFIED**	**TRUSTING**	**EMPOWERED**

Source: IPAC Securities

As mentioned in the introduction, FSR is having a major influence on the adviser and the need to clearly identify the planner's value-add proposition. The need to have clear service agreements in place is more important than ever.

Many are looking at Progressive Planning to help solve some of these issues.

It all comes down to what each adviser sees as their value-add versus what the client sees the adviser's value-add as. There are two distinct types of clients when it comes to this issue:

1) Those clients that place the most importance on the fund performance and stock selection and;
2) Those clients that value the relationship and the coaching aspect as the most important factor from their adviser.

The industry is constantly evolving and no doubt the role of the financial planner will also continue to evolve. So as an industry, what do we want this role to represent?

Some don't feel there is a need for change, however others believe change is inevitable.

It is very fair to say that not all the concepts discussed in this paper are suitable for all advisers to use. However, having spent time with advisers that are taking their advice down this route, they are passionate about the fact that this is the new direction for the financial planner.

The sceptic agues that this issue is raised every few years after or during a bear market where returns are poor and advisers are looking for a new focus. While this criticism is not without some basis, as Jim Stackpool[4] puts it, there is a dichotomy between advisers building assets off a rising market, and those building assets off client service. Both make money but who makes more? CEG has found that in Australia, only 9% of advisers spend at least 60% of their time speaking with clients, but earn three to six times more net income than the other 91% who have less client contact.

Progressive Planning is the ability to charge for intellectual capital rather than for product placement.

Jim Stackpool[5] found a divide between a majority of advisers that concentrate on investment strategy or market analysis, and a more successful minority that spends most of it's time talking to investors[6]. "Everyone in the survey claimed to be client-centred, but in reality most of them are investment-centred, and their client is the client's money, not the client".

"Financial Planning works best when focused on clients, not investments" according to Jim.

More and more planners over the past two and a half years have mentioned in meetings that they are focusing more on the Lifestyle approach within their business and the reasons for this were covered in an earlier chapter. When asked to define what this entails many have found it difficult to define. The one thing they knew for sure was that they wanted to make a fundamental change to the way they were running their business.

[4] Jim Stackpool is principal at CEG Australia. He recently presented a comprehensive survey and this information was obtained from FinanceAsia.com 03/03/04

[5] CEG have recently launched their Cultivating Advice private school program which is a one year program aimed at attracting and retaining affluent private clients. For further information email cegau@info@cegaustralia.com.

[6] This information was obtained from FinanceAsia.com 03/03/04

PROGRESSIVE PLANNING IS LOOKING AT ALL EVOLVING OPTIONS OF CLIENT ENGAGEMENT OPENING UP TO ADVISERS AS THIS RELATIVELY NEW INDUSTRY BEGINS TO MATURE.

Lifestyle Financial Planning means different things to different people. If we were to ask 100 advisers for their definition of Lifestyle Financial Planning, we would get 100 different answers.

It was clear early on that there was no single definition however, it can be condensed down to four main schools of thought as outlined in this paper.

Progressive Planning is looking at all evolving options of client engagement opening up to advisers as this relatively new industry begins to mature.

Progressive Planning is not one particular method of financial planning, one type of questioning or one type of software used, however they all have the common link of trying to explore more about the clients goals rather than how much they want to retire with. It is about trying to get the client focused on using their money in a way that will make them happy and fulfilled now, not just at retirement.

Money is not just about the numbers, it is also about our identity.

5. DOES THIS DIFFER FROM TRADITIONAL FINANCIAL PLANNING?

The difference between Lifestyle Financial Planning and more traditional approaches to financial planning is building a level of engagement that provides clients with a personal framework for making the inevitable choices involved in reaching their lifestyle goals. It is a process that helps people picture what they want their money to do for them in comparison to more traditional approaches where the focus is investment.

TELL ME and I'll forget

SHOW ME and I may remember

INVOLVE ME and I'll understand

Why do people seek advice?

While many advisers and industry observers are preoccupied with fund selection and performance, research regularly suggests that this is not why most investors seek advice. The table below, using data from Putnam Investments in the United States, outlines the main reasons people seek advice:

▪ Financial (cash flow) pressure	84%
▪ Preference for face to face advice	76%
▪ Lack of knowledge	73%
▪ Stressed from managing their own finances	73%
▪ Information overload	60%

The list above does not include investments or performance. Another US survey in December 2001, showed that only one in five consumers surveyed felt they were getting good value from their adviser even though many of these clients had long-term advisory relationships.

Obviously no industry can expect to prosper if only one in five of its clients values the service provided.

So what is Lifestyle Financial Planning?

Lifestyle Financial Planning is a term used widely in the industry to represent a range of different service offerings to clients.

Lifestyle Financial Planning is an interactive process that engages the client by asking questions that address what they want their money to do, such as 'what makes you really happy?' and 'what is important about money to you?'. Through this engagement, the client gains a personal framework for decision-making that enables them to make better financial choices so they have a sense of control over their financial affairs.

Incorporating adult learning principles

Clients bring a lifetime of attitudes, beliefs, values and prejudices to every learning experience including how they have learnt to manage money. These differences can be quite profound, particularly between couples, and in fact, a financial planning discussion with an adviser may be the first time both partners truly reveal each other's attitudes when it comes to money

By Nick Brinkworth - Regional Manager, IPAC

THE ADVISER DOES MORE LISTENING THAN ADVISING AND EMPOWERS THE CLIENT TO MAKE THEIR OWN DECISIONS, FULLY AWARE OF THE VARIOUS IMPLICATIONS.

Most adults do not learn for the sake of it, they are motivated to learn when there is a specific "trigger" such as a major life event like retirement. Valued advisers create the environment where clients can accept the need to change their attitude or money behaviour. To do that they must gain understanding and develop techniques so that clients talk about what really matters to them, and see the impact of their choices in a powerful and interactive way.

Lifestyle Financial Planning goes well beyond the communication of data, information and opinion - these are now readily available commodities. Instead it seeks to operate in the realms of sharing strategy, wisdom and vision with clients - these are elements of their financial position that can't be instantly downloaded from a website. Clients develop clarity about their lifestyle aspirations, both material and non-material, and accept responsibility for their own outcomes. The role of the adviser is to be the facilitator in this process. Fundamentally, it is the creation of a plan for the person - not their money.

A true Lifestyle Financial Planner transforms intangible concepts (such as a better quality of life, or more control over their financial affairs) into something real for that client by asking the right questions that focus on their personal goals and dreams, not how they want to invest.

A Lifestyle Financial Planner helps clients make decisions about the many factors they control such as what they can save and how much they spend. At the same time, advisers educate clients on the effect of uncontrollable factors on their plans - factors such as investment markets and even the impact of a personal catastrophe, such as death.

Client engagement puts the life into Lifestyle Financial Planning

No matter how technically sound an investment strategy is, or how well a superbly crafted investment portfolio performs, if a client does not understand the implications of their financial decisions, they will not achieve their goals. Alternatively they may achieve the goals in the plan but are these goals the right ones?

The adviser does more listening than advising and empowers the client to make their own decisions, fully aware of the various implications.

Without a personalised framework, how can a client determine what is good and bad advice for their situation? It is a bit like your health - just being told not to smoke or what to eat is not enough. We need to understand the implications of our health choices before we change our behaviour and importantly we need someone to help us make the change.

The language used in conversations switches from "What are YOU, Mr/Ms Adviser, going to do to make sure I achieve my financial goals" to "What do I need to do so I achieve my lifestyle goals".

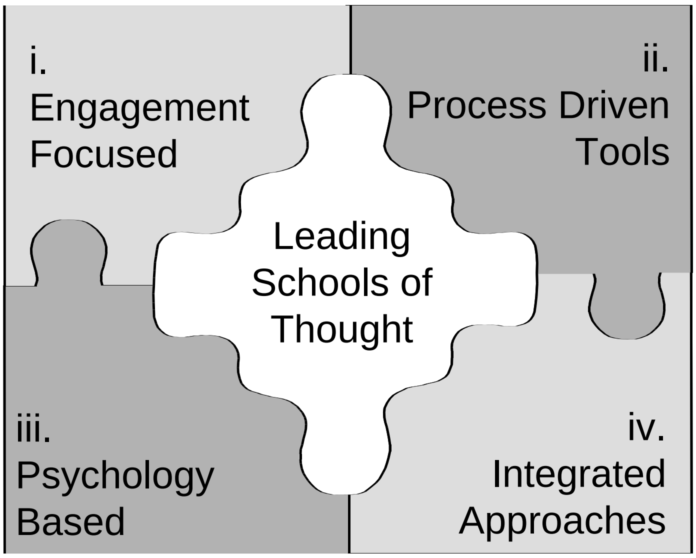
Lifestyle Financial Planning creates this subtle, but critically important, difference and creates a strong foundation for a profitable and rewarding adviser/client relationship.

6. THE LEADING SCHOOLS OF THOUGHT

It was obvious early in the piece that there was not one definition for Lifestyle Financial Planning. What it meant to one person was something completely different to the next. However it is possible to differentiate between four leading schools of thought as to what this represents both here and in the United States. These leading schools of thought are:

ADVICE IS THE PRODUCT

Phillip Volk, Leggett Financial Planning



The one thing in common with the different schools of thought is the concept that money is more than just dollars and cents. It impacts all aspects of our lives. It determines how we spend our time, it is used as a measuring stick for our success compared to others and it can very clearly have a major impact on one's relationships.

The concept of Progressive Planning is not new and many advisers believe they are already adopting this approach. They have asked their clients to complete a risk profile and asked what they wanted to gain from their future investing, but there has not been the same level of focus on the client's needs, goals, feelings and insecurities previously, that we are now beginning to see.

What is it that the client wants to achieve with their life?

The returns are obviously paramount in the client achieving their goals but it is not the only focus.

i. ENGAGEMENT FOCUSED

This is a component of Progressive Planning which seeks to engage the client more than traditional financial planning. It is where the financial planner helps the client to define their lifestyle goals and then empower them to make their own financial decisions.

LINKING VALUES WITH GOALS........

WHAT DOES MONEY MEAN TO YOU?

WHAT DOES SECURITY MEAN TO YOU?

WHAT DOES FREEDOM MEAN TO YOU?

Bill Bachrach, Values Based Financial Planning

Improving the client/adviser relationship is simply what the advisers that use these tools are trying to achieve. It is as simple as asking a few questions of the client to start them thinking about where they want to be. It is not about how much money they want to have in 10 years or how much they want to invest but what is going to make them happy in their lives. This could be as basic as the client upgrading cars, regular holidays, etc, but there are many clients that are not really living their dream and a true progressive planner will take this into consideration and try to help the client achieve their dreams. For example, a male client has a family and is the provider for the family. He works in a job that does not provide him with personal satisfaction but the money is adequate. This is where, if the planner has identified this as an issue, the adviser can help establish a "plan" on how this client can possibly transition out of his current role and into his dream job whilst remaining financially secure.

There are some very good tools that have already been developed that can be used as they are, or they can be easily modified to achieve the right line of questioning that is appropriate and comfortable for both adviser and client to use.

Values-Based Financial Planning

One of the most common engagement tools being used is Bill Bachrach's Values Based Financial Planning. Bill's concept has two parts. The first being the adviser asking the client a series of questions to determine how they feel about money and what their values are around money. The second part to his concept is the Financial Roadmap[7].

Bill presented at an Australian FPA conference several years ago and it is fair to say that he was not that well received as his concepts did not appear to be applicable to the Australian market. As with many concepts created in the United States, they can't always be implemented as is. They often need to be Australianised and adapted to our own environment.

There are a number of advisers applying these tools as part of their client meetings to varying degrees and it can be helpful for both the client and the adviser to determine the path which the client should take.

For example, the adviser would ask the client "What does money mean to you?". The client may respond by saying "security". The adviser then asks, "What does security mean to you?". The client may then answer along the lines of "freedom". The adviser continues this line of questioning in order to link the client's values with their goals.

To create the Financial Roadmap, the adviser would then ask what the client's goals are and what they want to achieve. For example, the client may want to own their own business within the next three years. They would discuss how much money they thought this would require and factor that into the financial plan. Once all the goals have been identified the adviser would begin to use tools to show the client where they are currently financially situated and how much they would need to achieve those specific goals whatever they may be.

7 This roadmap is available with the book "Values Based Financial Planning". It is A3 size.

Some would argue that this line of questioning is delving much further than a financial planner should go and is more suitable for psychologists. However, having experienced this questioning with Alf Priestly[8] - one of the advisers that has implemented this approach - it can be said that it is a very empowering experience.

When Alf Priestly was asked if all his clients were open to his style of financial planning he replied: "Of course, it's their goals, their dreams, how could they not".

Lee Virgin[9] combines traditional approaches with Bill Bachrach's values-based approach in his business. He and his partner Damian Cox have had their own financial planning business since 1994. Originally from a life background with AMP, they decided in 2000 to make the shift in their business to incorporate the Lifestyle Financial Planning approach in addition to the traditional. This followed a period during which they sold three tranches of their business back to AMP. They ideally see their client base being a maximum of 150-200 clients.

Ranking of Lifestyle Issues

One of the other engagement tools which is also gaining popularity is "Ranking of Lifestyle Issues" for the individual.

Similar tools have been in the industry for many years and have been used for various purposes. Ian Hutchinson, founder of Life By Design[10] has been using a tool like this in his workshops and presentations to both advisers and to clients. It involves a simple ranking tool to help identify where the clients focus should be in relation to their finances.

An example would be having the ranking ranges from 1 to 5. With 1 meaning that the client is not satisfied with this aspect of their life and 5 representing they are very satisfied. By having their client rank lifestyle issues such as those listed below, it can open a much wider discussion than what would have been achieved otherwise.

Health	1 2 3 4 5
Spiritual	1 2 3 4 5
Purposeful work/activities	1 2 3 4 5
Contribution to society	1 2 3 4 5
Love/Relationship	1 2 3 4 5
Hobbies, Interests, Creativity	1 2 3 4 5
Family	1 2 3 4 5
Intellectual Growth	1 2 3 4 5
Social	1 2 3 4 5
Financial Security	1 2 3 4 5

8 Alf Priestly, Fitzpatricks, Melb.
9 Lee Virgin, Hillross, SA.
10 Refer appendix for further details

Professional Investment Services (PIS) have recently released a "Lifestyle Workbook - Your Partner through Life" for their advisers to use with their clients, which was inspired by Robbie Bennetts attendance at the Philadelphia US FPA Conference in 2003. Robbie believes this is a very powerful tool for advisers and using this type of booklet opens up more discussion and interaction with the planner and therefore helps to strengthen the relationship. An example could be, the client ranks love/relationships as 1. If the adviser feels comfortable to do so (and this must be an individual decision depending on the client) they may ask the client why they have ranked that aspect of their life so poorly. The client may respond with the fact that his father has just been diagnosed with a life threatening illness which has shocked him and his family. The adviser not only gains a greater understanding of the individual and how they can help the client through this traumatic situation, but obviously the adviser would also have this in mind when discussing the topic of insurance as it may be a sensitive issue. It opens up dialogue between the two much earlier than if the tool was not used.

What if you had all the money you needed?

At the Australian National FPA Conference in 2002, Dick Wagner from the United States presented a session and conducted a workshop. During that workshop, he spoke of a series of questions that originally were created with George Kinder[11] . One of his tools for empowering the client is a series of questions to help them to discover which way they should be heading.

Question 1:

I want you to imagine that you are financially secure, that you have enough money to take care of your needs, now and in the future. The question is… how would you live your life? What would you do with the money? Would you change anything? Let yourself go. Don't hold back your dreams. Describe a life that is complete, that is richly yours.

Question 2:

This time you visit your doctor who tells you that you have 5-10 years left to live. The good part is that you won't ever feel sick. The bad news is that you will have no notice of the moment of your death. What will you do in the time you have remaining to live? Will this change your life and how will you do it?

Question 3:

This time the doctor shocks you with the notice that you have only one day left to live. Notice what feelings arise as you confront your very real mortality. Ask yourself: What dreams will be left unfilled? What do I wish I had finished or had been? What do I wish I had done? What did I miss?

Using this tool allows the client to prioritise what is really important to them. What is it that they really want to achieve so as to be completely satisfied? It is not about the money but about what you do with that money that is really important.

[11] Author of "Seven Stages of Money Maturity". www.kinderinstitute.com

George Kinder also devised the following table for the adviser to use for clients to help determine what was important to them.

	Hearts Core	Ought to	Fun to
Have			
Do			
Be			

Source: Kinder Institute

The client may insert in their Heart's Core: HAVE a happy and loving relationship with my family, DO more exercise and BE more patient.

Once again, a simple tool to open the discussion with the client and to discover more about them sooner.

This is only a small part of what George Kinder offers and this will be discussed further in the Psychology Based section.

Time being your most valuable asset

At the US FPA Conference in Philadelphia in 2003 one of the sessions conducted was by Mitch Anthony[12], a well known 'Life Planner" who created The New Retirementality. His session talked about "time" being his client's most valuable asset, not money. "A rich life is about spending that time well".

Old Mentality: Find a job that pays the most - and do it whether you like it or not. Grind it out until retirement.

New Retirementality: Figure what you're good at and passionate about - and find our how to get paid for doing those things. Start collecting a playcheck.

Although he developed these tools for the pre-retiree and retiree market, they can be implemented across all segments of the market.

Mitch developed a tool that helps analyse the client's current allocation of time to various aspects in their life. They compare how much time the client currently spends on those important elements of their life versus how much they want to spend on various issues. The adviser then formulates a financial plan that helps the client move to their optimal week.

OLD MENTALITY:
Find a job that pays the most - and do it whether you like it or not. Grind it out until retirement.

NEW RETIREMENTALITY:
Figure what you're good at and passionate about - and find our how to get paid for doing those things. Start collecting a playcheck.

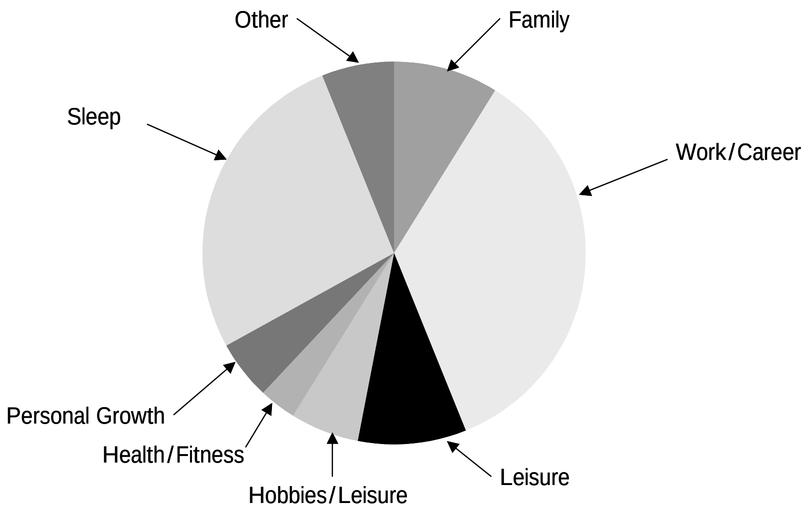
[12] Mitch Anthony, The New Retirementality (www.financiallifeplanning.com)

MOST VALUABLE ASSET IS TIME NOT MONEY

The following table shows how one might allocate thier time and energy in a typical week:

ASSET CATEGORY	HOURS/WEEK	% OF TIME
Family	15	9
Work/Career	60	35
Maintenance	15	9
Hobbies/leisure	10	6
Health/fitness	5	3
Personal Growth	8	5
Sleep	45	27
Other	10	6
TOTAL	**168/168**	**100**

Source: Mitch Anthony



Source: Mitch Anthony

Mitch challenges many of the traditional approaches to retirement including the notion that being retired means you no longer work. Many retirees these days are instead opting to continue some work in retirement such as consulting to the industry in which they have worked over many years.

ii. PROCESS DRIVEN TOOLS

A second school of thought on what Lifestyle Financial Planning represents are "Process Driven Tools". While they have been labelled Process Driven, many also have “Engagement Focused” characteristics.

These are tools that have been developed from within our industry to help engage with the client, along with having a structured process to back it up.

There are two categories of Process Driven Tools available:

a. Human behavioural tools
b. Software to produce the plan with the client

a. Human behavioural tools

Human behavioural tools are not yet widely used in Australia but are gaining acceptance in the United States. These tools aim to help the adviser determine the client's hard-wired personality and therefore give the financial planner information on how to communicate with that client.

They are similar to the pre-employment type profiles that prospective employees undertake, but are designed to allow the adviser to determine what the client is looking for from the relationship.

One such tool from Australia is Hugh Massie's profiling program Financial DNA[13]. Hugh has an operation in both Sydney and in Philadelphia.

Hugh believes that a person's financial personality combined with their unique environment will impact every financial, business, work and life decision that a person makes.

It is a web based questionnaire that the client completes and the tool produces a report detailing their financial DNA strands.

There are 18 DNA strands that Financial DNA has recognised and three examples of these are

i) Decision Making DNA strand
ii) Asset DNA strand
iii) Investment Propensity DNA strand

[13] www.financialdna.com - refer appendix for further details

H = HIGH
M = MEDIUM
L = LOW

(i) Decision Making DNA strand: Your financial decision making processes are based on:

a) Logic	H
b) Optimism	M
c) Intuition	M
d) Emotion	L

(ii) Asset DNA strand: Your preferences are likely to lean towards the following asset allocation:

a) Equities	M
b) Property	H
c) Cash and bonds	M
d) Alternative asset classes	M
e) Socially responsible	M
f) Adventure	H
g) International	H
h) Lifestyle	L

(iii) Investment Propensity DNA strand: Your preferences are likely to lean towards the following investment strategies:

a) Growth	H
b) Aggressive	H
c) Value	M
d) Security	M
e) Income	L
f) Diversification	M

The tool produces a written summary of the individual’s DNA which accompanies these summaries.

b. Software to produce the plan with the client

The second category of tools available are the software packages that allow the adviser to create the plan with the client rather than for the client.

This is likely to become more popular with advisers within Australia as it is not seen as delving too far into the client's psychology.

The adviser has the clients data entered in the system prior to their meeting. The software produces a diagram of their life long cashflow according to their current spending/savings. The client can visually see at what stage in their retirement they will deplete their assets.

Prestwood Software[14] is one such package and they use five lifelong cash flow scenarios in their models. They are: 1) The client experiences no catastrophes, 2) If the husband died yesterday, 3) If the wife died yesterday, 4) If the husband become disabled yesterday and in need of long term care, and 5) If the wife had become disabled yesterday and in need of long term care.

The client is then empowered to make their own financial decisions. Are they comfortable with where they are and where they are going? The adviser can offer choices to the client such as showing them visually if they reduced their spending on one aspect of their life, how that would impact their overall situation. The client chooses whether to spend less, whether to save more or whether to invest in higher producing assets/higher risk. Most importantly, the client chooses, not the adviser.

Another recent entrant into this space is Paul Resnik's CARM (Client Acquisition and Retention Management) GPS program[15]. They state that their aim is to help either the client or the financial planner 1) identify lifestyle goals, 2) find the tradeoffs between these goals, and 3) create a personalised lifestyle plan. "Creating and maintaining your client's Lifestyle Plan becomes the blue print for your ongoing, fee based relationship. Achieving their lifestyle goals becomes the why of your relationship. Cash flow management, tax and investment strategy becomes the how".

ipac is a business in Australia that has delivered lifestyle financial planning to clients for many years. The systems, tools and processes, developed by ipac for use by its in-house advisers, have also been packaged for use by external practices that have embraced the ipac Lifestyle Financial Planning approach. The hub of this approach is an interactive client engagement tool called the ipac Strategic Lifetime Model that is used by these third parties - ipac's Equity and Strategic Partners, as well as those practices licensed through ipac's new dealer group, monere financial planning. In addition, as ipac is a wholly owned subsidiary of AXA APH, the Strategic Lifetime Model has also been made available to a number of AXA's aligned partners via AXA Financial Planning and Charter.

Ian Hutchinson's Life By Design[16] has also recently launched a toolkit for advisers titled ‘The New Generation Adviser’, providing them with a process for offering lifestyle advice and the ability to incorporate such advice alongside the traditional process.

While it is difficult to recommend any of these products to you or comment on their suitability for your business, you can find their details in the Appendix should you wish to investigate them further.

14 www.prestwood.com.au
15 www.gps.com.au
16 www.lifebydesign.com.au

SEVEN STAGES OF MONEY MATURITY

MATURITY
- Aloha
- Vision
- Vigor

ADULTHOOD
- Understanding
- Knowledge

CHILDHOOD
- Pain
- Innocence

Source: Kinder Institute

iii. PSYCHOLOGY BASED PLANNING

Psychology based planning which has gained some traction in the United States is unlikely to appeal to the majority of Australian advisers. Indeed it would need considerable adapting for Australia before the bulk of advisers would adopt it here.

Many believe that while a client's education and understanding can improve over time, their upbringing plays a crucial role and therefore you need to look at how the client feels about money to truly understand how they will react to it.

They believe that it is for these reasons that no matter how technically proficient a financial plan can be, some clients cannot commit to the plan for emotional reasons. Some can't save, won't stop spending beyond their means and do not know how to deal with money and are therefore happy to give it away due to psychological reasons.

George Kinder whom I mentioned earlier is a US based Financial Planner and author of "Seven Stages of Money Maturity"[17].

George is a strong believer that people who may have suffered quite traumatic experiences in their childhood can carry these experiences with them through to their adult life, impacting their financial decisions.

Having completed George's two day workshop in the United States in November 2003, it was clear that his approach is most appropriate for those clients that have had a very painful event occur to them in relation to money. His seven stages approach helps those clients realise their issues and help them to deal with them.

George explains his concept provides seven ways of understanding a client’s "conflicts, dilemmas, difficulties and pain around money and taking positive steps to resolve them". This type of approach goes through the seven stages starting with “Innocence”. He would ask the client for their first recollections of money which is usually during their childhood. We are all innocent to the knowledge that money can have negative impacts on our lives. He would move to "pain" which is where the client would identify when it was that they actually had painful memories of money that may be holding them back with their financial decisions. This can be quite a profound experience to some as they may realise that painful childhood memories of money and are still impacting their lives. It may result in the inability to save or inability to feel they "deserve" to be paid well in their careers etc.

Following through the stages in ascending order would eventually bring the client to "Aloha" by which time any painful issues relating to money would have been dealt with.

17 www.sevenstages.com

It could be said that this approach was delving too far for the average adviser to handle or in fact the average client to handle. However there is an adviser in Australia who is a strong supporter of this approach. Wayne Lear, a Canberra based adviser implemented this approach into his business and is looking at introducing the concept to Australian financial planners.

George Kinder along with Dick Wagner established a group in the US called the "Nazrudin Project"[18] to co-ordinate a gathering of individuals who wished to talk about issues facing the industry and in particular the topics associated with Life Planning. This group has been growing in size and continue to meet regularly.

Generally with this type of financial planning, the adviser would delve into the psychology of money and look at the clients attitudes to money due to a number of factors including their culture, attitudes and behaviours, lifestyle, relationship, self esteem and money beliefs. Behavioural Finance can also be categorised into this school of thought.

In general this type of progressive planning has been adopted by a few advisers, but is not yet a major way of undertaking financial planning and it is unlikely that it ever will be.

iv. INTEGRATED APPROACH

The last school of thought on Progressive Planning refers to those financial planners that are offering their clients integrated approaches.

This could entail a number of concepts - as the name suggests - and it is probably what most participants in the industry have thought of as Lifestyle Financial Planning.

The Financial Hub - Holistic Financial Planning

Some advisers have gone down this path (and many are discussing the merits) of offering a service to their clients where the adviser is always the first point of call in relation to any money related issues. This could include establishing formal relationships with professionals from various industries or communicating with them on an ad-hoc basis.

At a recent dealer group conference, the definition of "Holistic" financial planning - which has become a bit of a buzz work with in the industry - was discussed. It was agreed that in general, this concept was the offering of a service beyond the normal boundaries of financial planning. For example, an adviser in Melbourne, Carol Kamien[19], has established a number of service offerings and the services offered increase as the price of the service increases.

She has established relationships with an accountant, a solicitor and a real estate professional. By charging a fee for service[20] she can offer these professionals to help her clients with any money related issues that they may have.

[18] http://www.fpanet.org/journal/articles/2000_Issues/jfp1000-art2.cfm
[19] Carol Kamien, Founder of Affinity Financial Planning, Melbourne.
[20] See definition of Fee Based Financial Planning in chapter 3.

Some advisers have less structured relationships but if a client needs a solicitor for example, the adviser would ask the solicitor to attend the meeting in the planner's office and the planner would be present throughout the meeting and act on behalf of the client.

This type of approach can go as far as the adviser wants. It can be limited to professionals as mentioned above or it can branch out to include health and fitness, personal development or career counsellors as Manny Fiteni[21] believes the future will be, or they could even go as far as co-ordinating someone to walk their dog, or offer a 24 hour concierge service (such as that offered by the very successful American advisers, Harold Evensky and Deena Katz[22]).

The Financial Coach

Many advisers are also beginning to position themselves as their client's financial coach. Two advisers in Australia, Roger Paul and Chris Moylan[23] focus on this as their value-add proposition and have written a book titled "Your Personal Wealth Coach".

They believe that throughout history, people have sought collaborative assistance to help them achieve their goals, through guides, mentors, teachers and coaches. Based on a collaborative relationship and a clear process, coaching focuses on and moves people to a purposeful action.

Sport has given them the most obvious understanding of the role, but the business world began to pick up on it in the 1980's.

Chris says in his book that financial coaching focuses on the goals and objectives set by the client, not on the product where the client has invested their money. In financial coaching the investment product is a means to a greater end.

Their coaching is anchored around three programs:

- The Personal Financial Coaching Program
- The Peace of Mind Retirement Program, and
- The Team Financial Coaching Program

Both attribute a great deal of their success from the input of Dan Sullivan and his Strategic Coach Program[24]. They have been a part of his program for many years and continue to travel to the United States four times a year to stay focused and participate with 30 other business owners.

Offering choice to the client

Many businesses are beginning to recognise that by offering choice to the client, the client's expectations are set early in the relationship and the adviser clearly defines their service offerings.

21 Manny Fiteni is at Hillross Head Office in Melbourne.
22 Harold Evensky and Deena Katz - www.evensky.com/pages/index.htm
23 Chris Moylan, MD of Moylans and Roger Paul, Principal of Financial Coaching, are authors of Your Personal Wealth Coach.
24 www.strategiccoach.com

One such example is the independently licensed financial planning business Outlook Financial Planning (OFP). Paul Evans is the General Manager of Outlook and was one of the main instigators for this change within their business.

Outlook recognised the client as an individual and that each client has different needs, goals and aspirations and as such may also prefer a varying level and type of service. In order to address this aspect OFP has introduced a new program, 'Outlook for Life'. It focuses on the client as an individual by offering flexibility and choice in fees and service.

Besides providing personalised strategic and technical advice, the ability to adapt to the client's requirements helps reflect the importance they place on him/her as an individual.

'Outlook for Life' keeps the clients in control and some of the key features of their new program include:

Service Packages

The program is based on the provision of Service Packages at fixed annual fees. The OFP Financial Planner recommends the most suitable package for the client with the ability to upgrade the service level if required.

Package Structure

All packages have a core group of services that are integral to the success of the client's financial strategy. These include reviews, reports, recommendations, briefings etc.

Each package also allows clients to choose additional benefits and services based on a point allocation system. These are categorised into financial and investment related services, lifestyle benefits, education, personal development and enhancement. They range from subsidised tax return preparation and travel and insurance discounts, to courses at the Council of Adult Education or even a personal concierge service.

Flexibility & Choice

Clients can tailor the chosen package to suit their circumstances by using their points on the services and benefits relevant to them.

In addition, clients have the choice of adopting the new program or continuing with their existing arrangement with OFP.

Fixed Fees

‘Outlook for Life’ works on dollar-based annual fees. Fixed fees and clearly detailed services can give the client confidence and control in their relationship with a Financial Planner. The service package fee is indexed to the CPI each year to ensure that the business can continue to recover costs and grow its revenue base.

The continuing suitability of a package is re-assessed annually. It is also an opportunity for clients to avail themselves of new benefits and services that they may not have used before.

‘Outlook for Life’ has been introduced to provide greater choice, flexibility and transparency and create stronger client relationships. This objective is further supported by OFP being a salary-based organisation and their planners do not receive any commissions from the investments recommended.

7. THE PROFILE OF A PROGRESSIVE PLANNER

Lifestyle planning is the successful interplay of an adequately broad competency (The Capacity), a conscious decision to provide lifestyle planning (The Intent), a suitable system (The Means) to deliver such comprehensive advice to a client, and a suitable Personality. Let us explore these four building blocks separately.

Competency or The Capacity, is itself composed of two ingredients: technical knowledge, which can be learned, and experience, which is gained through practicing and understanding one's successes and mistakes. Dan Sullivan's Strategic Coach program describes this level of experience as the third stage of business development or as "Mature Simplicity", where the role of planner becomes that of Coach or Guide. This is preceded by enthusiasm or personality in The First stage, and then that of qualified specialist in The Second stage called 'Complicated Sophistication' where the planner is more a technician. Dan Sullivan maintains that most planners remain at the second stage and never really learn how to move to the third stage of Coach or Guide. Often a planner specialises in a field such as SMSF, Tax, Estate, Investments or Philanthropy leaving them at stage two, while a Lifestyle Planner needs to be competent across all fields of advice and know where to solicit help. Lifestyle planning therefore suits a more mature planner who has reached the stage of Mature Simplicity.

This maturity should not be confused with age, however, as the current generation of graduates is far more focussed on offering comprehensive planning, more open to new methods and thought processes and are therefore better placed and motivated to attain the third stage. With an increased push to educate planners to be more client focused the new generation of planners will have a head start and be better placed to service a client base whose expectations are also changing in this direction.

Recent research from Dashboard (Stackpool, 2003) "reinforces the message that the planning industry must reposition its image away from focusing on investments…" and concludes that "profitability is more attributable to higher contact with clients by advisers than simply higher levels of FUM".

As a specialist planner learns to deliver his specialised advice in an increasingly efficient manner, he is better able to structure the delivery of the advice in order to produce a single strand of support for a client.

Lifestyle planning has been practiced by a handful of planners over the past 20 years. Such planners were seen to be very different, certainly in their own class if not slightly eccentric (a polite term for mad). Around the mid 1990's the popularity of speakers on this topic at conferences rose. By the late 1990's there was barely a major conference that did not have at least one speaker expounding the value of Lifestyle Planning. Still, the take up was a trickle while the bull market was running and collecting FUM was so simple and financially rewarding. Over the last four years with depressed markets, many planners relying on investment reporting

SUCH PLANNERS NEED TO BE TOTALLY COMFORTABLE TO PUT LIFESTYLE FOCUS AT THE CENTRE OF DATA COLLECTING AND QUESTIONING AND IN DOING SO POSITION THEMSELVES AS A CLIENT'S FINANCIAL ARCHITECT - NOT NECESSARILY THE BUILDER

(Ken Bloomfield - Financial Clarity - 2003).

as their core service have looked to distract clients from this traditional focus on investments. In many ways it has muddied the water for clients as many planners have taken the new terminology and used it effectively in marketing to add a spin to their traditional service. Having said this, the number of planners moving to a genuine client focus is turning from a trickle to a steady flow.

It is not until planners see advice as the product they offer, and not the products they buy on the client's behalf, as the value they add that real progress can be made. Peter Leggett (2003) agrees with industry commentators in his belief that the key change that the industry needs to continue making is the journey from product to advice. "Solutions should come first. Only when the industry as a whole adopts this approach will we be able to claim professional status".

The second core component in Lifestyle Planning is a deliberate decision or **The Intent** to link comprehensive planning to lifestyle planning. The intent to provide Lifestyle planning is not the result of accident or a gradually expanded service, it is the deliberate move where the very "… concept of linking financial and lifestyle planning must be a 'core belief and activity' in 'what we do here'" (Paul Etheridge, 2003).

"Such planners need to be totally comfortable to put lifestyle focus at the centre of data collecting and questioning and in doing so position themselves as a client's financial architect - not necessarily the builder" (Ken Bloomfield - Financial Clarity - 2003).

"Helping others achieve goals and dreams includes being able to inject passion into their lives while demonstrating it in your own" (Alf Priestly - 2003). Lifestyle planners typically have this passion for life and are very aware of balancing their work, family and leisure time. Most have defined their own priorities and the steps by which they will be achieved. Many have a defined and written personal development path, developed and reviewed with the assistance of either a personal life coach or another like minded planner for whom they fill a reciprocal role. This is a Lifestyle planners answer to the Business Philosophy of Hugh Massie, MD and founder of the Coddington Group and creator of the Financial DNA process: "In my experience in the area of investment and wealth planning, a key blockage to success is people having insufficient knowledge of their core self and therefore being unable to commit to the right strategies for them. The barrier to success is made greater by advisers who also do not understand themselves and then their clients. Understanding each person's financial wiring is the key" (Targeting Higher Net Worth Clients - Resnik Conference Melbourne - December 2002). Without an understanding of such lifestyle issues it is difficult, if not impossible, to successfully merge the financial and lifestyle planning aspects for a client. Ian Hutchinson of Life by Design highlights the importance of a Lifestyle Planner to be a role model to clients and "Walk the Talk".

The third component is the use of suitable systems or **The Means**. Without a structured and clearly defined methodology for delivering Lifestyle planning even the most experienced planner will battle to remember everything that needs to be covered, and most importantly, will lose the client's attention by not providing a structure that the client can follow and relate to.

Process is an important factor in the structuring of the client/planner relationship and a means by which the planner can naturally and systematically ask the clients supplementary questions. These questions will accumulatively extract from the client their real underlying driving factors, which is fundamental to accurate and meaningful goal setting. Through this the planner develops the relationship by understanding, at an increasingly deep level, the motivations for the client. It allows the client to begin to express their desired lifestyle and share their real fears, hopes, difficulties, weaknesses and strengths. It is the process that allows the planner to praise a client's strengths, educate where the client has weaknesses and help them to express their hopes in order to achieve them.

It is in this process of getting to know clients at a deeper level that the shift occurs from 'selling things' to 'talking to people and finding out what they want'. Lifestyle planning is typified by a move to the latter.

Using this approach a lifestyle focused planner is able to "engage" the client in the process of the client developing their own plan. The process is one of client ownership in which the client emotionally commits to the plan during its formation, well before any recommendations or solutions are suggested. The process is as much about empowering the client to make decisions as it is about 'strategy', and in this context the role of financial planner is a combination of Psychologist, Coach and Teacher.

Complex systems require adequate software to support them. As Lifestyle planning in Australia is relatively new, software that is based on this style of planning is not common. Such software needs to support not just the planning aspects of detailed data collection, modelling and plan production with a client, but cope well with the administration aspects of notional accounts, workflow management and CRM.

Such structure or systems allows the small steps in the large process to be obvious to planner and client. Unless there is a map of the small steps, a planner risks losing direction in the process of delivering Lifestyle planning. As a whole, the process can seem daunting to both planner and client, but the defining of the small steps offers something tangible and immediate that can be addressed. The use of agendas, templates and checklists become basic tools in this process. Single components of a strategy may be simple to grasp but the strategy itself may be very complex. The more complex the strategy, the more important it is to have a structured methodology. For example, beating eggs is simple, measuring flour, butter and sugar is straight forward, but unless there is a clear plan that orders the sequence of these simple events, the cake is destined for the dogs bowl no matter how well you can beat the eggs. Success is learning the individual tasks, having a system (or recipe), the intention to follow it and the experience to know when and when not to open the oven door.

An additional benefit of such structure is the ability to service clients on a far more personal level. Edward E Klink, a Senior Editor of the newsletter service Horsesmouth regularly stresses the importance of "putting the customer first", "making them feel special" and delivering "...personal and superior service". This is not delivering mass appeal but determining how best to fulfil the needs of your targeted market or segment of clients, on a personal level. "Clients can be sensitive on price or time, others want education or empathy from their planner and the final group are relationship-level sensitive, where some want to be talked to once a month, others want to be left alone. You need to work out which category they fit into" (Amanda Swinburn, 2002). As a business matures the need for client segmentation may decline as all clients fall into the top grade and bottom-end clients are progressed or let go. The need to service them as individuals however, increases.

A means of monitoring a practice to ensure an adequate balance between its components is as important to the long term profitability of the business as the setting up of the right systems. This allows for continual improvement and finding better ways of doing things, adjusting to changes in the Financial Planning Industry and taking advantage of new opportunities. Without efficient monitoring, improvement is only a matter of chance.

The fourth and last component is **Personality**. This cannot be measured by any empirical means but is rather a collection of impressions held by others when they think of Lifestyle planners. As part of the research into this chapter, 70 planners and other members of the industry were asked to list the top five qualities that they believed set Lifestyle planners apart. The replies were pooled and the most common tenants extracted. Those applying to the four components (Competency, Intent, Means and Personality) are summarised below. In pulling these components into an 'identikit' a planner offering Lifestyle planning is likely to have these characteristics:

Competency

1. Are thoroughly reliable and punctual. Rarely appear stressed or over emotional, but are capable of expressing and dealing with emotion and emotive issues.
2. Are business minded, maintain perspective, are time efficient, run mature practices with client bases that have been 'groomed' and progressively improved.
3. Are well organised and methodical, showing good attention to detail, while maintaining excellent communication skills.
4. Are committed to learning and keeping ahead of technical issues. CFP status is a standard among the planners I know who offer this style of service.

5. Are sensitive to client feedback in its many forms, both verbal and non verbal.
6. The Lifestyle planner understands that the answers are in the questions. They ask good quality questions and then listen carefully to what clients have to say.

Intention

7. Have trained their staff to follow very clearly defined processes in order to deliver a Lifestyle planning service.
8. Frequently do not get involved in the day to day running of the business, delegating this responsibility in favour of concentrating on their core competencies. This is a strategic and intentional decision.

Means

9. Have very clearly defined business models including clear criteria for client selection, service delivery, remuneration and succession.
10. The Lifestyle planner has a consistent lifestyle planning system with tools that specifically identify lifestyle goals and integrates them into the financial planning process.
11. Are most likely to offer 'fee for service'.

Personality or attributes

12. An absolute confidence in their own abilities and in the value of their service to clients. Perhaps even a bit arrogant.
13. Committed to interests outside of work. This is indicative of a passion for life and displays balance.
14. Are satisfied with what they do, identify how to improve and plan how they will grow as individuals.
15. Lifestyle planners all seem to have a strong philanthropic aspect to their lives and this is not necessarily religiously motivated.
16. Have a natural interest in other people. They create a feeling of trustworthiness.
17. Tend to be more mature themselves, commensurate with having a broader and deeper 'life experience' base.

8. CHALLENGES FACED BY THOSE IMPLEMENTING PROGRESSIVE PLANNING TECHNIQUES

LIFESTYLE FINANCIAL PLANNING SHOULD BE LOOKED AT NOT TO GET A QUICK AND EASY SALE, BUT RATHER MANY YEARS OF CLIENT'S LOYAL RETURN BUSINESS AND REFERRALS.

Ian Hutchinson,
Life By Design

The transition to progressive planning, depending on the approach implemented, may not necessarily be an easy one. Paul Etheridge[25] noted the following challenges that can be faced by advisers wanting to make that change, which have then been expanded on.

Changing their own mental outlook

The financial planning industry is still relatively young and it has evolved from an insurance background. Like any industry, it continues to evolve and those within the industry either choose to accept change or resist it.

There is a large dichotomy between those advisers that embrace change and those that resist. Those that accept tend to be those business owners that already have a well- established, systemised, profitable business who continually strive to improve.

Those that do not challenge their mental outlook on the role of a financial planner, are likely to be left behind as this dynamic industry matures.

Communicating to clients the features and benefits

Communicating a financial planner's features and benefits to clients is a difficult task. Communicating outperformance to benchmarks and performance figures is tangible but charging for intellectual capital is harder.

Although there is no right answer on how to achieve this successfully, it would appear that having the features and benefits in writing as well as communicating it orally is the most effective way. Producing a list of features/benefits helps the client understand the adviser's offering.

Obtaining appropriate software to support their process

Implementing the most appropriate software and establishing a systemised approach to servicing these clients is also confronting. More and more programs are being developed in this area - some of which have been discussed in this paper - but it will still take time to research their suitability for each individual business.

Devising an adequate charging structure

Each adviser needs to devise a charging structure that they feel comfortable with and which is appropriate for their own business model.

As discussed in this paper, fee for service, not fee for assets under management appears to be the way this industry is advancing. Alternatives are charging by the hour, charging a pre-determined fee but receiving trails into a notional account[26], charging per individual service (allowing the client to choose from a menu of services), or offering set packages which state all the features/benefits.

25 Founder of Prestwood Software.
26 Refer chapter 3 and the definition of a notional account.

progressive planning.

9. CONCLUSION

EACH ADVISER NEEDS TO DETERMINE THE SPACE THEY WANT TO PLAY IN.

Clayton Coplestone, Credit Suisse Asset Management.

The financial planning industry has been challenged over the past few years and it will continue to be challenged with ever increasing regulatory pressures. Pressure on fees, charging structures and compliance will intensify, and the need for clear value-add propositions by all industry participants is more important than ever.

The industry leaders are increasingly discussing the need to differentiate between 'advice' and the 'product', as historically they have been one and the same. The broader industry is beginning to acknowledge the need to quantify their service offering and therefore start charging for their intellectual capital versus product placement.

Fee based financial planning will become more popular, but it will be a gradual transition. Fee based advisers have already differentiated their service from the product placement role and have communicated their value-add proposition to their clients.

Additionally, fee based financial planning will continue to grow in popularity due to the new generation of clients (Generation X) entering the stage in their lives where they need advice. Many studies suggest this generation is less price sensitive than the baby boomers and are more prepared to pay a fee - and a premium - for the right advice and the right coach.

Each adviser has their own skill set and therefore only they can determine what role they want to play in their client's lives. Only the individual can clarify whether their focus will be on targeting performance above benchmark or above their competitors, versus focusing their time and efforts on helping clients achieve their lifestyle goals.

Progressive Planning techniques have been designed to improve engagement with the client and to position the financial planner as the financial coach rather than the financial technician. The overall industry and the role of the financial planner will continue to evolve and lifestyle financial planning techniques will become part of the financial planning process and used as part of the adviser's point of differentiation.

The four schools of thought on Progressive Planning have been identified within this paper and many aspects of these schools will be implemented automatically by the new generation of advisers. They are entering the industry with fresh eyes and can see the value in being client centric versus investment centric.

The performance of a client's portfolio and the client's ability to achieve lifestyle goals are not mutually exclusive. This is why Lifestyle Financial Planning is a progression of traditional financial planning rather than a replacement for traditional financial planning.

Lifestyle Financial Planning is simply Financial Planning done well!

progressive planning.

APPENDIX

Financial DNA® Discovery Process

The Financial DNA® Discovery Process has been developed by the Financial DNA® Resources division of The Coddington Group over the past four years.

Coddington interfaces with Attorney firms, financial advisors and other professional services firms who can access the Financial DNA® process for use in any of the following ways:

Client Discovery	Specialist Behavior Services	Practice Management
Discovery of Financial Personality for the "know your client rules"	Wealth Mentoring	Recruitment
Behavioral Investment Portfolio Analysis	Family Facilitations and Retreats and Education Programs	Employee Relationship Management
Financial Life Goal Visioning and Mapping	Family Business Leadership and Business Strategy	Conflict Resolution
Establishing Your Financial Comfort Zone	Succession, Estate and Philanthropy Planning	Career Development
Relationship Development between client, family members and advisors	Managing Life and Financial Transitions	Performance Benchmarking
Managing Expectations	Balanced Life Programs	Team & Board Alignment
Matching clients and advisors	Children Camps	Strategic Business Development

For further information contact: www.coddington.biz

Prestwood Australia Pty Ltd

Prestwood provides and supports financial planning software and systems designed by Financial Planners for Financial Planners, with a focus on lifestyle based planning.

Prestwood is used by planners across Australia and is designed to run both planning and administrative aspects of a practice. The software facilitates the production of comprehensive financial plans or short reports on specific topics when a comprehensive plan is not required and includes a wide range of practice management facilities.

Prestwood software provides a complete planning system, ranging from initial data gathering, through scenario modelling and investments, to plan production and includes a wide range of analysis facilities relating to capital, income, expenditure, life-long cash flows, estate planning, education, superannuation, life insurance, DSS calculations, agendas, minutes and more.

It includes a comprehensive administration package, fully integrated with the client database (client contact history, diary facilities, work flow management, commission tracking, portfolio management, database searching facilities, policy tracking, mail merging, time ledger, profitability analysis and so on).

The planning is best done with clients rather than for clients; enabling them, having defined their objectives, to be fully involved in deciding planning assumptions, reviewing the resulting (lifelong) cash flow projections and, with the assistance of Prestwood technology, considering alternative 'what if' scenarios. This leads smoothly to the production of a comprehensive plan 'owned' by the clients and implementation follows naturally. Investment or portfolio management is an important part of this process. www.prestwood.com.au.

Life by Design®

Ian Hutchinson is founder of Life by Design® has a Bachelor of Business Degree in management and marketing, a Graduate Diploma in Psychology and has trained overseas with some of the world's leaders in lifestyle planning.

As an educator, speaker, coach and consultant, Ian puts the fun and emotion into financial planning and enhances the financial advisor's role in preparing clients for lifestyle and retirement success.

Life by Design® is creator of the just released "New Generation Advisor Program incorporating the Lifestyle Planning System™" (specifically developed for financial advisors), the "Lifestyle-Driven Financial Planner" and "52 Strategies to Work Life Balance".

With a background in psychology, business management, lifestyle planning and career development, Life by Design's unique ability is cutting through hype and getting to the heart and soul of what clients really want - a financial plan that aligns with their values, goals and ideal lifestyle.

www.lifebydesign.com.au

Life by Design® also has an extensive website that provides subscribers with access to global on-line support, a range of products, learning services, free E-tips newsletter and downloadable resource tools.

Ipac

ipac is a wholly-owned subsidiary of AXA Asia Pacific Holdings Limited, providing resources and support that enable them to continually enhance their service.

ipac has a three tiered approach to adviser relationships - internal salaried advisers, equity stakes in other financial planning practices and advisers who choose to become licensed through ipac's new licensing solution, monere financial planning ('monere' means to advise in Latin). All these advisers take advantage of the ipac's unique Lifestyle Financial Planning approach and the ipac Business System that supports it.

In addition to providing tools to help systemise the back office, what ipac calls the 'hygiene' aspects of the business, the ipac Business System also focuses on the 'health' aspects of a business. These health aspects are the 'front office' systems that improve the quality and sustainability of client relationships. In their experience as a buyer of more than ten practices in the last two years, it is the 'health' aspects that drive up the value of a business over time.

Key elements of ipac's offer to advisers are:

- a comprehensive series of on-line modules designed to help build a Lifestyle Financial Planning process in both front and back office (the ipac Business System),

- recently updated interactive client engagement software (the ipac Strategic Lifetime Model),

- access to industry-leader Terry Bell's 'Business Health' diagnostic report, with implementation support provided by an experienced relationship management team,

- ipac's new on-line discretionary and non-discretionary investment platform (ipac iAccess), and

- an innovative succession offer (the ipac Equity Partner Program) where advisers can access cash today with a certain buyer tomorrow when they choose to exit. www.ipac.com.au

ABOUT THE AUTHOR

Roslyn Mason, National Account Manager

Roslyn Mason is an Assistant Vice President and National Account Manager for Credit Suisse Asset Management. Based in our Melbourne Office, Roslyn is responsible for providing support to Victorian based Financial Planners.

Roslyn has worked in the finance industry for over nine years spending several years with a stockbroking firm in both Melbourne and Sydney trading international futures and equities as well as domestic equities for institutional clients. She also spent two years working in London for Chase Manhattan Bank before joining Credit Suisse in January 2001.

Roslyn holds a Bachelor of Economics Degree and is currently completing her Diploma of Financial Planning.

ABOUT US

Credit Suisse Asset Management is the asset management arm of Credit Suisse First Boston, part of the Credit Suisse Group, one of the world's largest financial services organisations. Established in 1856 the Group encompasses retail, private and investment banking, insurance and asset management, with over $1,270 billion (at 31 March 2004) in assets under management globally.

Credit Suisse Asset Management, acts globally and thinks locally, managing over $423 billion (at 31 March 2004) in funds through offices including London, New York, Tokyo, Zurich, Frankfurt, Paris and Sydney. This decentralised structure gives us the enormous advantage of enjoying the benefits offered by both local expertise and global resources.

Since we began operating in Australia in 1990, we've grown into a highly respected, award-winning fund manager. Credit Suisse Asset Management won the 'Money Management/ASSIRT Overall Fund Manager of the Year 2001' based on our consistent long term performance and impressive investment process.

Our strength and structure has helped us to fulfil the expectations of a large and diverse group of Australian investors, including super funds, Government agencies, large companies and private individuals, with assets under management currently exceeding $22.1 billion (at 31 March 2004).

Our growth is largely due to our commitment to providing the highest quality service and performance for our investors, assisting you to grow your wealth and reach your long-term financial goals.

CONTACT US

Credit Suisse Asset Management
PO Box R240
Royal Exchange
NSW 1225

Adviser Services

Phone 1300 366 890 8am to 6pm Monday to Friday (EST)
Fax 02 8205 4730
Email adviser.services@csam.com
Internet www.csam.com/au