



ANAHEIM
2009

The Annual Conference of the Financial Planning Community

TRACK:	FINANCIAL PLANNING ESSENTIALS
SESSION: 979012	THE FINANCIAL PLANNING PROFESSION: YESTERDAY, TODAY AND TOMORROW
	SUNDAY, OCTOBER 11, 2009
	8:15 AM - 9:30 AM
PRESENTER:	Deena B. Katz, CFP®, LHD
	Texas Tech University
	Akron & Broadway Streets
	MS 1210, Box 41210
	Lubbock, TX 79409-1210

Ms. Katz is an Associate Professor in the Personal Financial Planning Division at Texas Tech University, in Lubbock, Texas. She is also a founding partner of Evensky & Katz, a wealth management firm, located in Coral Gables, Florida. She is an internationally recognized financial advisor and practice management expert and the author of seven books on financial planning and practice management topics. Her book, *Retirement Redesigned*, received an Axiom Business Book Award for 2008. Deena Katz's *Complete Guide to Practice Management*, her newest effort, was released in January, 2009. Ms. Katz served as the Editor-in-Chief of the *Journal of Retirement Planning*, and has been a contributing writer for *Financial Advisor*, *Investment Advisor*, *Financial Planning Magazine*, and *National Underwriter*. Currently, she is a columnist for *Financial Planning Magazine*. Working with Moss Adams, LLP, Ms. Katz has served as a consultant to many companies within the financial services industry including institutional custodians and brokers, money managers, and insurance companies. Ms. Katz was one of the first advisors named as *Financial Planning Magazine's* "Movers and Shakers" for 2001 and 2008, as well as one of *Accounting Today's* Top Ten Names to Know in Financial Planning, in 2001 and 2002. She has been on the *Investment Advisor's* Most Influential People in the Industry for the past six out of seven years, including the current one. Ms. Katz was named one of the Top 50 Women Wealth Managers in 2009. She has been included on the *Worth Magazine's* List of top financial advisers numerous times. She is frequently quoted by major national news media, and has made various television appearances on local and national network programs for CBS, ABC, and PBS. She is a nationally recognized speaker in the United States. She has also been called upon by global financial services organizations to speak at international financial forums held in various locations including South Korea, Australia, Canada, Japan, England, India, Ireland, Singapore, New Zealand, Malaysia, and South Africa. Ms. Katz is on the National Board of Directors of the Financial Planning Association, immediate past member of the Board of Trustees for the Foundation for Financial Planning, and past member of the Advisory Board for Fidelity Research, and for the past two years, served as an advisor to the Comptroller of the State of Texas on their college funding plans. In 2009, Ms. Katz testified before the Senate Committee on Aging regarding "Boomer Bust: Securing Retirement in a Volatile Economy." Ms. Katz was the first woman member of Rotary/One, Chicago, as well as the first woman to serve as a director of a United States Rotary Club. She received her Bachelors degree from Adrian College and was the 1993 recipient of the college's Young Alumni Achievement Award. Ms. Katz has been a trustee of Adrian College and received a Doctorate of Humane Letters (LHD) from the College in 2001.

Yesterday, Today and the Future

Is Now a Good Time to Be a Financial Planner?

Deena B. Katz, CFP®

Development of Planning

1969

- Yellow Pad
- Comprehensive

1980

- Modular
- Focused

2000

- Holistic
- Life Planning

Major Recent Impacts on the Industry

- Regulatory
- Fiduciary Standards
- From Product to Process
- ADVICE
- Compensation
- Client Demands
- Boomer Influences

Regulatory

- Here's where we are today...

Fiduciary Standards

FPA Standards of Care

All financial planning services will be delivered in accordance with the following standard of care:

- *Put the client's best interests first;*
- *Act with due care and in utmost good faith;*
- *Do not mislead clients;*
- *Provide full and fair disclosure of all material facts; and*
- *Disclose and fairly manage all material conflicts of interest*

ADVICE is PARAMOUNT

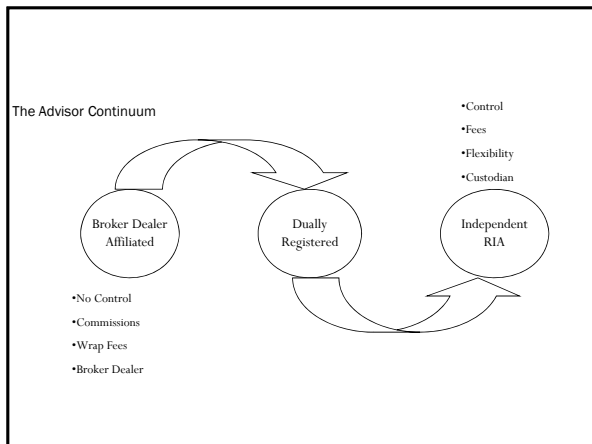
" We used to sell
transactions and
give away advice.
Now we do
just the opposite."

David Shaw, First Union Securities

THREE TYPES OF COMPENSATION

- Commission
- Fee and Commission
- Fee

	FINRA Registered	Dual Registered	SEC/State Registered	
Title	Broker	Wealth Manager/Portfolio Manager	Money Manager	Wealth Manager/Financial Planner
Nature of Business	Responsible for making suitable investment recommendations, advice is incidental to the sale	Responsible for making suitable investment recommendations, portfolio allocation recommendations, and recommendations regarding the manager's to implement each of the portfolio's asset class/style recommendations	The money manager has an explicit investment philosophy. He or she is responsible for selecting individual stocks and/or bonds, and is focused on the performance of the portfolio. Clients retain discretion for proper allocation to the manager's particular style/class of management	Makes investment & non-investment recommendations (e.g., risk management, estate planning, tax, retirement planning)
Typical Professional Credentials	None	None/PFS	CFA	PFS
Licenses & Registrations	FINRA Series 6 or 7	FINRA Series 6 or 7 + RIA	RIA - ADV	RIA - ADV
Source of Income	Commission	Commission + Fees	Fees	Fees
Responsibility	Suitability	Suitability/Fiduciary	Fiduciary	Fiduciary
Business Structure	National "Wire Houses"	National & Regional BDs	Captive (Proprietary) & independent	Local & regional "practices"
Primary services & Product needs		Product selection, practice management advice	Low commissions, efficient clearing, trading & reporting	Product selection, practice management advice, technology integration, non-investment related support and technology



Pricing Models- Examples Only

- **Percentage of Assets** – By individual service
 - .20bp for Asset Mgmt; 60bp for Planning
- **Fee for Initial Service; Percentage of Assets**
 - \$1500 Planning; 1% Asset Mgmt
- **Percentage of Assets for Investment Management; Fees for all others**
 - Initial Fee \$1000
 - Asset Management .50bp
 - Reporting and Meetings \$500 per Hour
- **Retainer fees** – Services priced by fixed fee
 - Priced by Complexity and Service Mix

FEE BUNDLED OFFERINGS

- Risk Profiling, Identification, Coaching
- Asset Allocation
- Investment Policy
- Investment Selection
- Insurance*
- Estate Planning*



FEE UNBUNDLED OFFERINGS

- Financial Planning
 - Comprehensive
 - Focused
- Portfolio Administration
 - Re-allocation of Assets
 - Quarterly Reporting
 - Monitoring Managers
 - Trading
 - Consolidated Reporting
- Continuing Client Services
 - Consulting
 - "Concierge"

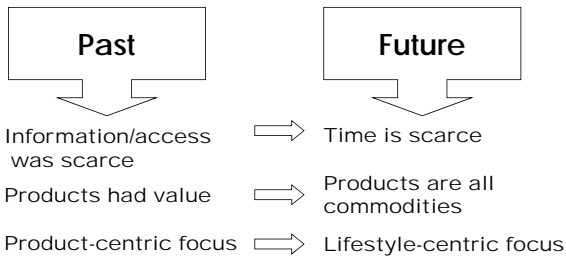


Retainer Fee Matrix Components

- Number of Accounts
- Size of Accounts
- Accounts we Custody
- Accounts Custodied Elsewhere
- Salary Income
- Self Employed
- Service Level
- Complex Planning Issues
- Special Circumstances

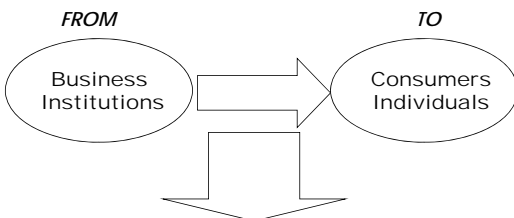


Consumer Attitudes: A New Paradigm



Yankelovich

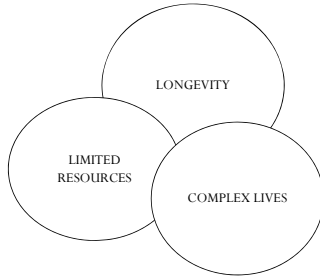
A Fundamental Shift of Power



**THE END OF CONSUMER
DEPENDENCE**

YANKELOVICH
MONITOR

The Boomer Influence

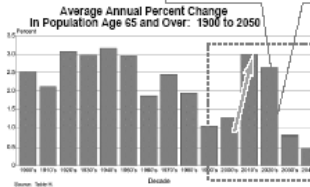
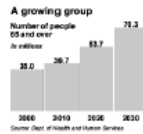


Aging Clients: Demographic Changes Will Drive the Need for Financial Planning and Advice

The over-50 population:

- Has a total net worth of \$20 trillion
- Accounts for more than 40% of total consumer demand
- Controls 48% of all discretionary purchases
- Owns 79% of America's financial assets and has a net worth 5 times that of average Americans

"The Age Wave is Coming Ashore"



Source: Gary Cook, *Sold on Seniors, Home Assets Today*, 1200

Source: U.S. Department of Commerce, Economic & Statistics Administration, Census Bureau, Feb. 05.

What's Likely Ahead?

- The Extension of Midlife
- Longer Working Lives
- Complex Family Lives
- Healthy & Active Lives
- Making Sense of their Lives
- Affecting Social Policy, Community and Life Trends for them and Subsequent Cohorts

YOUR VALUE TO CLIENTS

- ADVICE VS. SALES (PROCESS NOT PRODUCT)
- DISTRIBUTION FOCUSED- Decumulation Strategies
- REAL RETURN FOCUSED (NET EXPENSES/FEEES, TAXES, INFLATION)
- RISK MANAGEMENT Meeting the Changing Needs of the complex family
- FAMILY SUPPORT SYSTEM- Resources for Help with Adult Children
- ESTATE PLANNING EMPHASIS INCLUDING "Living Estate Planning"
- CAREER ADVISOR- Part time work, changing careers, small business counseling
- VALIDATOR – Life "check up"
- MENTOR Sounding board, support and chief strategist for planning and life issues

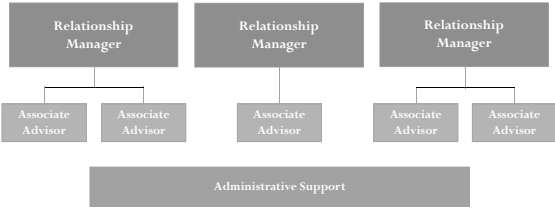
Why Planning Appeals....

- Aspects of Planning
 - Communication Skills- Active Listening
 - Intuitive and Nurturing Skills
 - Strategic Vision Abilities
 - Counseling Skills
 - Collaboration Abilities
 - Behavioral Finance Skills
 - Multi-Tasking Abilities
 - Flexible Hours Available
 - Multiple Entry Career Paths
 - Age, Wisdom and Experience
 - Path for Ownership and Good Compensation

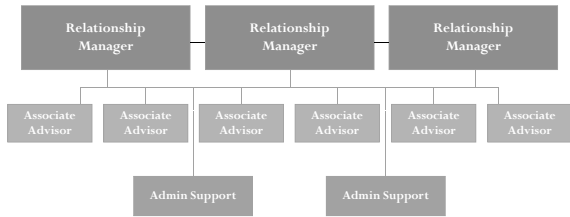
Planner Business Models

- Solo vs. Ensemble
- Practice vs. Business
- Teams
- Service Models

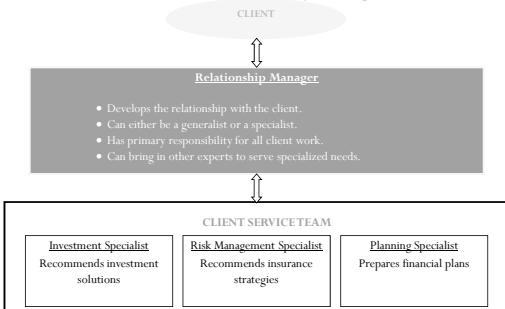
The Silo Model



The Ensemble Model



The Multi-Disciplinary Organization



Three Teams

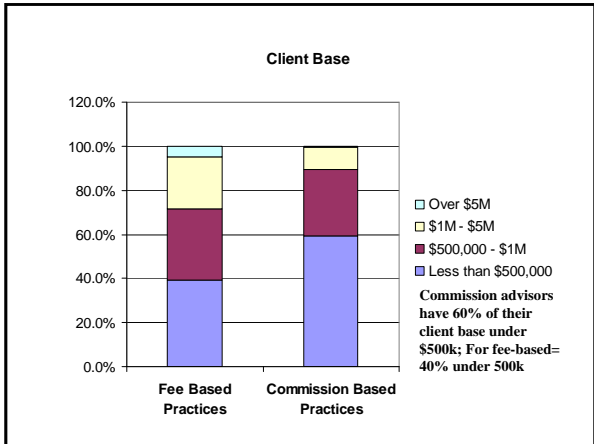
The Team Across Businesses	The Team Inside the Firm	The Vertical Team
Cooperating and partnering with the resources of the larger group	Leveraging the expertise of other financial advisors (colleagues)	Mentoring advisors by teaming them with junior advisors

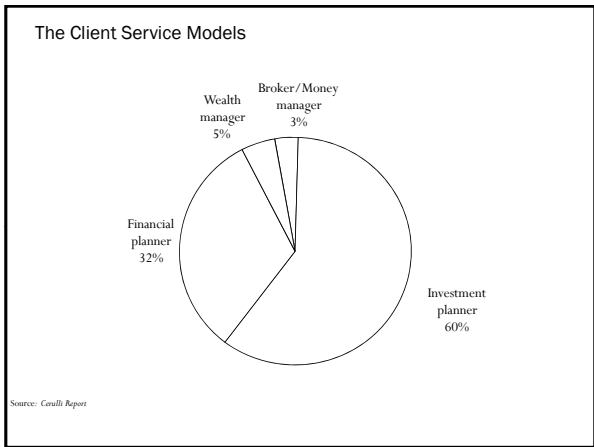
Roles of Team Members

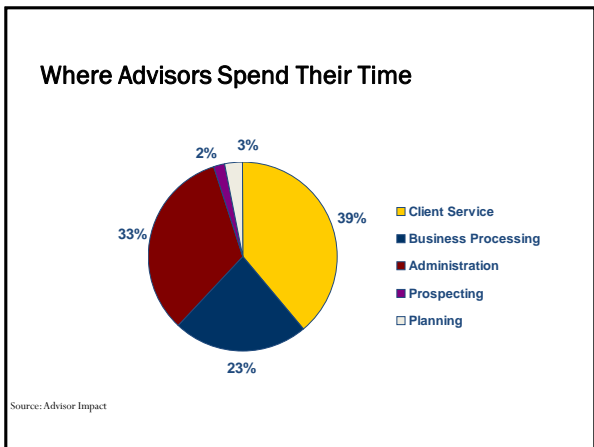
Generic Client Process	Advisor	Junior	Other Advisors
Lead	√		√
Sale	√		√
Client data gathering and management		√	
Planning and strategizing	√		√
Implementation		√	√
Monitoring and updates	√	√	
Crisis management		√	
Relationship building	√	√	√

What are Advisors Doing?

	Broker-Dealer Affiliated	Independent RIA
< \$250K	44%	56%
\$250K-\$500K	45%	55%
\$500K-\$1MM	31%	69%
\$1MM-\$2MM	26%	74%
> \$2MM	22%	78%







Three Advice Models

- **Advisor Centric** – designed for one advisor. If there are more advisors, each process is replicated with the one advisor.
- **Client Centric**- Clients direct activities, either choosing from a service/option menu or asking for “one-offs” Advisors and staff accommodate.
- **Process Centric**- Standardized process with little or no exceptions

Competencies Needed for Entry Level
Financial Planning Positions –
Schwab/TTU Study 2009

Very Important:

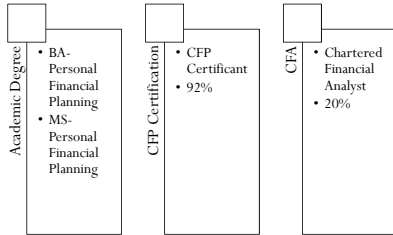
- Financial Planning Process
- Time Value of Money
- Insurance Needs Analysis
- Asset Allocation/Portfolio Diversification
- Income Tax Fundamentals/Calculations
- Retirement Needs Analysis
- Retirement Distribution Rules/Alternatives/Taxation
- PRINCIPLES OF COMMUNICATION AND COUNSELING**
- CLIENT-PLANNER INTERACTIONS**
- COMMUNICATION SKILLS**
- ORGANIZATIONAL SKILLS**

OF THOSE 12 COMPETENCIES...

ONLY
COMMUNICATION
WAS RATED AND
DELIVERABLE AT
THE HIGHEST LEVEL
OF
“EVALUATE AND
CREATE”



DESIRABLE QUALIFICATIONS- 2009 SCHWAB STUDY



Are You Following Your Personal Definition of Success?

To discover your clear career path in planning, it is helpful to know how you define your success.

Where Am I Now?

- What do I enjoy doing?
- What do I enjoying doing these things?
- What don't I enjoy doing?
- Why don't I enjoy doing these things
- What are my strengths?
- What are my struggles?
- What makes me happy?
- What makes me unhappy?

Motivators

- | | |
|-----------------------|---|
| 1. Status | Seeking recognition/admiration/respect |
| 2. Power | Seeking control of people/resources |
| 3. Material Rewards | Seeking possessions/wealth/high St of Living |
| 4. Autonomy | Seeking independence/make own decisions |
| 5. Expertise | Seeking accomplishment in profession |
| 6. Creativity | Seeking innovation and identif. with original |
| 7. Affiliation | Seeking fulfilling relationships |
| 8. Search for Meaning | Seeking things of value for their own sake |
| 9. Security | Seeking a solid predictable future |

Motivators

- | | | | |
|---|--------|--------|--------|
| | 1 or 4 | 1 or 3 | 1 or 2 |
| | 1 or 5 | 2 or 5 | 1 or 9 |
| • From the list, select the item that motivates you most. | 2 or 3 | 2 or 6 | 2 or 8 |
| | 2 or 7 | 4 or 7 | 2 or 9 |
| • From the chart, compare items and place a ring around the number that motivates you more. | 3 or 4 | 5 or 8 | 3 or 8 |
| | 3 or 7 | 5 or 9 | 4 or 2 |
| | 4 or 8 | 6 or 3 | 4 or 5 |
| | 5 or 6 | 7 or 1 | 4 or 6 |
| | 6 or 7 | 7 or 8 | 5 or 3 |
| | 6 or 9 | 8 or 6 | 5 or 7 |
| | 8 or 1 | 9 or 8 | 6 or 1 |
| | 9 or 7 | 9 or 4 | 9 or 3 |

Motivators

- Now add up how many times you have circled each number.
Put the totals in the grid.
- | | | |
|-----|--------------------------|------------|
| No. | X | |
| 1 | <input type="checkbox"/> | |
| 2 | <input type="checkbox"/> | |
| 3 | <input type="checkbox"/> | |
| 4 | <input type="checkbox"/> | |
| 5 | <input type="checkbox"/> | |
| 6 | <input type="checkbox"/> | |
| 7 | <input type="checkbox"/> | |
| 8 | <input type="checkbox"/> | |
| 9 | <input type="checkbox"/> | |
| | <input type="checkbox"/> | =36 |
- Indicate your order of preference below and compare this to the motivator you ranked highest at the beginning of the exercise.
- | No | Motivator | Rank Order |
|----|--------------------|------------|
| 1 | Status | _____ |
| 2 | Power | _____ |
| 3 | Material Rewards | _____ |
| 4 | Autonomy | _____ |
| 5 | Expertise | _____ |
| 6 | Creativity | _____ |
| 7 | Affiliation | _____ |
| 8 | Search for Meaning | _____ |
| 9 | Security | _____ |

Assessing the Risk

THERE IS NO FREE LUNCH.

Are you prepared to pay the price for success?

Action Needed



The Price:

- Pain
- Hard Work
- Discomfort
- Conflict
- Loss
- Setbacks
- Struggle
- Time
- Money, etc.

If it were easy, everyone would do it. The easy part is staying in our comfort zone.

No Effort



If you are not prepared to pay the price, reconsider your definition of success.

Defining Success

- What do I want to do this year?
- What do I want to do in five years?
- What do I want to do in my lifetime?
- What values will you want to use in selecting a business strategy?

Based on my motivators...

- My definition of success is...

Assessing the Risk

- What do I stand to gain?
- What could happen if I fail?
- Could I cope with the worst consequences?
- What will I learn?
- What would happen if I took no action?
- Are there any possible alternatives?
- How can I increase my chance of success?

Commitment



The hen had
input; the pig
was
committed.

Commitment

If you are prepared to pay the price, it means that you think it is worth the risk and you are committed. You may still think there is something else holding you back, so remember:

- Beethoven wrote the World's greatest music when he was deaf.
- Milton wrote the greatest literature when he was blind.
- Winston Churchill flunked the 6th grade and several college courses
- Albert Einstein did not speak until he was 4 years old and could not read until he was 7.

MOTIVATORS

- | | | |
|----|--------------------|---|
| 1. | Status | Seeking recognition/admiration/respect |
| 2. | Power | Seeking control of people/resources |
| 3. | Material Rewards | Seeing possessions/wealth/high St of Living |
| 4. | Autonomy | Seeking independence/make own decisions |
| 5. | Expertise | Seeking accomplishment in profession |
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- | | | | |
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| • From the chart, compare items and place a ring around the number that motivates you more. | 3 or 4 | 5 or 8 | 3 or 8 |
| | 3 or 7 | 5 or 9 | 4 or 2 |
| | 4 or 8 | 6 or 3 | 4 or 5 |
| | 5 or 6 | 7 or 1 | 4 or 6 |
| | 6 or 7 | 7 or 8 | 5 or 3 |
| | 6 or 9 | 8 or 6 | 5 or 7 |
| | 8 or 1 | 9 or 8 | 6 or 1 |
| | 9 or 7 | 9 or 4 | 9 or 3 |

MOTIVATORS

Now add up how many times you have circled each number.

Put the totals in the grid.

No.	X
1	<input type="checkbox"/>
2	<input type="checkbox"/>
3	<input type="checkbox"/>
4	<input type="checkbox"/>
5	<input type="checkbox"/>
6	<input type="checkbox"/>
7	<input type="checkbox"/>
8	<input type="checkbox"/>
9	<input type="checkbox"/>
10	<input type="checkbox"/>

Indicate your order of preference below and compare this to the motivator you ranked highest at the beginning of the exercise.

No	Motivator	Rank Order
1	Status	_____
2	Power	_____
3	Material Rewards	_____
4	Autonomy	_____
5	Expertise	_____
6	Creativity	_____
7	Affiliation	_____
8	Search for Meaning	_____
9	Security	_____

Personal Definition of Success

- Clarify your personal Goals
- Summarize your PDS
- Draw Preliminary conclusions about how your PDS will have an impact on the strategic direction of your career path

1. How old will you be five years from now? _____

2. At what stage in your career do you expect/want to be? _____

3. What do you want your role to be a the firm five years from now? _____

4. What will your ideal lifestyle be in five years? _____

5. How many hours will you be working and where will you be working after graduation? _____

6. Will you be working from home, office or another location? _____

7. What will your responsibility be to your family (spouse, children, parents) _____

8. Where do you expect/want to get your income? _____

9. How much will you need to be earning? _____

10. What will your role in the community be? _____

11. How will you spend your leisure time? _____

12. From what will you receive your greatest satisfaction? _____

13. What are the values that you want to use when choosing a business strategy? _____

14. What part of your work will be most personally satisfying to you in five years? _____

15. How will you know that you are personally successful in five years from now? _____

