A Client Should Maximize the Experience of Working With a Financial Planner

A Relationship Worth Cultivating

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Much has been written about how you can select a good financial planner, but little is written about how to work with and maximize your experience once you've chosen a planner. Some people think financial planning means just obtaining a financial plan and then the job's done, but the plan is just the starting point of the relationship.

When done right, planning is a lifelong process. To achieve your financial goals, it's important that the planner and client build a relationship of trust and work together effectively. While most planners have a defined process they will follow, there are some things you can do as the client to maximize the experience.

Provide All the Financial Information That the Planner Requests of You

Leave no stone unturned. The planning process is unique in that the initial "work" is often in the hands of the consumer. The more detail you gather and provide your planner, the more accurate your financial plan. The old saying goes "garbage in, garbage out" and a plan based on incomplete data will reach inaccurate conclusions. In addition, providing detail and clarity about your financial life upfront ensures that the planner will be able to work efficiently, reducing the time and cost of the planning work. In our firm we believe that no detail is too small, especially if it's important to the client. Often clients will hesitate to bring up concerns or issues that seemingly don't have a dollar sign attached to them. But if it's important to you then it's important to your future and thus important for your plan. In over 40 years of planning, we've yet to encounter a piece of information that wasn't helpful to us in some way.

Collect statements or link accounts to a planning portal wherever possible. This will make your life easier, as you won't have to track down minute details and it will give your planner what is needed. For instance, a planner will want to see your most recent mortgage agreement to discover not just what you owe, but what kind of mortgage you have, the initial amount borrowed, the term of the mortgage and the current interest rate. Each of those details affect a different component of your plan, including your net worth statement, cash flow analysis, tax projection and estate plan.

Be Honest With Your Adviser About Your Financial Goals, Risk Tolerance and Attitudes Toward Different Strategies

To construct an effective financial plan, you need to work together to define and prioritize your financial goals. Being honest and open is crucial here. If you've always wondered if a vacation cottage was possible, ask! If you really want to retire at 55 rather than wait to age 65, say so.

Based on your current situation, your planner may tell you that it may not be financially possible to retire at 55. But there may be steps you can take between now and then to get there. Or perhaps there's a middle ground to work toward. As planners we want to put you in the best possible position to live comfortably and to reach your goals. It's critical that we talk about what's important to you.

Second, be honest about how you feel about risk. There's no right or wrong attitude toward taking risk and each of us has our own tolerance for risk. What's important is to tell your planner the way you really feel. Typically, your planner will ask you to take a risk-tolerance assessment. If you're married or have a partner, it is important that you each take it separately. You may be surprised to find that your risk attitudes differ!

Because of experiences you, your family or friends have had in the past, you may want to avoid a particular investment or strategy. There's more than one way to achieve successful results, so if your planner knows you'd prefer not to make one investment over another, this can be factored into your recommendations. On the other hand, the financial landscape changes periodically. It's not uncommon to find an approach that didn't work in the past might work under current conditions. Try to keep an open mind in this regard.

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Ask Questions

If something isn't clear in the planning process or the plan itself — even if you think the question makes you seem naive — ask! We tell children all the time "there's no such thing as a stupid question," but sometimes find it hard to follow our own advice as adults, particularly around a sensitive subject like money. But the fact is you wouldn't be working with a planner if you had all the answers.

Once the initial plan is complete, if it doesn't reflect your situation accurately or your priorities have changed since you started the financial-planning process, tell your planner so that adjustments can be made. As mentioned previously, the financial plan should be a starting point in achieving your financial goals. The plan should be modified over time as your situation changes.

On the other hand, don't get carried away with running multiple scenarios. Sometimes clients aren't sure when they want to retire and they want to see several "what if" calculations.

These questions might include: "What if I retire at age 55, or 60, or 65?" "What if we move to Florida and rent our current home?" "What if we buy a second home?" The plan should be designed to be flexible, but you can get lost down a rabbit hole if you look at too many different scenarios. Think through what's most important to you.

Implement the Planner's Recommendations in a Timely Manner

Before agreeing to work with your financial planner, we presume you investigated his or her expertise. Thus, when the planner gives you advice, follow it. If you have questions about the recommendations, discuss them with the planner immediately. But if you pay for advice and then don't follow through, the plan won't have been worth your time or money.

Inform Your Planner About Any Financial Changes in Your Life

Obviously, you'd notify your financial planner if you lost your job. What's less obvious is letting your planner know that you've started to send monthly checks to your father, who recently was diagnosed with Parkinson's disease or that you were helping a child whose marriage is floundering. Your planner not only might need to adjust your financial plan to reflect these financial changes, but also might be able to help you identify other people who could assist you with your family's financial difficulties or tell you about techniques and resources you may not be familiar with.

Call Your Planner Before You Make Any Major Financial Decisions

Sometimes clients tell us after the fact that they've refinanced their home, leased a car or provided a loan to a family member. Since the planner knows your total picture, he or she can help you decide whether to take the action you're contemplating and, even more importantly, how to do it most effectively. For instance, if you're going to loan a friend or family member money, you should draw up a written agreement. That way, if you aren't repaid, you can deduct the loss on your tax return.

Recognize the Need for Regular Reviews of Your Financial Plan

Although it may not be necessary to have a comprehensive written financial plan each year, it's important to visit with your planner annually to discuss any changes in your life that would affect your plan. At this meeting, your planner will discuss with you any changes in the economy or tax law that would warrant modification of your existing plan and investments.

Conclusion

Finding the right planner is well worth the investment of your time and money. To maximize the relationship, make sure that you're communicating effectively with each other. Money can be an uncomfortable topic to discuss, particularly with a "stranger." So it is crucial that you and your planner develop a personal connection. Just as when you work with other professional advisers, if you and your planner are on the same wavelength, you'll work together seamlessly and efficiently to achieve your goals.

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This story includes advice from Sam Stovall, managing director of U.S. equity research at CFRA and a keynote speaker at the BetterInvesting National Convention, May 14-17, in Dallas.