The Steps to a Successful Financial Plan

A Financial Advisor's Many Roles

A financial advisor is your planning partner. Let us say you want to retire in 20 years, send your child to university in 10 years or protect your wealth and assets. To accomplish your goals, you may need a skilled professional with the right accreditation, licence, and experience in financial matters to help make these plans a reality, and that is where a financial advisor comes in.

Together, you and your advisor will cover many topics, including the amount of money you should save, the kinds of insurance you should have (including long-term care, term life, and disability) and estate and tax planning.

The financial advisor is also an educator. Part of the advisor's task is to help you understand what is involved in meeting your future goals. The education process may include detailed help with financial topics. At the beginning of your relationship, those topics could be budgeting and saving. As you advance in your knowledge, the advisor will assist you in understanding complex investment, insurance, and tax matters.

Establishing a working relationship by choosing the right financial adviser of your choice

Not all financial advisors have the same level of training or will offer you the same depth of services. So when contracting with an advisor, do your own due diligence first and make sure the advisor can meet your financial planning needs. Check out their qualifications, certifications, and accreditations, and be sure you understand, agree with, and understand their fee structure. What level of services can be supplied and which products. Also, investigate their regulatory history with FSCA and ensure their Fit and Proper Compliance. Finally, be aware that finding an advisor who is the right fit for your personality is key to developing a successful, long-term relationship. An advisor can have all the experience, credentials, and success stories in the world, but if you do not like someone, you won't enjoy working with them, and your financial plan may suffer as a result.

In the financial advisory process, you must first understand your financial health by establishing a good and trusting relationship with your chosen financial adviser. You can't properly plan for the future without knowing where you stand today. Typically, you will be advised as to the financial advisers' capabilities and limitations as well as any conflicts of interests and then will be asked to complete a detailed written questionnaire. Your answers help the advisor understand your situation what your goals are and make certain you don't overlook any important information.

The Financial Questionnaire - Gathering information

The advisor works with you to get a complete picture of your assets, liabilities, income, and expenses. On the questionnaire, you will also indicate future pensions and income sources, project retirement needs and describe any long-term financial obligations. You will also be asked as to your aspirations, goals, and needs. In short, you will list all current and expected investments, pensions, and sources of income, goals and needs.

The investing component of the questionnaire touches upon more subjective topics, such as your Risk tolerance and Risk capacity. An understanding of risk assists the advisor when it's time to determine your investment asset allocation. You will let the advisor know your investment preferences and goals as well.

The initial assessment also includes an examination of other financial management topics such as insurance issues and your tax situation. The advisor needs to be aware of your current estate plan (or lack thereof) as well as other professionals on your planning team, such as accountants and lawyers. Once you and the advisor understand your present financial position and future projections, you are ready to work together on a plan to meet your life and financial goals.

Proceeding with the Financial adviser as your chosen financial partner

If you are satisfied with the relationship and accept the capabilities of the financial advisor, the financial adviser will request you to sign a consent form to obtain your other financial information through the network of information available. This will enable the adviser to get an overview of your current situation and lay the groundwork for creating a financial plan

Creating The Financial Plan

The financial advisor synthesizes all this initial information into a comprehensive financial plan called an FNA (Financial Needs Analysis) for short which is a comprehensive financial plan that will serve as a roadmap for your financial future. It begins with a summary of the key findings from your initial questionnaire and summarizes your current financial situation, including net worth, assets, liabilities, and liquid or working capital. The financial plan also recaps the goals you and the advisor discussed.

The analysis section of this lengthy document drills down into several topics, including your risk tolerance, estate-planning details, family situation, long term and short-term care risk, and other pertinent present and future financial issues.

Based upon your expected net worth and future income at retirement, the plan will create simulations of potentially best- and worst-case retirement scenarios, including the scary possibility of outliving your money, so steps can be taken to prevent that outcome. It will look at reasonable withdrawal rates in retirement from your portfolio assets. Additionally, if you are married or in a long-term partnership, the plan will consider survivorship issues and financial scenarios for the surviving partner.

After you review the plan with the advisor and adjust it as necessary, you are ready for action. Typically, the adviser will at this point get some recommendations via quotations from different insurers and or suppliers for best options to suit your needs and goals.

Advisors Plan, Action Steps – Recommendation with the guidance of the Financial plan and your own goals and needs

A financial advisor is not just someone who helps with investments and insurance needs. Their job is to help you with every aspect of your financial life. In fact, you could work with a financial advisor without having them manage your portfolio or recommend investments at all. The financial adviser will then present you with a financial plan to ensure that all aspects of your financial needs and goals are met.

For many people, however, investment advice is a major reason to work with a financial advisor. If you choose this route, here is what to expect.

The advisor will set up an asset allocation that fits both your risk tolerance and risk capacity. The asset allocation is simply a rubric to determine what percentage of your total financial portfolio will be distributed across various asset classes. A more risk -averse individual will have a greater concentration of government bonds, certificates of deposit and money market holdings, while an individual who is more comfortable with risk will take on more stocks and corporate bonds and perhaps investment real estate. Your asset allocation will be adjusted for your age and for how long you have before retirement. Each financial advisory firm will act in accordance with the law in terms of investment policy when buying and selling underlying funds or assets.

It is important for you, as the consumer, to understand what your planner recommends and why. You should not blindly follow an advisor's recommendations; it is your money, and you should understand how it's being deployed. Keep a close eye on the fees you are paying, both to your advisor and for any funds bought for you.

Ask your advisor why they recommend specific investments and whether they are receiving a commission for selling you those investments. Be alert for possible conflicts of interest.

A commonality among firms is that financial products are selected to fit the client's risk profile. Take, for example, a 58-year-old man who is already amassed enough net worth for retirement and is predominantly interested in capital preservation. He may have a very conservative asset allocation of 30% in stock assets and 70% in fixed-income assets. Alternatively, a 40-year-old woman with a smaller net worth and a willingness to take on more risk to build up her financial portfolio may opt for an asset allocation of 70% stock assets, 25% fixed-income assets and 5% alternative investments.

While taking into account the recommendation of the financial adviser according to your risk profile, your personal portfolio will fit your needs based on how soon you need the money, your investment horizon, and your present and future goals and needs.

Advisors Plan Action Steps – Implementation

If you are satisfied and have chosen your plan of action and the right product for you, as the consumer, you must understand what it is that you have signed for and accepted. Ensure that the correct information is displayed and reflected on all documentation and that no blank forms are given to you for signatures.

You will be given an ROA (Record of Advice) document which comprises the advice given to you by the financial adviser, as well as commissions and fee's payable. You must ensure that this is what was agreed upon. The implementation of your financial action plan is then implemented, activated through the different mediums, and set in motion.

Regular Financial Monitoring

Once your investment plan is in place, you will receive regular statements at least every 6 months from your product supplier or advisor updating you on your portfolio. The advisor will also set up a yearly meeting to review your goals and progress and to answer any questions you have. Meeting remotely via phone or video chat can help make those contacts happen more often. The monitoring of your investment plan will be done by your adviser on a regular basis but it will be prudent and absolutely necessary for you to also monitor and take responsibility to follow your own plan for peace of mind and assurance. Once a year your financial adviser will make an appointment for reviewing your financial plan to re-visit your plan and to ensure that everything is still on track. It is advisable to contact your adviser immediately if this is not happening. Most off the insurers and investment houses do have applications where your investments and or insurance policies can be tracked and monitored.

In addition to regular, ongoing meetings, it's important to consult with your financial advisor when you anticipate a significant change in your life that might impact your financial picture, such as getting married or divorced, adding a child to your family, buying or selling a home, changing jobs or getting promoted.

Signs You May Need an Advisor

Anyone can work with a financial advisor at any age and any stage of life. You don't have to have a high net worth; you just have to find an advisor suited to you situation

The decision to enlist professional help with your money is a highly personal one, but any time you're feeling overwhelmed, confused, stressed out or scared by your financial situation may be a good time to look for a financial advisor.

It's also fine to approach one when you're coming from a position of strength but want someone to ensure that you're on the right track and suggest possible improvements to your plan that might help you achieve your goals more effectively.

Finally, if you don't have the time or interest to manage your finances, that's another good reason to hire a financial advisor.

Those are some general reasons you might need an advisor's professional help.