

LVIG LEHIGH VALLEY  
INVESTMENT GROUP

WORKING WITH A  
*Financial Planner*





# Most people do not really have a good idea of what a financial planner does.

Despite the existence of a financial planning profession for 25 years or more, it is still very apparent that most people do not really have a good idea of what a financial planner does, or, more importantly, what the financial planning process is like, and what specifically a person can gain from the process.

I will endeavor here to outline what the process is like in broad terms; and, then we will delve into the specifics of what a series of personal planning interviews is like. I hope that after having read this you will be more comfortable with and have more knowledge about financial planning. I hope you will begin to form a series of your own reactions and questions to what is presented. I find that once a prospective client has a framework in which to consider his/her own financial position, the process is no longer mysterious. And once the mystery is removed, we can get to the heart of the matter: planning and implementing your financial future.



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# Questions to Consider

As you begin, there are many questions that you might ponder when considering who to hire to help you on your journey:

**Obviously, you would like to know if the advisor is knowledgeable about his/her field. Specifically, does he/she have advanced study and certification in financial planning issues?**

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**Is the firm a good company? Does it have a sound reputation?**

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**Is this person well established - both professionally and in the community at large?**

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**Is this person in tune with your wishes and needs? Is he/she conscientious, friendly, and responsive?**

Apart from these rather obvious questions, I have found that several other issues seem to be equally important to clients, although they are less often talked about:

**Is the advisor of the same income level and wealth class as I am? Is he/she personally familiar with wealth?**

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**What is the advisor's family status? Does he/she have children or grandchildren and will he/she be able to discuss these important financial matters with your children and grandchildren?**

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**Will this advisor be someone I am proud to associate with? What will my friends or business associates think if it is known that I deal with this advisor?**

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**Can the advisor competently explain his/her financial planning process?**

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**Does he/she appear to believe in the financial planning process? Is there true conviction?**

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**Does the advisor practice what he/she preaches?**

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**Will he/she follow the process? Will we have periodic reviews over many years of a productive client/advisor relationship?**

If you learn anything from this, please let it be this: first and foremost, your financial planning should be about you. As such, you should feel free to ask as many questions as you like. There are many people who do this type of work - some not as well, some likely better. You have choices, and you should never settle for someone who does not or cannot answer your questions with satisfactory answers.

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# Part I - The Opening Interview: What does a financial planner do?

While all planners are different in their specific approach, my experience has been that in general, all good planners have a similar style when it comes to meeting new potential clients.

While the narrative in this section is predicated on my particular process, the lesson to learn is that you, the potential client, should be in control. Any interview process where you feel intimidated or stressed cannot be good for you. This should be all about you, not the planner or the firm. Yes, you want to hear about the firm and the planner, but the focus should be on your needs and desires.

Of all the interviews we do, the opening interview is the most exciting. Folks who come to visit us for the first time are taking a chance; we know that and they know that. It can be an uncertain time. Walking into your first meeting, you may be asking yourself, “Can I trust this person? How much of my truly personal information

should I provide? What topics do I really want to talk about? And, perhaps, what topics do I really not want to talk about?”

From my end of the desk, I anticipate these meetings with great curiosity. I want to learn about who is coming to see me and why they have taken time out of their busy day to talk with me. I wonder about the questions such people will have. Are they nervous, fearful? Have they had good experiences with professional advice before, or have they had some difficult experiences? What are the outward reasons for coming to talk about financial planning? Are there “deeper” motivations for wanting to plan the future? I find this “dance” of personalities to be very stimulating.

Prospective clients have numerous questions on their minds, so I structure the initial meeting as a way for us to get to know each other.

Primarily, this first meeting will revolve around your questions. In the end, I have only one goal for that first meeting. When we have completed our time together, I want to know whether we are compatible. By “compatible,” I mean do you feel like you can work with me? Will the work I do for my current clients benefit you?

If we have positive answers to these basic questions, we have a reason to meet again. But just as importantly, if we have a negative answer to any of these questions, we have also accomplished something. We know that we are not ready to establish a formal relationship at this time. No harm in that. What I want, and I suspect you want too, is closure. Is this relationship worth pursuing, or isn't it?

Since the initial interview is the basis for all future work we will do together, I find it very important to tell you in detail what we actually do for our clients. I suspect that is most of the reason why folks come to see us in the first place. But before we get into that detail, I like to give some background to the business of financial planning in general and to our planning process in particular.

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# Part I - The Opening Interview: What does a financial planner do?

It may come as a shock that only about 35% of professionals in our business are on their way to their own financial independence.

That is, according to trade magazine studies, roughly one out of 3 financial “advisors” who purport to give financial advice about retirement actually has a written financial plan that they actively follow themselves. That’s pretty scary. So, an obvious question arises from this statistic: Can you, Mr. or Mrs. Advisor, show me your plan? I would ask this question of any advisor - your current one, a prospective one, even myself.

Once you are satisfied that the advisor eats his/her own cooking, you should inquire about the process by which such planning will occur. We use the following format:

I will describe steps two through five in detail later. You may have sensed by now that steps two through five are iterative. We are constantly going through the process of updating your financial position, assessing your goals, fine tuning the existing design, and monitoring the progress you are making. This entire cycle is the financial planning process as I see it.

1. Initial interview (see above)
2. Fact finding interviews (1 or 2 initially)
3. Design and Tutorial
4. Implementation
5. Review and refresher

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While it would be impossible to cover all the questions that have ever been raised in a first interview, I will try to address some of the most frequently asked ones. They are instructive both from the perspective of common concerns of potential clients and from the perspective of trying to reach a mutual understanding. It is very important to me that we understand each other; I need to know what you want and what you expect, and I believe you want to know the same from me.



# Part I - The Opening Interview: Frequently Asked Questions

One of the most obvious questions is: How do you get paid?

In our practice, as in most, we get paid in one of two ways: either through fees or commissions. The primary differentiator is whether we are giving advice only, or whether we are giving advice and implementing the plan. More specifically, in the case where we are strictly offering you advice, we charge a fee. Most planners do this either by way of an annual retainer or by the hour, depending on your situation.

In the situation where we are giving advice and implementing the plan recommendations, it will be your choice. In virtually all circumstances, the products and services we recommend can be purchased through a fee or on a commission basis. There are several differences between the two, but the most obvious is that in a fee-based arrangement, you will see the fee being charged to your account. In the commission arrangement, you will rarely, if ever, see the fee. It will be buried in the internal costs of the instrument.

Another common question is: What products and services do you actually offer?

This is one question that almost always gets asked at a first meeting. In short, as an independent provider of advice and financial instruments, we distribute products and services for virtually every large financial institution of which you have heard and plenty of smaller ones of which you have likely never heard. Frankly though, this is of secondary importance.

In truth, I am my product. My experience, my knowledge, my intense faith in the future, and my commitment to making clients successful are all included in my product. There is no doubting that you can get financial products and services almost anywhere. H & R Block will give you a loan on your tax refund, Wells Fargo bank will sell you a mutual fund if they think your checking account is getting too large, Fidelity Investments will help you buy an annuity, and some insurance agencies now offer tax advice and filing services. Financial products and services are ubiquitous.

But what you primarily need is not another mutual fund, annuity, or bank loan. What you really need is advice - sound, practical, and useful advice. In fact, only after crafting a game plan with good, solid advice are you ready to begin implementing the strategy by choosing the products and services that are available in the marketplace.

In this sense, we play the role of a doctor first and a pharmacist second. A good financial planner is uniquely qualified to diagnose your situation. Upon diagnosis, the planner adjusts his role to then filling the prescription(s) to treat your situation. In essence, we provide financial solutions - first the conceptual solution, then the product/service solution.

Because we take this approach very seriously, we often have to slow down our discussions with new clients as they are often more accustomed to the general approach of most financial institutions of simply “getting to the sale.” Perspective is very important. It is vital that both advisor and client go through the diagnosis stage first and then move on to the prescription stage.

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# Part I - The Opening Interview: Frequently Asked Questions

## (Cont.) What products and services do you actually offer?

In other words, how you get to where you're going is very important. What's the best way to get to your car in the driveway? Walk to it, of course. The best way to get from here to Boston is to fly - unless, of course, you happen to be reading this in or near Boston. If you are, consider yourself lucky; it's a great city! The best way to get to your basement is to use the steps. And so on. Thus, we must first understand where you are now and where you are going (or hope to go). Only then can we direct you to the right mode of transportation to get you there.

## To keep the analogy going, think of a planner as an airplane pilot.

I'll help you take off and land safely. I'll get you to the right destination, hopefully as close to on time as I can. You can count on me to take care of the things I can control. But, like all pilots, we can't control everything. I didn't build the plane, so we may have some mechanical issues to deal with. And we cannot predict the weather perfectly; we can only react to it. So, there will be turbulence on our journey. The markets will go up and down. You may have several jobs with several companies during your working years. You may have medical issues to deal with. Interest rates may go berserk for a time. These are all things from which we can attempt to buffer ourselves and we can appropriately react to when the time comes.

So, let's look at this objectively: If there are two planes flying to Boston tonight, do you want the one with the pilot or the one without one? Do you want a financial advisor to partner with you on your financial journey toward retirement, or do you want to go at it alone?



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## Part II - The Fact-Finding Interview(s)

Upon successful and satisfactory completion of the opening interview, you are now in a position to decide whether it makes sense to continue this relationship.

If it does, then you are ready for the fact-finding interview - or interviews. The more organized and direct clients usually cover the fact-finding process in one trip. But there are lots of reasons why this stage could take more than one meeting.

Regardless of the time involved, the most important part of this process is to be thorough and accurate. Understanding the true objectives and uncovering the essential details of a client's situation can take time; with the proper background, success is much more achievable.

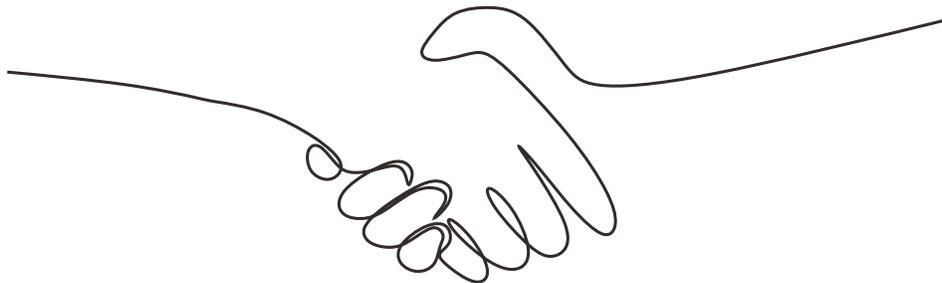
In its simplest form, the fact-finding portion of interviews requires us to examine your current situation and consider your long-term goals. In my experience, the people who have thought about and wrestled with these kinds of questions ahead of a meeting with any advisor are the people who tend to be most productive.

They have serious answers and convictions in regard to these issues, and they have important and insightful questions. Thus, I would suggest that you take some time and really consider what your answers to these questions are. In doing so, you will make quite evident to any experienced financial advisor what your values, morals, and personality truly are.

**If you find yourself struggling with these questions, you are likely not alone.**

They are difficult and personal, and in some cases, they are questions you have never been asked to answer before. That's OK. If you are able to give them your honest consideration, any answer you come to, even if it appears somewhat insufficient to you, will be progress.

However, if you find you cannot connect with these kinds of personal and direct issues then perhaps you are not "advisor receptive." But that's alright too. Remember, part of this process is to see if we as client and advisor are compatible. I am not a professional visitor and neither are you; if we find we are incompatible, then we simply shake hands and part ways with no ill will.



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# Part II - The Fact-Finding Interview(s)

## Common Fact-Finding Questions

- What is important to you about money?
- What are your financial priorities and objectives?
- What's the money for? Who will use it? When will it be needed?
- What's your style? How do you communicate best? How do you like to receive information?
- When you think about your retirement/family business/insert-your-most-important-goal here, what kinds of things do you think of when you project your hopes 10, 15, or 20 years into the future? What's your strategy for getting there?
- What extraordinary purchases/expenses will be needed to create your ideal future? What are your best opportunities to get there?
- What are your biggest fears about financial future? What keeps you up at night?
- How would you like your children/grandchildren's lives to be when they are your age?
- Who are the major decision makers in your family? Do you have other advisors with whom you can consult? Who are they?
- With what aspects of your current investment and insurance programs are you dissatisfied?
- What is the one area of your finances you would most like to improve?
- Looking back at your financial experience, do you think you would have more money or less money if your advisors had been paid on performance?
- What are you doing to save money? Why do you save money?

These questions, I promise, are the most grueling part of our meetings.

I do mean “grueling” in the nicest sense. Clients will often tell me that they are mentally tired after going through a 20-30-minute discussion on what is really important to them about money. Once they “survive” this portion of the interview, then we are ready to move on to the “easy” part.

Aided by a set of current account statements and perhaps recent tax filings that our prospective clients have brought with them, we take the remainder of the time to analyze exactly what these folks have and where it is all found. Depending on the complexity and availability of information, the fact finding may be completed in this meeting or it may spill over into a second fact finding meeting.

After we have completed the true fact finding - both the material what-do-you-have and the psychological what-do-you-think-and-care-about - we are ready to move on to the design and tutorial meetings. It may seem odd, but up through this point of our meetings, you have done all the work. You have gathered your information, you have contemplated and debated the serious questions about money, and you have committed several hours of your time. So, it's my turn to do some work.

The meeting(s) to follow are the consultation and recommendation sessions where I will give you (and of course explain) a detailed analysis of your current situation and a summary of your important goals quantified with dollar values, savings goals, and a step-by-step action plan for reaching those goals.



# Part III - Consultation and Recommendations

In general, the consultation and recommendation meetings will go as follows:

1. **Review your current position**
2. **Point out the strong spots and weak spots**
3. **Recommend and discuss strategies and products that will improve the situation**

Chances are, at least one of five things will have to happen for you to meet your objectives. You will need to:

1. **SAVE and invest more**
2. **ALTER your portfolio to invest more appropriately**
3. **ADJUST your insurance portfolio**
4. **ADJUST your expectations** - i.e., maybe you will not be able to retire at age 50 after all
5. **MODIFY your transfer strategy** - i.e., you will need to alter your estate plan or beneficiary arrangements

Once we quantify and discuss what needs to be done and you agree with the steps to be taken, we are ready for the final stage: implementation. We verify that savings goals are funded, accounts are established, investments are fine-tuned, insurances are updated, expectations are properly set, and estate plans are in place. From there, we review periodically in light of changes in your life, changes in your intentions and changes in the investment, insurance, and legal worlds.

I hope I have given you a better understanding of what it should be like to work with a financial planner.

There is a time commitment on your part for sure – at least at the beginning of the process. And there is a level of trust and understanding that has to occur. But, if you are willing to make the time and able to find the right match, your ongoing relationship with a good financial planner who cares about you will pay extraordinary dividends over the years.

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