



Lifestyle Goals based Financial Planning

Background

Customer Research¹ has indicated that intending investors are seeking:

- a long term relationship with a Financial Planner based on trust,
- understanding and transparency at all levels throughout the end to end engagement process, and
- wish to take control of their financial situation now and into the future.

In practice, intending investors operate in a **‘framework of fear’** - many feel anxious about finding a Financial Planner. They will ask friends, are seeking the right person – character, skills, experience -they want to understand the process, the products and the costs. They perceive the first appointment as just a preliminary step, and don’t wish to complete a detailed fact find before finding the “right” person.

They expect:

- the relationship will be long term in nature;
- to discuss significant personal details;
- a degree of varying engagement (visual, verbal , reading);
- to discuss strategy, options, their ongoing responsibilities and obligations.

Studies of the relationship between economic theory and human psychology... Investors do not necessarily make rational decisions. Adult decision making is hindered by over 50 research recognised psychological behavioural biases. For example, people are more inclined to take more risks to avoid losses than to realise potential gains, further loss-aversion manifests itself through the avoidance of potential short terms losses at the expense of long term gains.

What does this mean for financial planning?

Building trust is the over-riding theme in Financial Planning, the client engagement process is fundamental to achieving trust between the Advice provider and the Client.

The client engagement process must:

- *Encompass proven adult learning and communication techniques,*
- *Build a visual model with the client that empowers them to take control of their financial future through the choices that they make;*
- *Allow clients to gain a clear understanding of the financial levers they need to control to provide a level of certainty to achieving their goals,*
- *Empower clients to take control of their financial future - clients will then be compelled to embark on a continuing advice relationship with their Financial Planner.*

¹ AC Nielson (Client to Adviser Experience) - 6 separate focus groups across all age demographics with and without an adviser and varying income levels; Brand management (HNW Customer and Insights) – 781 Individuals >\$540k investible assets and >\$100k gross household income; Datamonitor (Private client Services) – 12 extensive HNW interviews across all ages; Jigsaw (Inspiring Consumers to Seek Advice) - 4 separate focus groups across all age demographics with and without adviser and >\$80k gross household income; Nab (Customer Strategy) – 1600 individual interviews across all age demographics with and without adviser and varying income levels



Lifestyle Goals based Financial Planning

What is the basis to *Lifestyle Goals* financial planning?

The traditional approach to financial planning is to risk based, with an asset allocation designed to accommodate this and the end objective of the investing client.



Objectives based Lifestyle financial planning is the reverse of this traditional approach.

Objectives based *Lifestyle Goals* financial planning is the creation of a financial plan aimed at maximising the longevity of financial lifestyle for a client.



The financial planner leads a defined process that assists potential clients articulate their desired lifestyle. The *Lifestyle Goals* process and the use of dynamic and specialised software provided by the Financial Planner, informs the client of the potential returns on current assets and future savings required to achieve that objective, works with the Planner to determine the asset allocation to support that intention, and involves the client in an ongoing basis in an iterative process that assist the client makes risk/ return tradeoffs on their financial journey.

Centurion has implemented forms of objectives based Lifestyle planning in 7 major Australian organisations (AFSLs). Centurions offer is suited to organisations who wish to:

- introduce a fee for Advice and a fee for Service based offer;
- respond to the findings of consumer research and behavioural finance and offer the client the experience the client wants to have,
- deliver a consistent client engagement process that is valued by, engages and converts the clients;
- want a CVP that is not dependent on investment market returns;
- want to evolve the client offer to introduce more financial solutions to clients.

Lifestyle Goals

Centurion works with organisations to design the advice and delivery model, the client engagement process, the conversation maps to effectively engage with clients, identify the software and business requirements to provide risk/return tradeoffs decisions with clients, and train those delivering the initial and ongoing advice.