

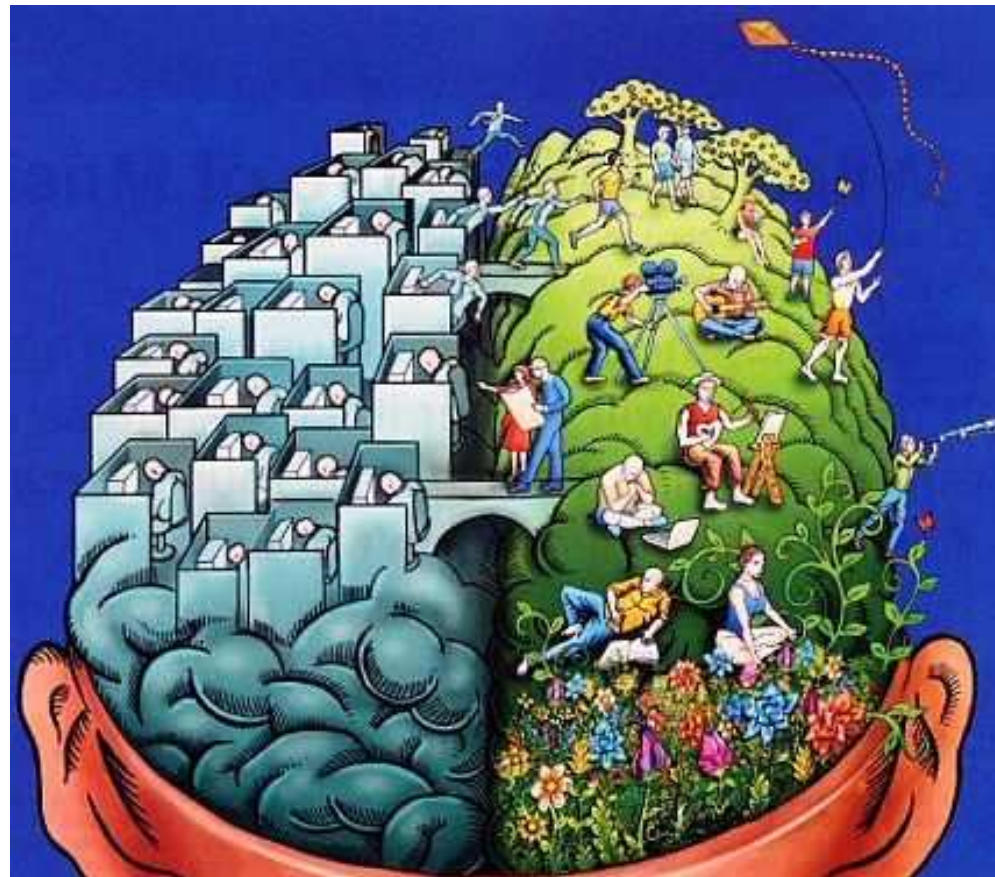
# Linking Cash Flow & Life Planning

*The Future of Financial Planning in a  
High Touch, High Concept World*

FPA of San Antonio & South Texas

April 2012

# Left-Brain Thinkers vs. Right-Brain Thinkers



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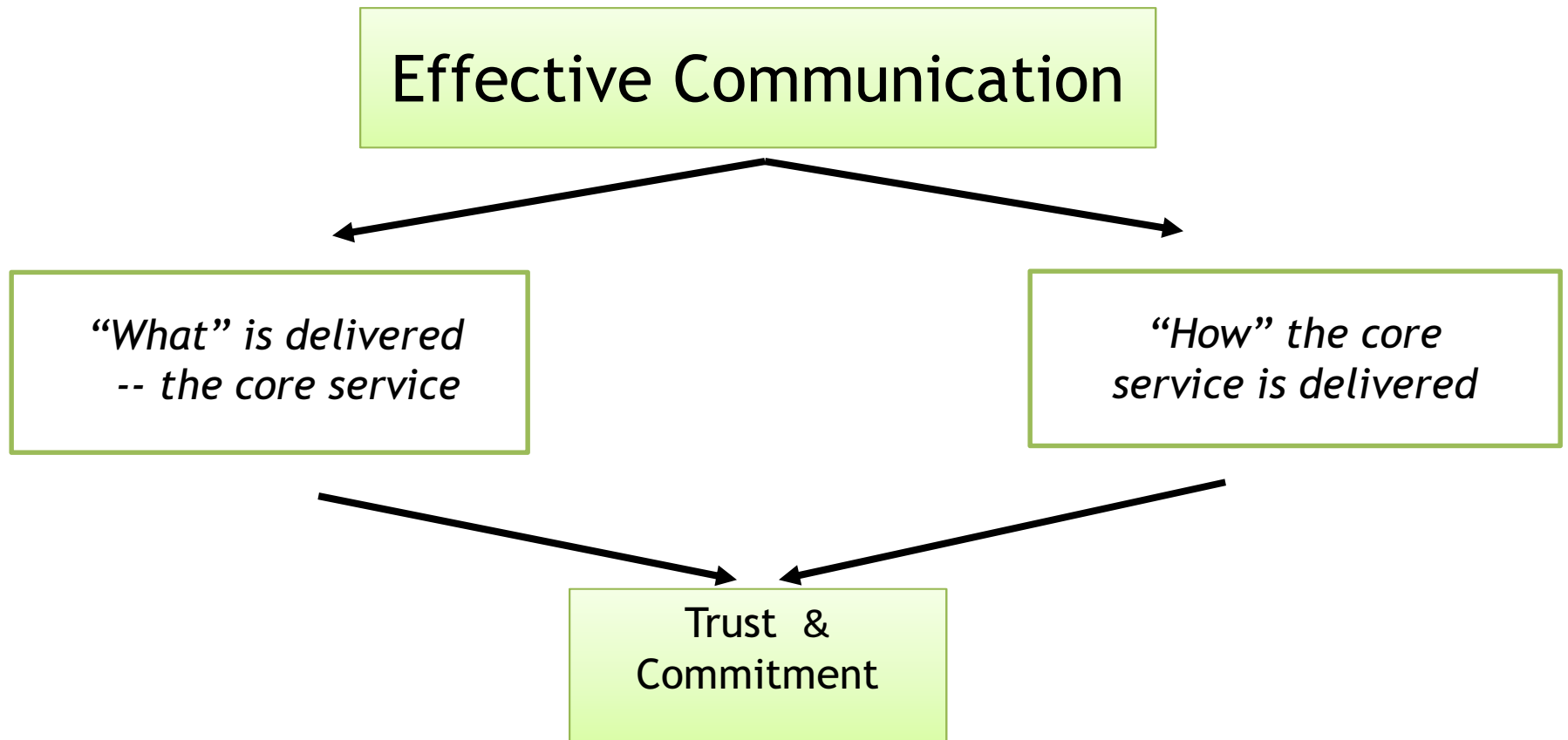
# Moving from Information Age to Conceptual Age



Daniel H. Pink

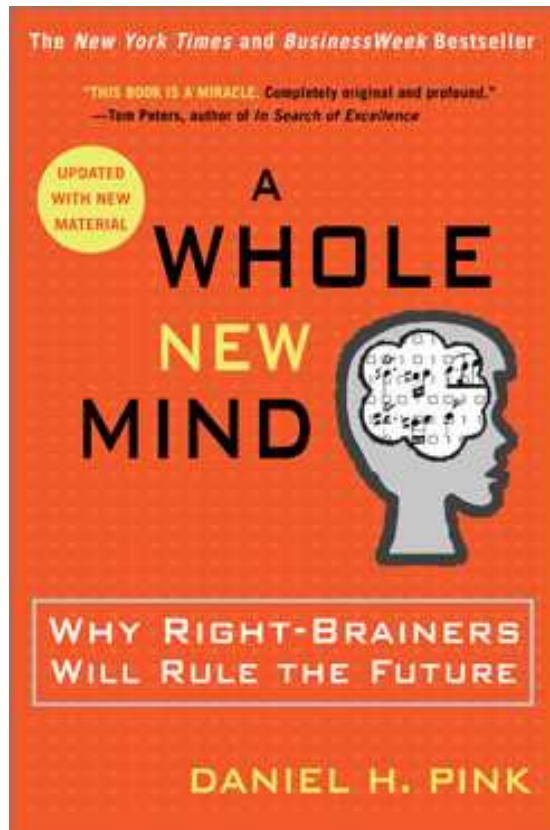
*A Whole New Mind: Why Right-Brainers Will Rule the Future*

# Previous Research



Adapted from "The Impact of Communication Effectiveness and Service Quality on Relationship Commitment in Consumer, Professional Services," *The Journal of Services Marketing*, Vol. 1, No. 2, 1999.

# Paradigm Shift



## *A Whole New Mind* *Why Right-Brainers Will Rule the Future*

Daniel H. Pink

# Six Aptitudes of Conceptual Age



# Empathic Listening

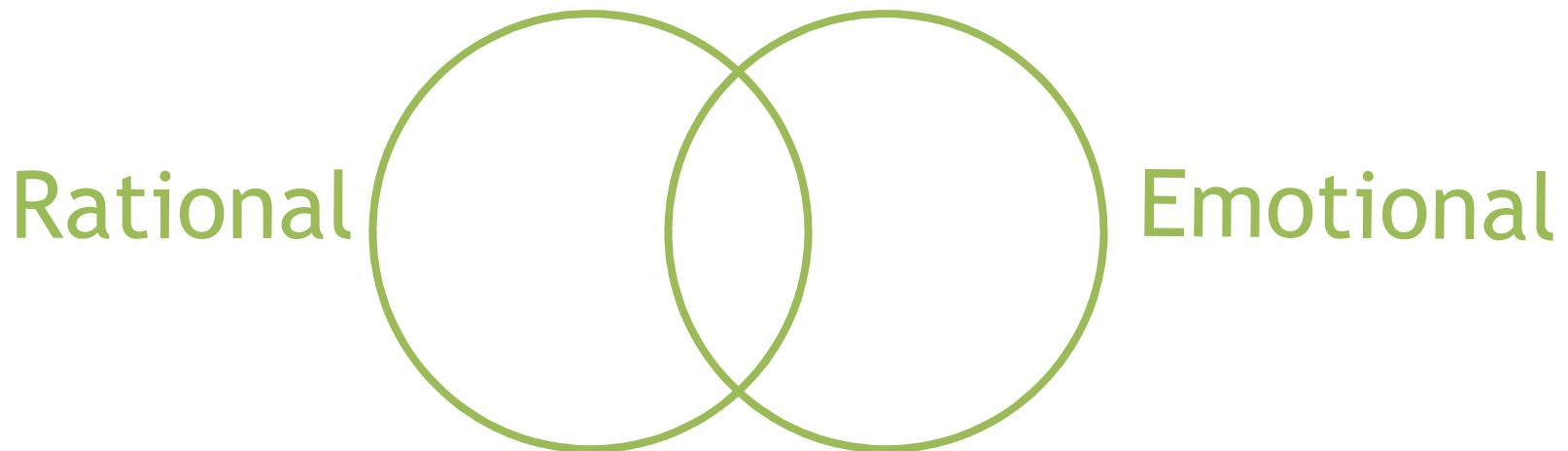
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- ❖ “...listening with the intent to understand.”
- ❖ “...seeing the world the way they see the world, understanding their paradigms, understanding how they feel.”
- ❖ “...getting inside another person’s frame of reference.”

Stephen Covey  
*7 Habits of Highly Effective People*

# Life is Rational & Emotional

- ❖ Life's journey is perceived through a filter of both facts and feelings
- ❖ Both facts and feelings drive financial decision making





# Representational Maps

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*“As people grow and develop, they store their life experiences and their reactions to those experiences. A person’s experiences are gradually woven into a personal representation of the world...”*

*...By understanding Clients’ Maps, you have a better basis for communicating with them.”*

*Communicating with Clients: A Guide for Financial Professionals*  
Charles Pulvino, James Lee, & Cynthia Forman

# Personal Insights about Money

Putting **Money**  
in the **Context of Life™**

## Personal Insights about Money

Client Name \_\_\_\_\_

Date \_\_\_\_\_

**Directions:** Look for clues in your past that will help you to understand your current financial life. Starting with your childhood, what experiences have shaped your underlying beliefs and attitudes about money? What do your patterns of earning, saving, investing, and giving tell about you? Here is a list of questions to guide you in this reflection process.

As a child, my mother (or guardian) taught me that money...

As a child, my father (or guardian) taught me that money...

The first time I earned money, I felt...

# Life Goals



```
graph TD; A[Life Goals] --> B[Extrinsic Aspirations]; A --> C[Intrinsic Aspirations]; B --> D[Profit Goals]; D --> D1[❖ To become wealthy]; D --> D2[❖ To become famous]; C --> E[Purpose Goals]; E --> E1[❖ To help others]; E --> E2[❖ To learn]; E --> E3[❖ To grow];
```

## Extrinsic Aspirations

### Profit Goals

- ❖ To become wealthy
- ❖ To become famous

## Intrinsic Aspirations

### Purpose Goals

- ❖ To help others
- ❖ To learn
- ❖ To grow

Daniel H. Pink

*Drive: The Surprising Truth About What Motivates Us*

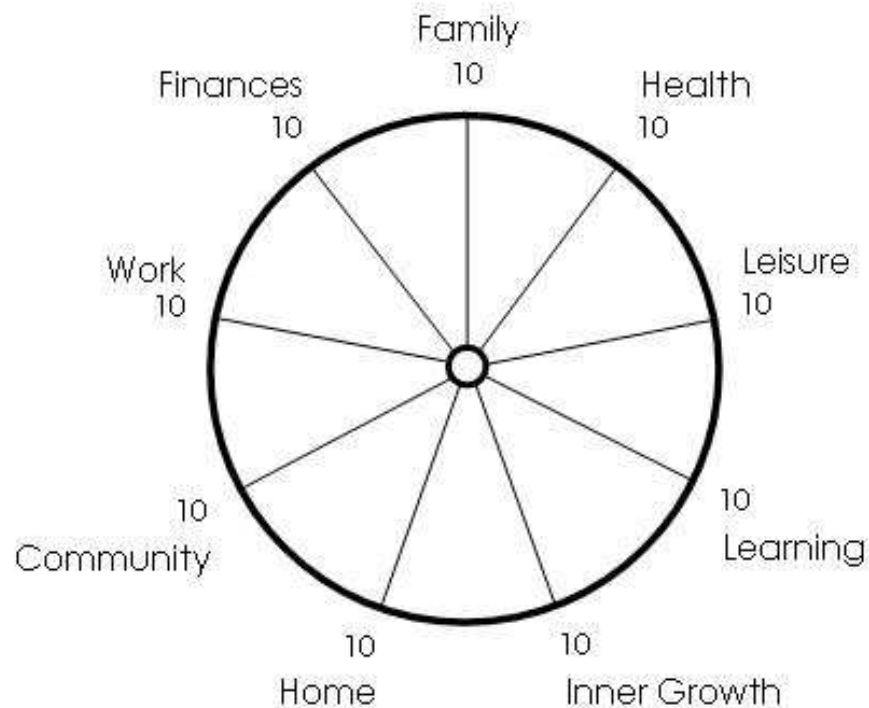
“...satisfaction depends not merely on having goals, but on having the right goals...”

Daniel H. Pink

*Drive: The Surprising Truth About What Motivates Us*

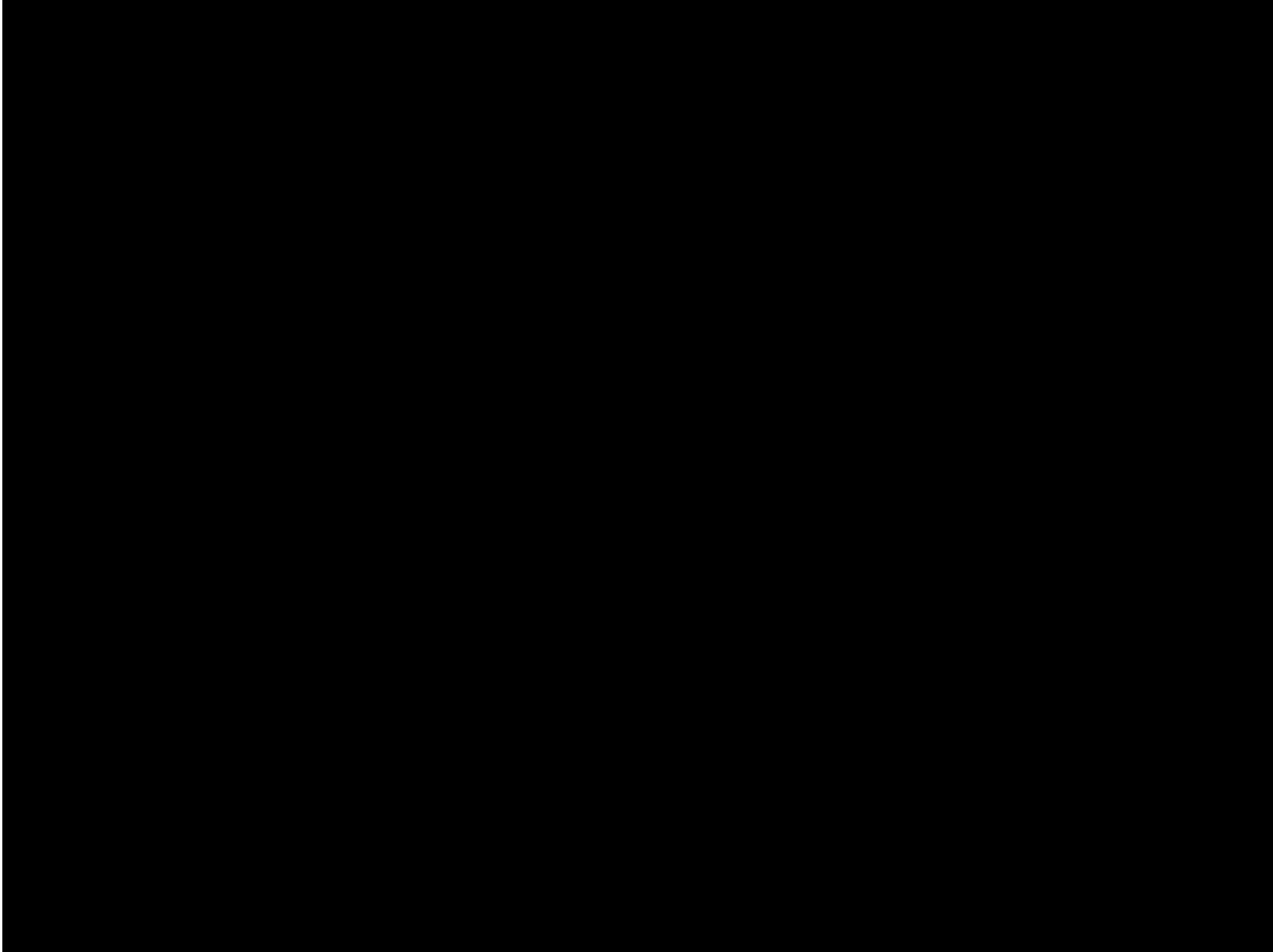
# Wheel of Life

Step #3—Is your life wheel round or does it show flat spots? Is it deflated or is it full? What does this exercise tell you about your life? Is your life balanced? Are there areas of your life that need attention? In what facets would you like to experience more satisfaction?



# Instructions

- ❖ **Pick 2 areas where your satisfaction is relatively high**
  1. For each area, discuss what has contributed to your satisfaction
  2. What would a “ten” look like in each area?
  
- ❖ **Pick 1 area where your satisfaction is relatively low**
  1. Was there a time when your satisfaction in this area was higher?
  2. What would it take to raise your satisfaction one or two points?



# Best Practices



# Financial Planning Process

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1. Establish & define client-planner relationship
- 2. Gather client data & establish goals**
3. Analyze & evaluate the client's financial status
4. Develop & present the financial plan
5. Implement the financial plan
6. Monitor the financial plan

## Step 2: Gather Client Data & Establish Goals

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### Practice Standards:

- 200-1 **Determining a Client's Personal and Financial Goals, Needs, and Priorities**
- 200-2 **Obtaining Quantitative Information and Documents**

# Practice Standard 200-1

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*“The financial planning practitioner and the client shall mutually define the client’s personal and financial goals, needs, and priorities that are relevant to the scope of the engagement before any recommendation is made and/or implemented.”*

CFP Board of Standards  
*Financial Planning Practice Standards*

# WHY??

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*“Goals and objectives provide focus, purpose, vision, and direction for the financial planning process.”*

CFP Board of Standards  
*Financial Planning Practice Standards*

# WHO??

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*“The role of the practitioner is to facilitate the goal-setting process in order to clarify, with the client, goals and objectives.”*

CFP Board of Standards  
*Financial Planning Practice Standards*

# Business Case

# Research Report

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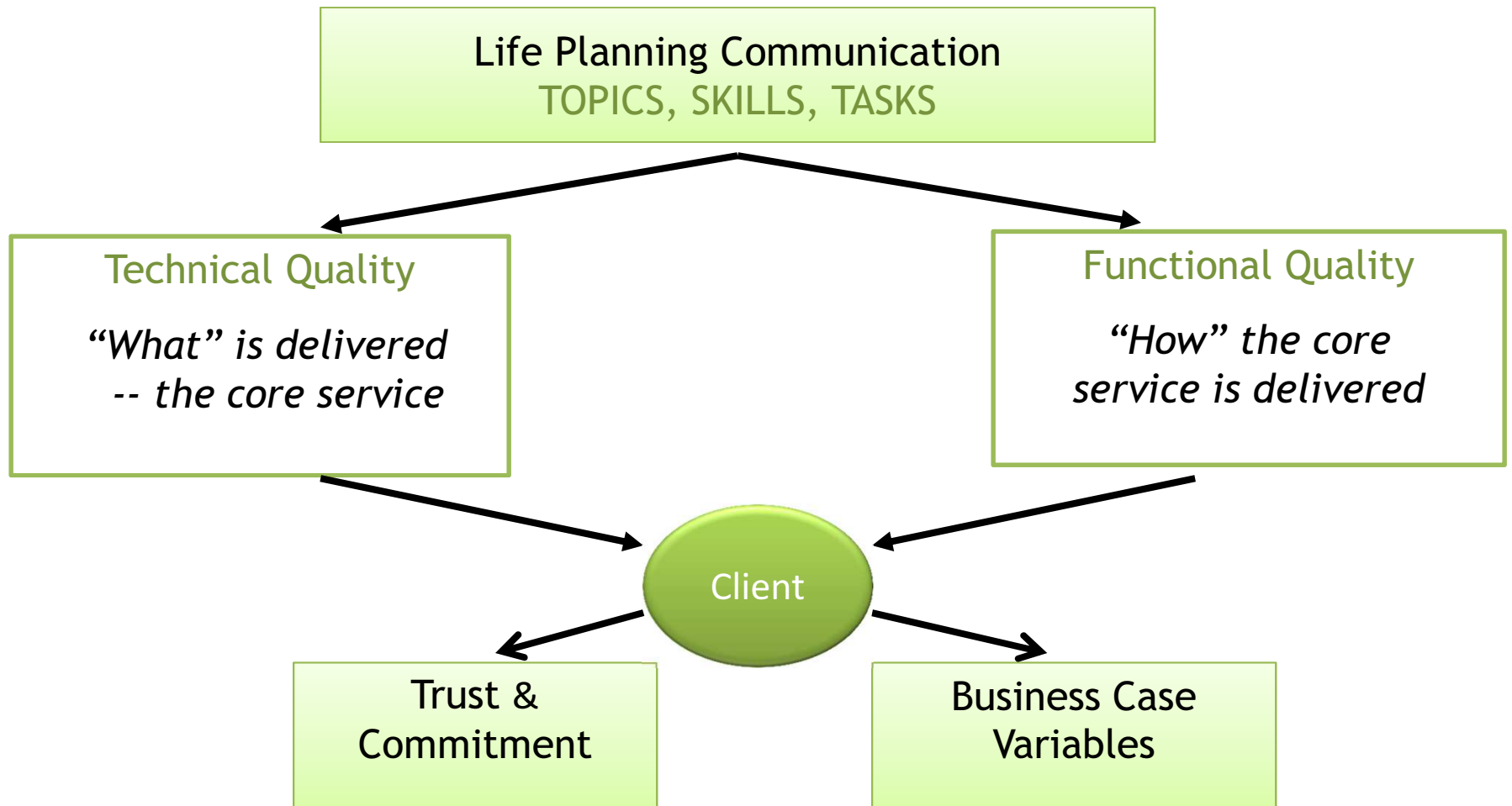
Communication Issues in Life Planning:

*Defining Key Factors in Developing  
Successful Planner-Client Relationships*

**The C.I.L.P.D.K.F.D.S.P.C.R. Paper**

FPA Press, May 2008

# Current Research





# Communication Tasks

- ❖ I use a systematic process for helping my clients clarify their values and priorities (59%)
- ❖ I use a goal setting process to help my clients establish meaningful personal and financial goals and objectives (59%)

# Communication Tasks

## Values Clarification & Goal Setting



Strong Statistical Relationships

- ❖ Trust
- ❖ Commitment



Strong Statistical Relationships

- ❖ Retention
- ❖ Satisfaction
- ❖ Cooperation
- ❖ Openness/Financial
- ❖ Openness/Personal
- ❖ Referrals

# “The Value of Planning”

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“You help people identify what is important in their lives, and prioritize their goals.”

“...a gift that is priceless.”

Bob Veres  
*Inside Information, 7/04*

# Ben Coombs' Questions

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- ❖ Where are you now?
- ❖ Where do you want to be?
- ❖ What are you willing to do to get there?

# A Guided Process

Exploring  
Values & Motivations

Creating a Framework for  
Decision Making

## Financial Planning

Facilitating a  
Goal Setting Process

# 3 key entry points...

## 1. Levels of Satisfaction

Putting Money  
in the Context of Life™

### Financial Satisfaction Survey

Client Name \_\_\_\_\_ Date \_\_\_\_\_

**Directions:** The statements below will help you to think about and assess how satisfied you are with many aspects of your financial life. Select and record your level of satisfaction for each statement.

I am satisfied...	Not Satisfied		Moderately Satisfied		Very Satisfied
	1	2	3	4	5
1 ...with my ability to meet my financial obligations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 ...with the income my current job or career provides me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 ...with my spending habits.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 ...with the level of debt I carry.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 ...with the "extras" that I am able to buy for myself and/or loved ones.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 ...with the level and quality of insurance protection I currently have.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 ...with the amount of money that I save and invest on a regular basis.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# 3 key entry points...

## 2. Life Transitions

Putting **Money**  
in the **Context of Life™**

### Life Transitions Survey

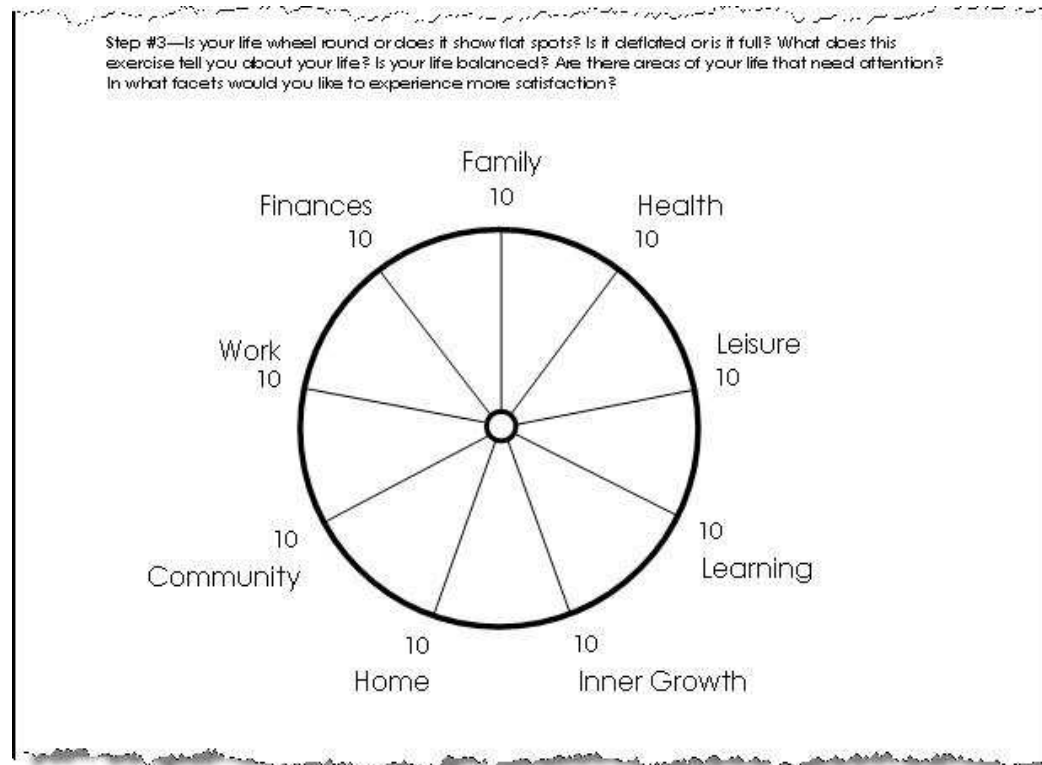
Client Name \_\_\_\_\_ Date \_\_\_\_\_

**Directions:** In each section, select the transitions that you are currently experiencing and those you are likely to experience in the future. In addition, check transitions in the short-term and long-term columns that you either hope to experience or anticipate with concern.

<b>Work Life Transitions</b>	Currently experiencing	Anticipate short-term	Anticipate long-term
1 Change in career path	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 New job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Promotion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Job loss	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Job restructure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Education / retraining	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Sell or close business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Transfer family business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Gain a business partner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Lose a business partner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# 3 key entry points...

## 3. Goal Setting

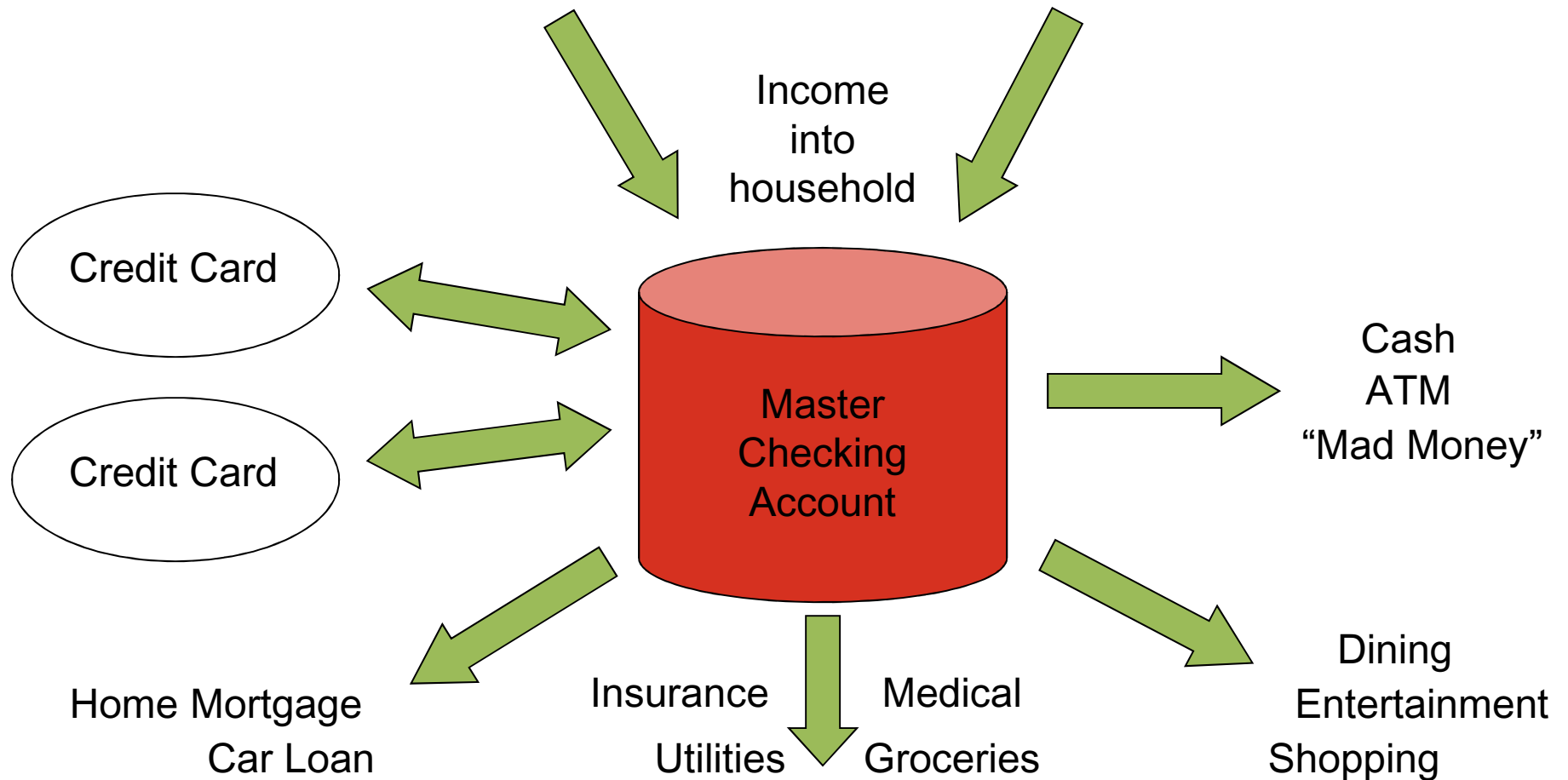




# What is the difference between budgeting & cash flow?

Budgeting System	Cash Flow Management
Looks Back	Looks Forward
What went wrong?	What do we want now?
Correcting Mistakes	Working toward goals
Restrictions/Constricting	Choices/Freedom
Constant tracking	Automatic

# Your Client's Cash Flow



# A New Way to Talk about Cash Flow

Let's shift our thinking a bit...



Imagine that your client has three “buckets” of money...

# What's in the Buckets?



- Static Bucket™ – the money that has been spent, or agreed to be spent, at some point in the past



- Control Bucket™ – the money will *be* spent in the next 7 days



- Dynamic Bucket™ – the money that will be spent in the future

# Adding Time Frames to Cash Flow

Static Bucket™



Money Past

Control Bucket™



Money Present

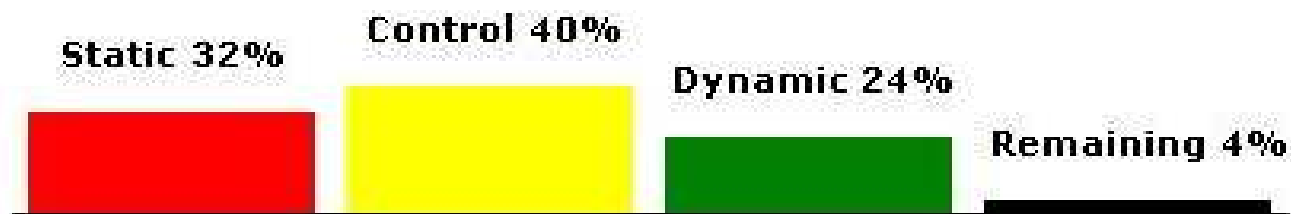
Dynamic Bucket™



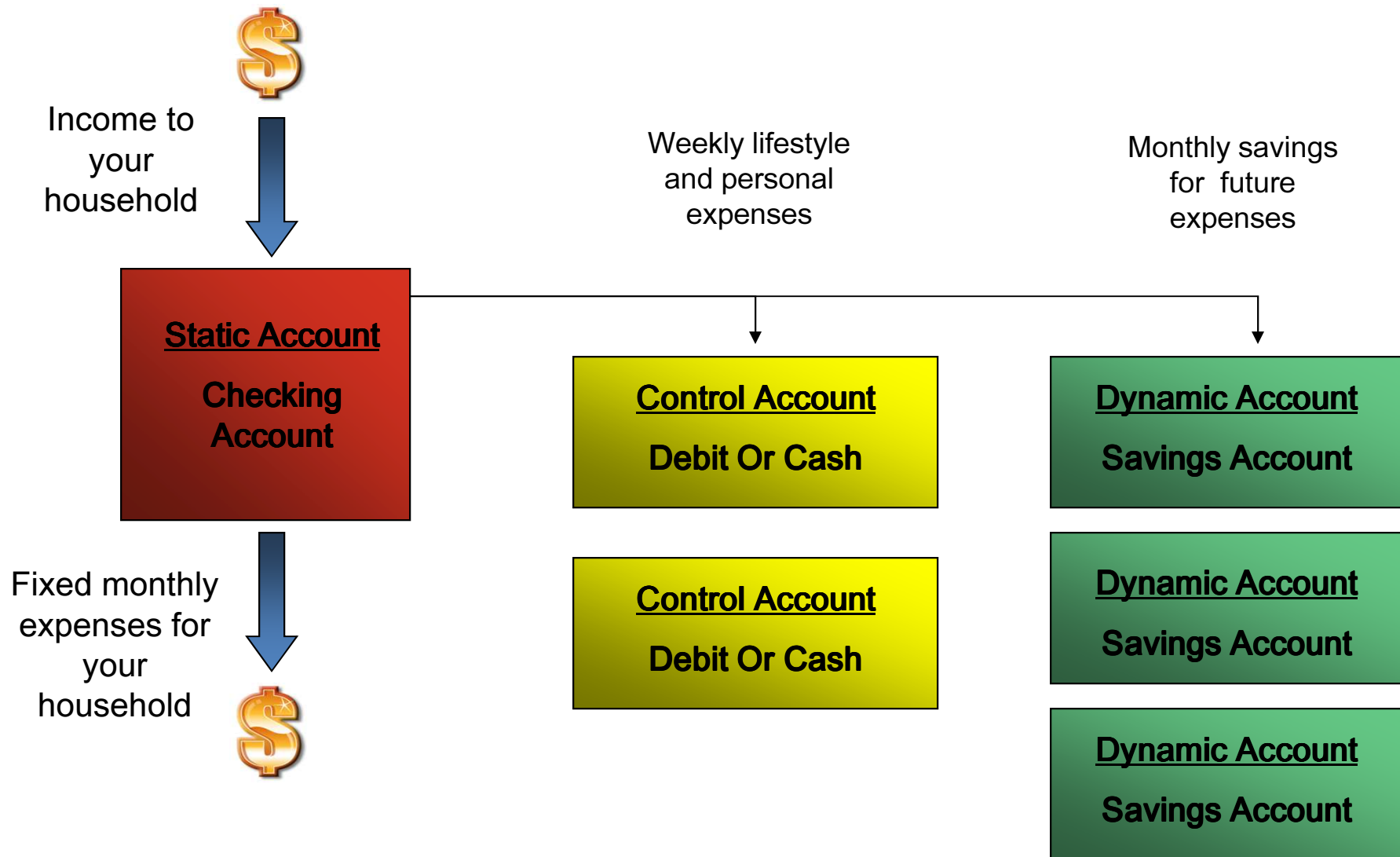
Money Future

# Cash Flow as a Bridge

	Amount	Percent
Static Expenses	\$3,138.59	32.19 %
Control Expenses	\$3,914.30	40.15 %
<b>Total Monthly Expenses</b>	<b>\$7,052.89</b>	<b>72.34 %</b>
Dynamic Savings	\$2,309.92	23.69 %
<b>Remaining Income</b>	<b>\$387.19</b>	<b>4 %</b>



# Setting Up Accounts



# Why does cash flow fit LP?

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- Promotes positive conversation
- Increases awareness
- Addresses both spouses' needs and wants
- Provides a sense of freedom
- Puts the focus on goals



# What's in it for the planner?

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- Customized for each client's lifestyle
- Stops over spending
- Eliminates credit card abuse
- Promotes saving for future purchases
- Creates a framework for daily decision making
- Based on accurate and reliable numbers
- Facilitates success of the financial plan

# What's in it for the client?

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## Peace of mind

- Bills paid automatically
- Savings transferred automatically

## Sense of Freedom

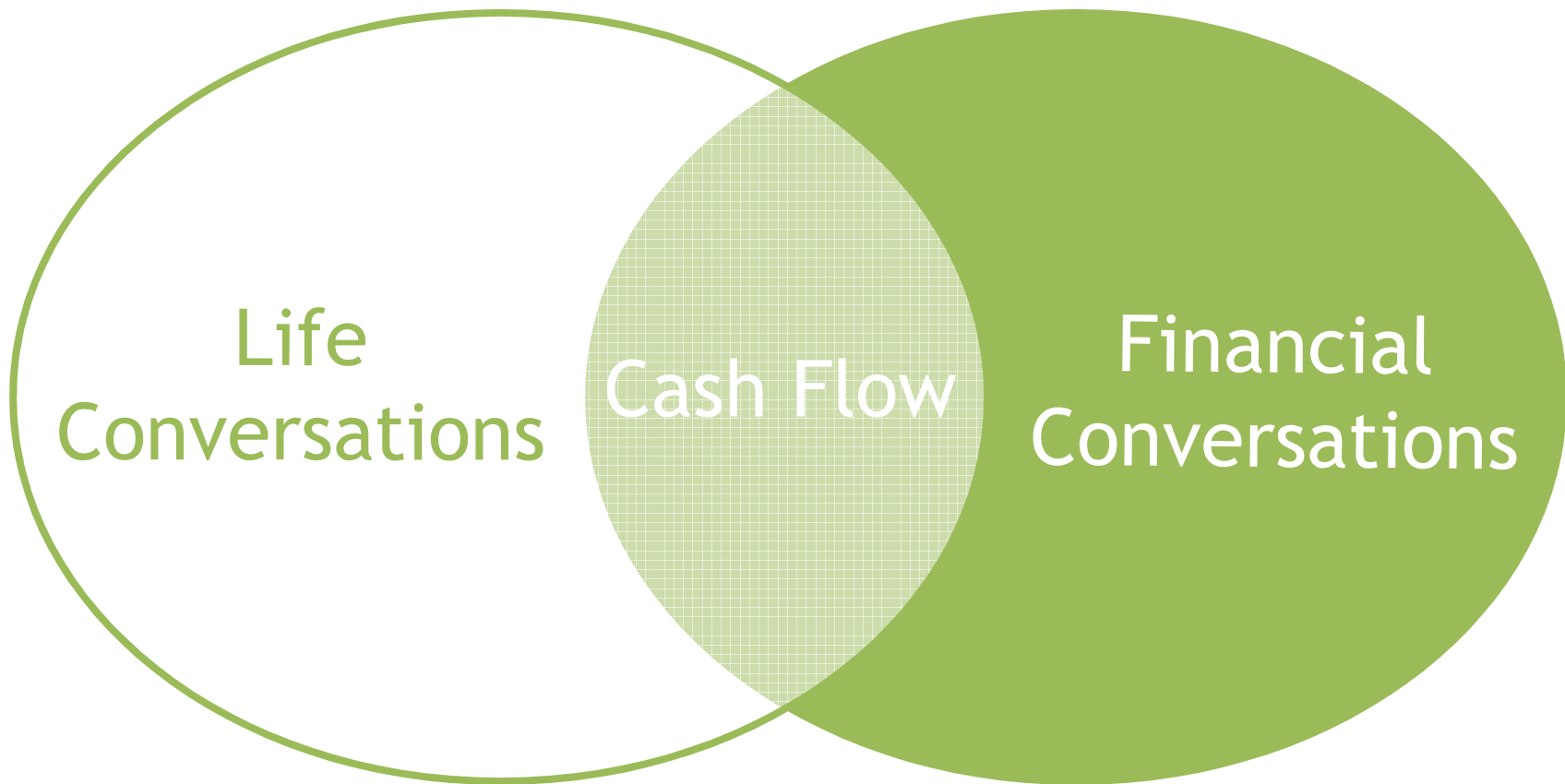
- Freedom to spend weekly money
- No advisor judgment

## Excitement and Motivation

- Sit back and watch Dynamic Accounts grow

**In Conclusion....**

# Linking the Conversations



# Living Life on Purpose

*“When you have a dream and a plan working together in the construction of a life chapter, you have a ‘mission,’ a circumscribed purpose that defines your use of time and space for the duration of this particular life chapter. People with a mission know where they want to go.”*

Frederic M. Hudson  
*Mastering the Art of Self-Renewal*

# Recommended Reading

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- ❖ *Nudge: Improving Decisions about Health Wealth and Happiness* by Richard Thaler & Cass Sunstein
- ❖ *A Whole New Mind: Why Right-Brainers will Rule the Future* by Daniel H. Pink
- ❖ *Drive: The Surprising Truth about What Motivates Us* by Daniel H. Pink
- ❖ *Changing for Good* by James Prochaska, John Norcross, & Carlo DiClemente
- ❖ *The Buisness of Life*, Michael Kay CPA, CFP®