

## Why Do You Need a Financial Planner?

Don't put off your planning. A study by the Consumer Federation of America and the former Nations Bank revealed that households with financial plans accumulate twice as much wealth as households without plans.

Business is generally improving these days for financial planners. Many investors feeling burned by the declining stock market, are turning to planners for investment advice. Families shaken by the terrorist attacks of September 11, the faltering economy and the Enron scandal are engaging planners to put their financial houses in order.

But many families have yet to turn to such professional help, held back by the question, "Why should I hire a planner for something I could do on my own, with the aid of a computer or by hiring a financial specialist?" Good question. Here are some reasons why you should seriously consider seeking the advice of a qualified financial planner.

**Financial planning is more than about money.** At its core, financial planning is about effectively managing financial resources so that individuals can lead happier, more fulfilling lives today and tomorrow. One of the very first steps in a financial planning relationship is to help clients define their life goals. Do you want to start your own company, create an exit strategy, have more time to volunteer, change careers, live somewhere else? How do you balance competing goals, such as saving for retirement while putting children through college and help out elderly parents? How do I optimize the deployment of financial and human capital?

Take the example of the CERTIFIED FINANCIAL PLANNER™ professional in Texas who asks of all her new clients, "If you could create a perfect world, what would it be?" When she asked that question of a local university professor, a man known for his sour, depressed mood, he told her he wanted to live on a farm, far from where he was teaching. The more he talked about it, the more excited he got, and the more that he, his wife and the planner realized it was a dream he could make a reality. Within a year and a half they were happily settled on a farm in Iowa.

In a good financial planning relationship, the planner and the client periodically reassess the client's goals and strategies already in place to achieve those goals, especially as life circumstances change. No financial planning or investment software program can effectively come up with those kinds of questions-let alone provide the right answers.

**Financial planning sees the whole, not just the parts.** Many financial specialists provide valuable services to people for a specific financial need, such as buying property and casualty insurance or drafting a will. However, a financial

planner typically provides the overview in order to make sure the various parts are working in harmony and not against each other. For example, one professional's strategy to save income taxes may undermine another professional's investment strategy. A computer might provide investment advice (though usually not well tailored to your individual needs), but a financial planner can help you find ways to free up additional money for investing. It also is the planner who might discover that your computer-designed investment plan could be seriously undermined by a costly medical crisis because you don't have adequate disability insurance or health care coverage.

**Planners motivate.** Sure, you probably know you need a will, better insurance, a budget, a better handle on your investments and assessment of a host of other financial issues. Perhaps you could do some of it adequately on your own. But there's nothing like going to a financial planner to motivate you to finally take the actions you've been procrastinating. For example, a recent retirement study by TIAA-CREF Institute found that people who planned more thoroughly for their retirement experienced fewer financial "surprises" when they actually retired.

**Planners provide checks and balances.** Beyond the financial expertise and the motivation to take action, the planner can provide a much-needed objective perspective. Numerous studies show that investors who work with financial advisors trade less often and average better returns than those who invest on their own. Planners can filter out the financial "noise" that so often clouds financial judgment. This independent perspective is especially critical when a family is under stress such as from a job loss, divorce or a major market decline.

Ideally, it's better to create a financial plan before a crisis occurs. One of the greatest benefits of financial planning is its ability to prepare you to better handle the inevitable financial roadblocks thrown up in life that can detour you from achieving your life goals.

The primary source for the information contained in this bulletin is the Financial Planning Association, the membership organization for the financial planning community. As always, while we generally consider this information to be accurate, please consult your advisor(s) with respect to the use of this material in your situation.