

KITCES RESEARCH ON WHAT MAKES FINANCIAL PLANNING MORE EFFICIENT

12.9.2020 | YCHARTS

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ABOUT OUR RESEARCH

- *2020 Kitces Research Study on
"How Financial Advisors Really Do Financial Planning"*
 - *Almost 800 advisors completed the full-length questionnaire*
 - *Average age: 48*
 - *73% held CFP certification*
 - *61% were RIA (39% broker-dealer or insurance)*
 - *77% male*
 - *93% white*
 - *More financial planning-inclined (they read Nerd's Eye View!)*

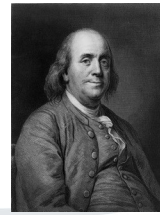
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IT'S ALL ABOUT TIME...

"Remember that time is money.

*He that can earn ten shillings a day by his labour,
and goes abroad, or sits idle one half of that day,
though he spends but sixpence during his diversion or idleness,
it ought not to be reckoned the only expence;
he hath really spent or thrown away five shillings besides."*

-- Benjamin Franklin

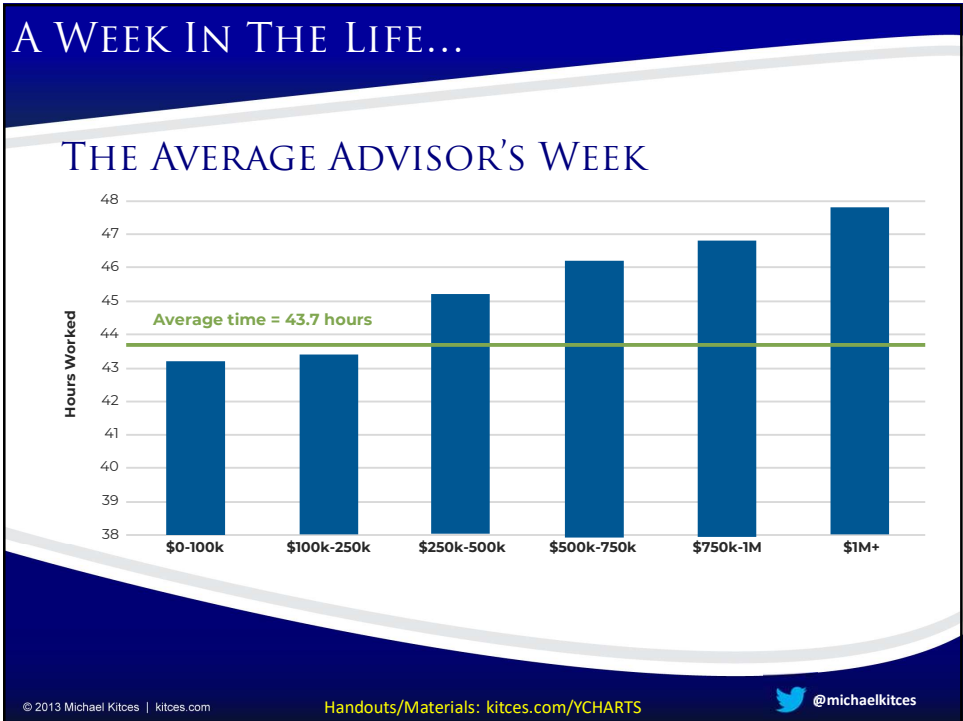


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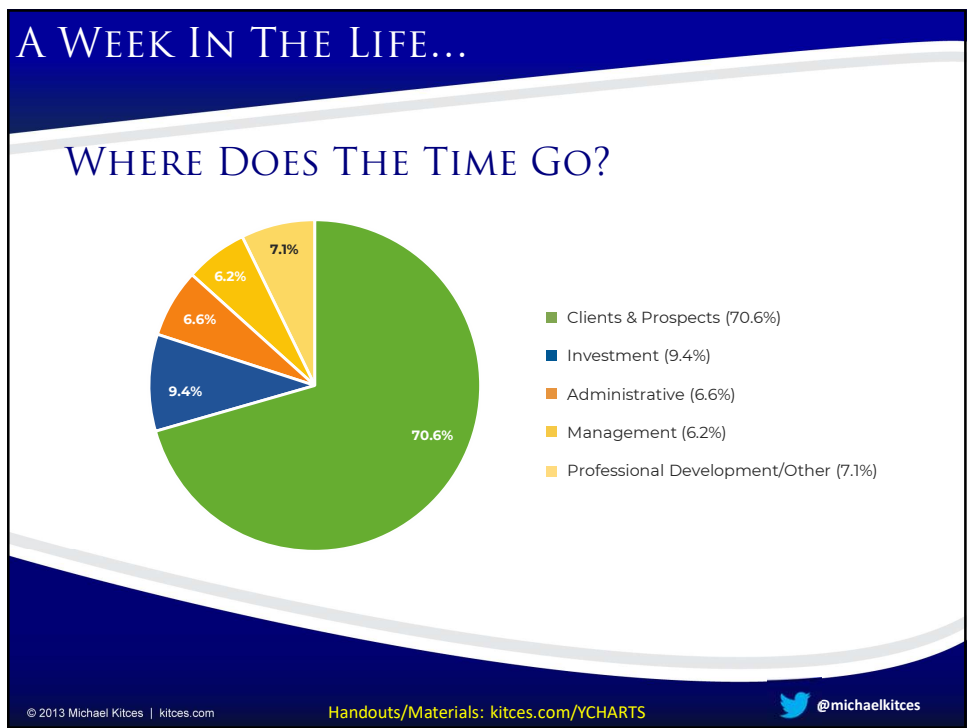
A WEEK IN THE LIFE...



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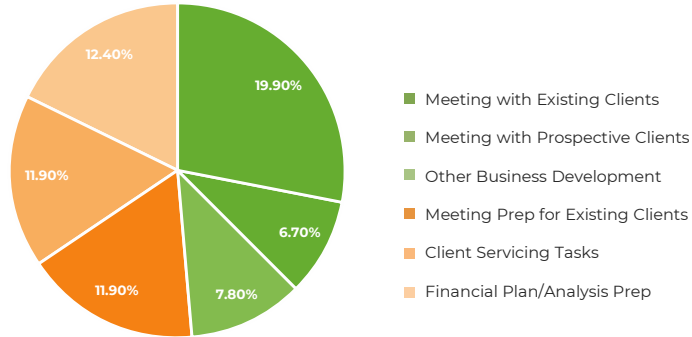
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A WEEK IN THE LIFE...

CLIENT & PROSPECT TIME...



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A WEEK IN THE LIFE...

DIVVYING UP TASKS IN AN ADVISORY FIRM...



Front Office
(Clients & Prospects)
Financial Advisors



Middle Office
(Supporting the Front Office)
Paraplanner
Investment Research
Compliance



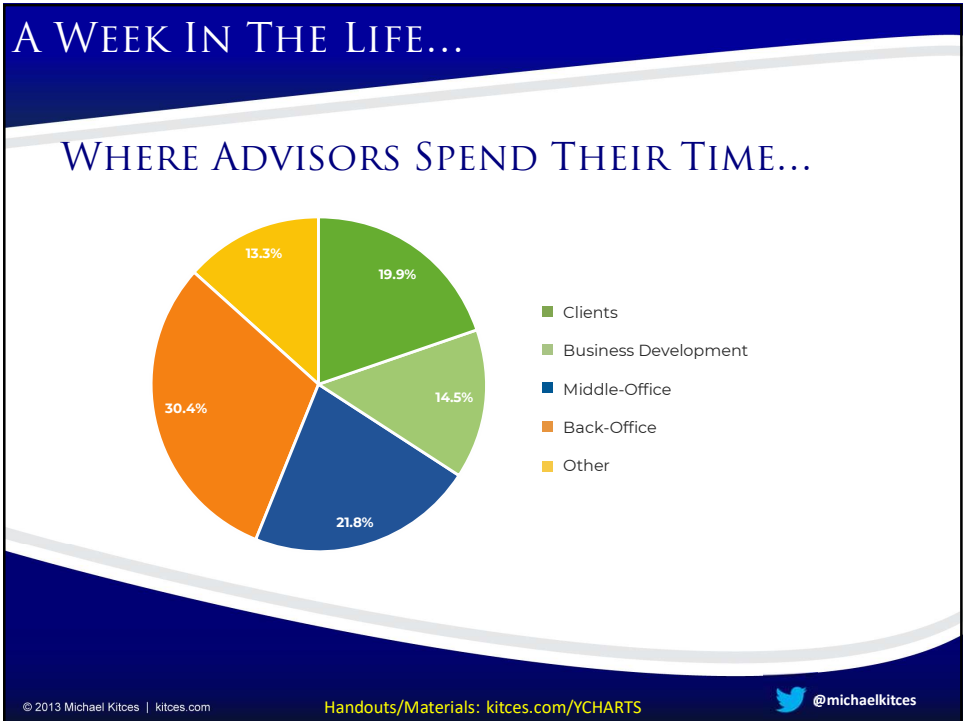
Back Office
(Behind-The-Scenes-Administration)
Client Service Administrator
Operations/Human Resources
Trading

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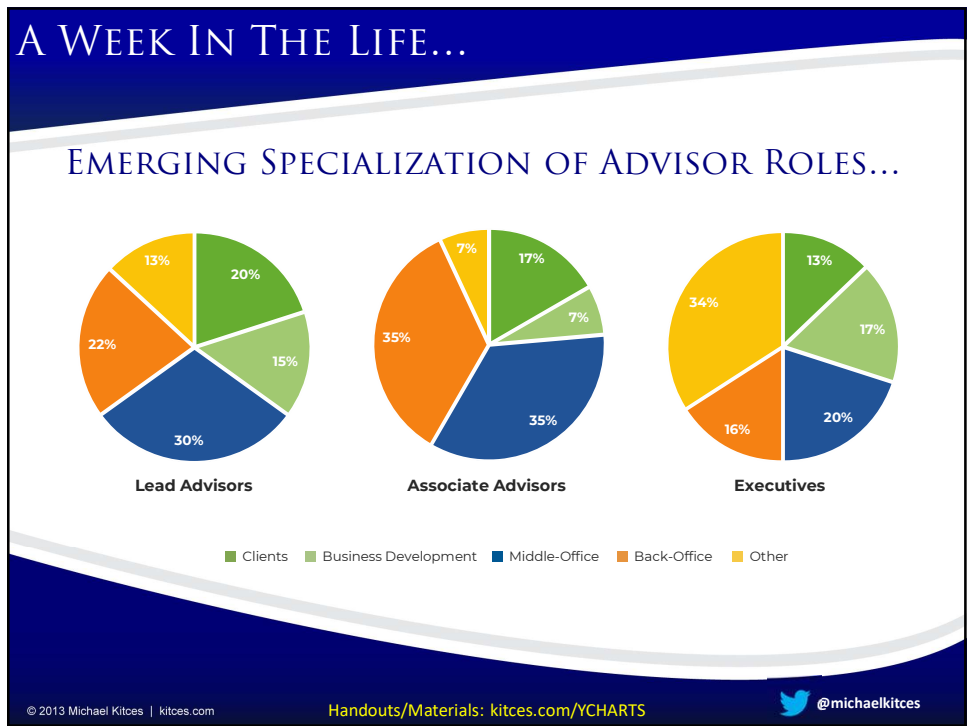
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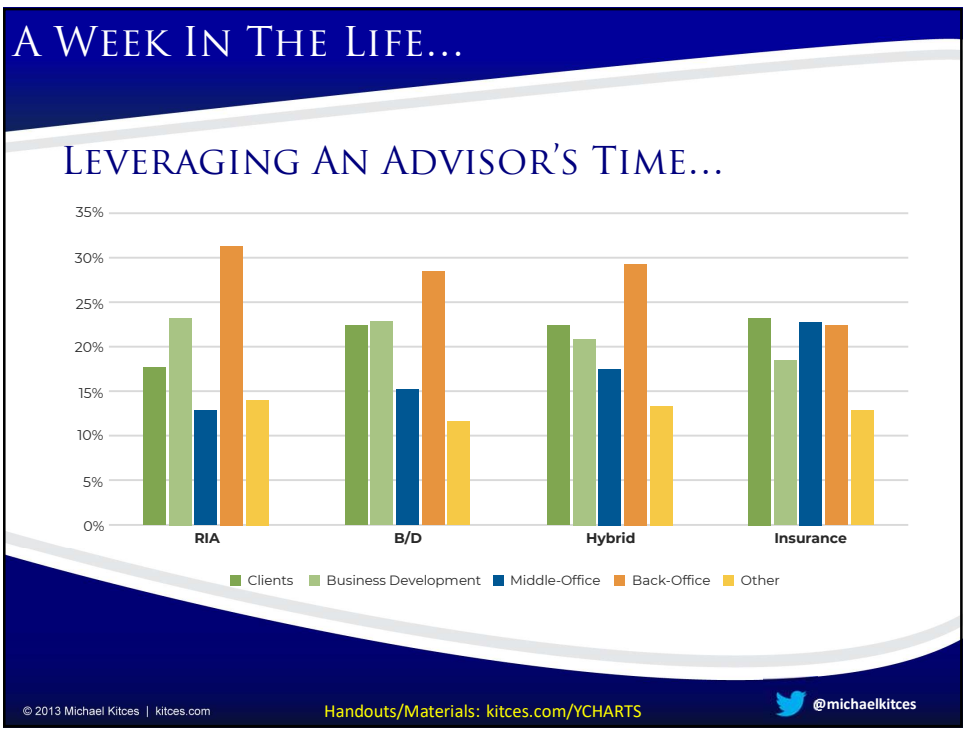
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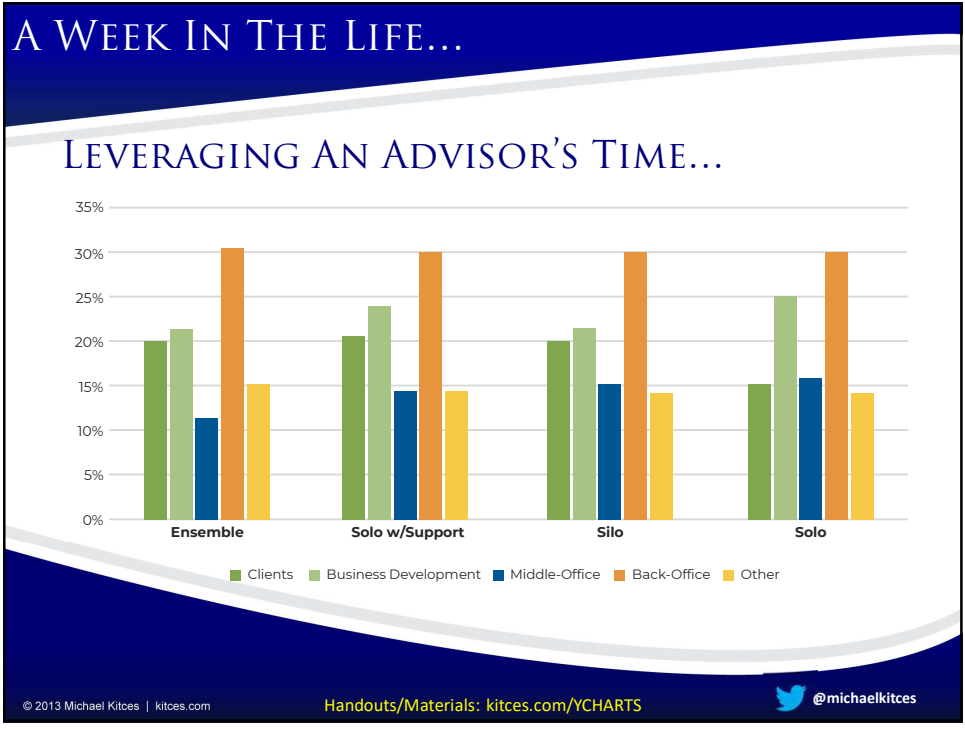
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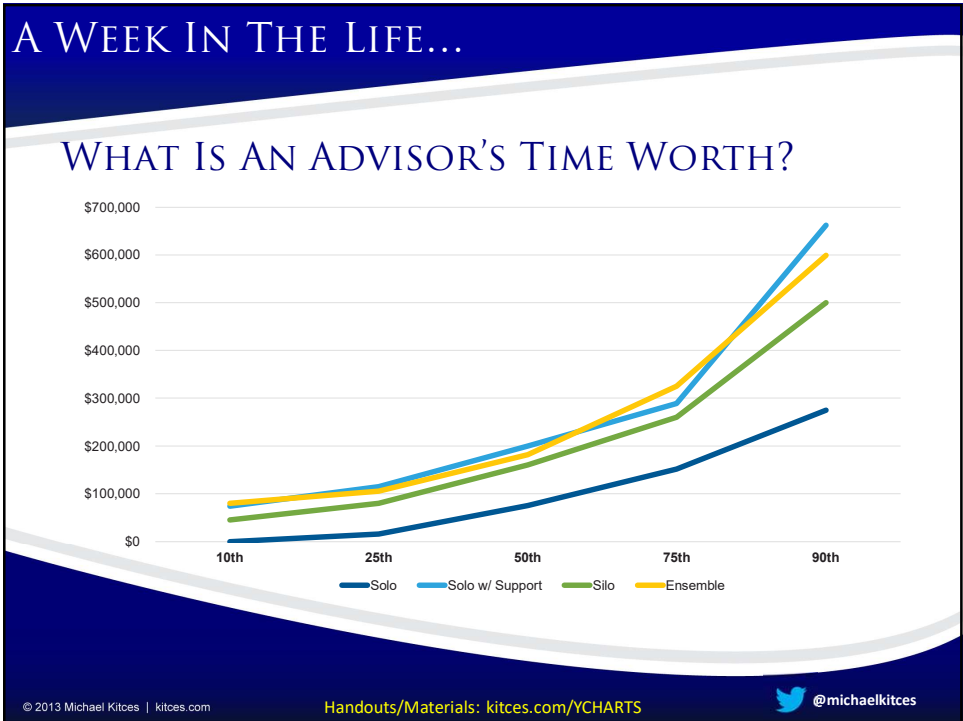
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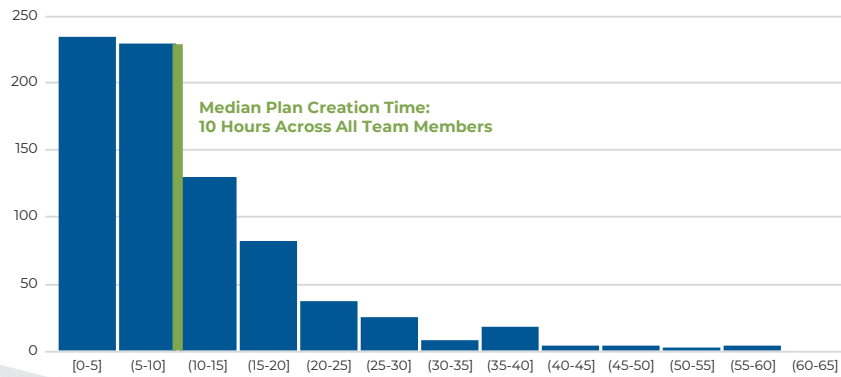
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CREATING THE FINANCIAL PLAN

HOURS TO CREATE A FINANCIAL PLAN...



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CREATING THE FINANCIAL PLAN

HOW COMPREHENSIVE IS A FINANCIAL PLAN...

Planning Depth	2018	2020	Change (%)	Description
Targeted	7%	7%	-	0 - 5 Topics
Planning Lite	23%	23%	-	6 - 9 Topics
Comprehensive	31%	35%	+4	10 - 12 Topics
Most Comprehensive	39%	35%	-4	13+ Topics

Topics:

- College Funding
- Student Loan Analysis
- Cash Flow/Budgeting
- Life Insurance
- Disability Insurance
- Long-Term Care Insurance
- Property & Casualty Insurance
- Savings/Accumulation Analysis
- Retirement Spending/Distribution Analysis
- Tax Planning
- Estate Planning
- Investment/Portfolio Analysis
- 401(k) Analysis
- Employee Benefits Review
- Stock Options/Restricted Stock Analysis
- Career/Salary Benchmarking

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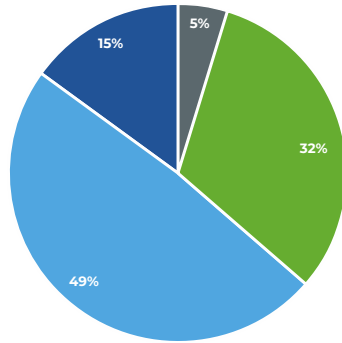
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CREATING THE FINANCIAL PLAN

THE FOUR TYPES OF FINANCIAL PLANS...



- **Calculator:** Use a plan to calculate needs and recommend solutions.
- **Collaborative:** Use planning software collaboratively/interactively live in client meetings.
- **Comprehensive:** Use plan software output to bring together a holistic picture of a client situation.
- **Customized:** Create a custom-written plan for an individual client's circumstances.

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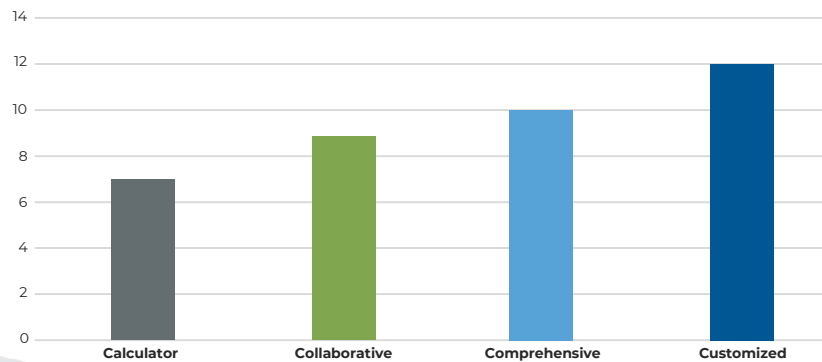
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TIME TO PRODUCE A FINANCIAL PLAN...

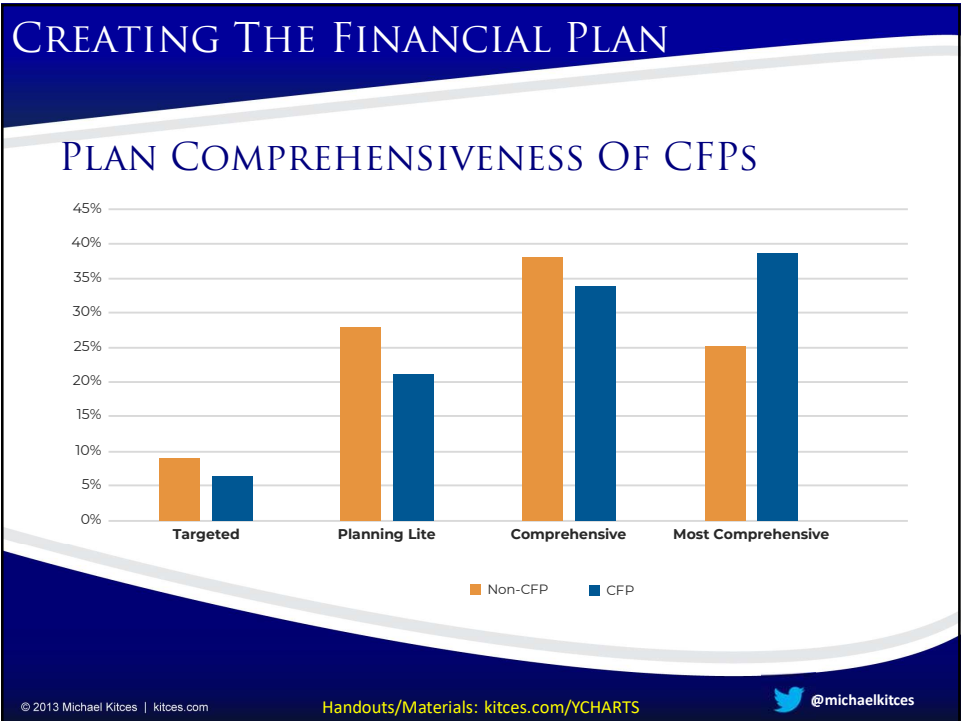


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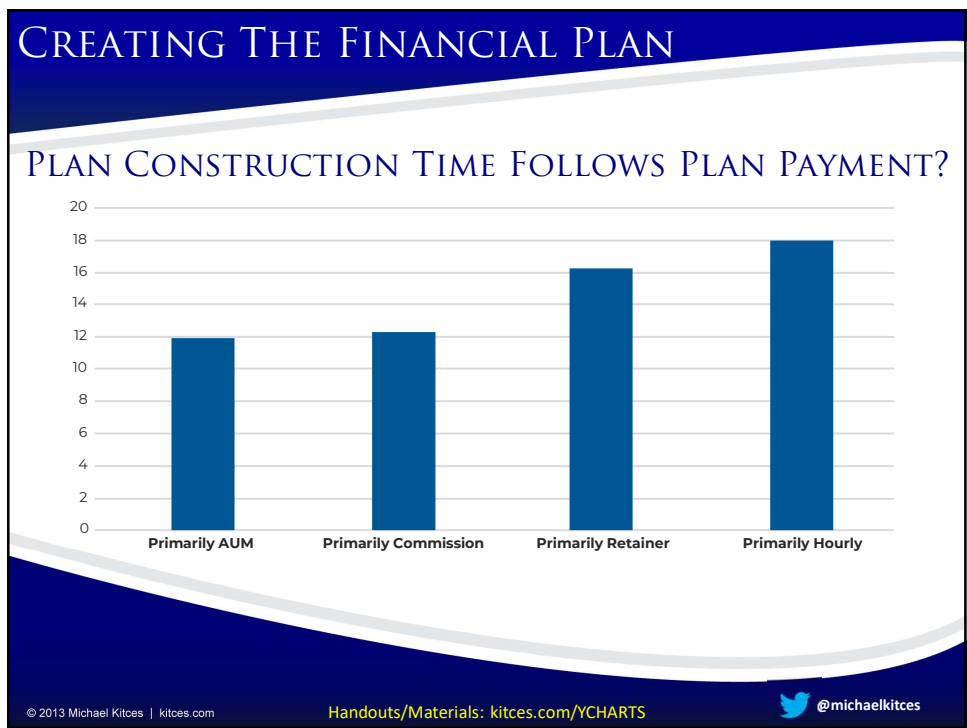
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THE FIRST (FULL) YEAR PLANNING PROCESS


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THE 7-STEP CGADPIM PROCESS

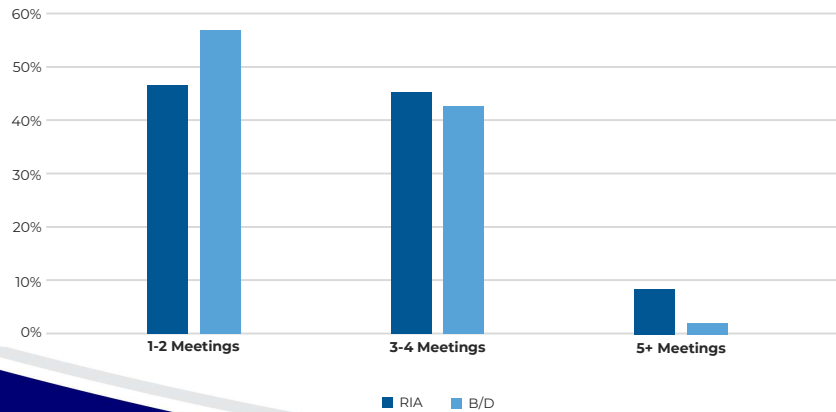
New Rules	
Pre-Engagement: Agreement of Terms & Scope of Engagement	
Process Step	Practice Standards
C	Understand Client's Personal and Financial Circumstances
G	Identify and Select Goals
A	Analyze Current Course and Potential Recommendations
D	Develop Financial Planning Recommendations
P	Present the Financial Planning Recommendations
I	Implement Financial Planning Recommendations (optional)
M	Monitor Progress and Update (optional)

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FIRST FULL YEAR OF PLANNING

HOW MANY MEETINGS DOES IT TAKE...



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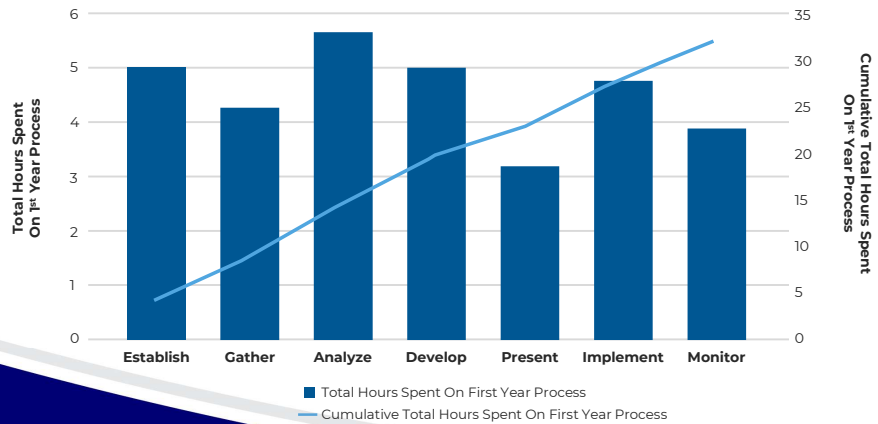
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FIRST FULL YEAR OF PLANNING

HOW MUCH TIME DOES IT TAKE...



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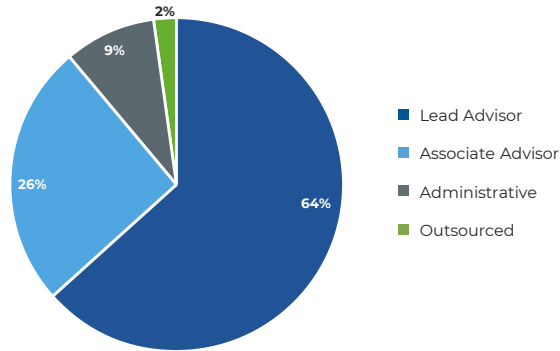
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FIRST FULL YEAR OF PLANNING

ALLOCATING THE TIME ACROSS THE TEAM...



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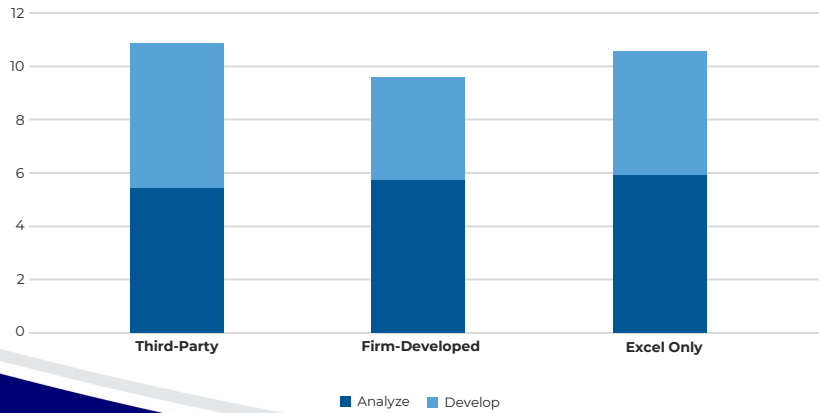
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FIRST FULL YEAR OF PLANNING

THIRD-PARTY PLANNING SOFTWARE...



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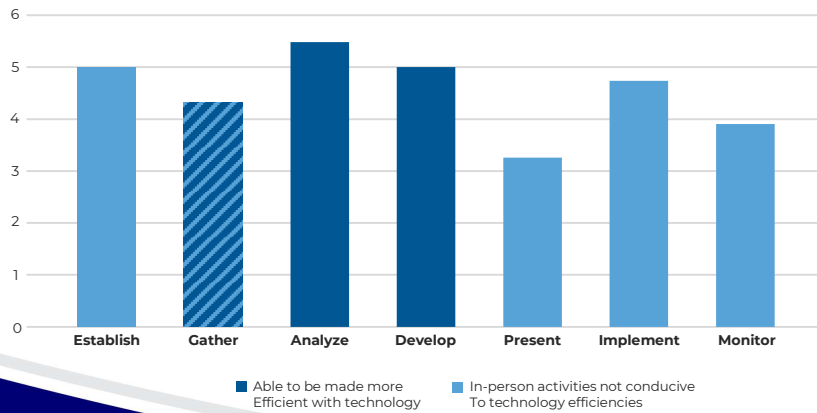
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SOFTWARE = BETTER, NOT FASTER?



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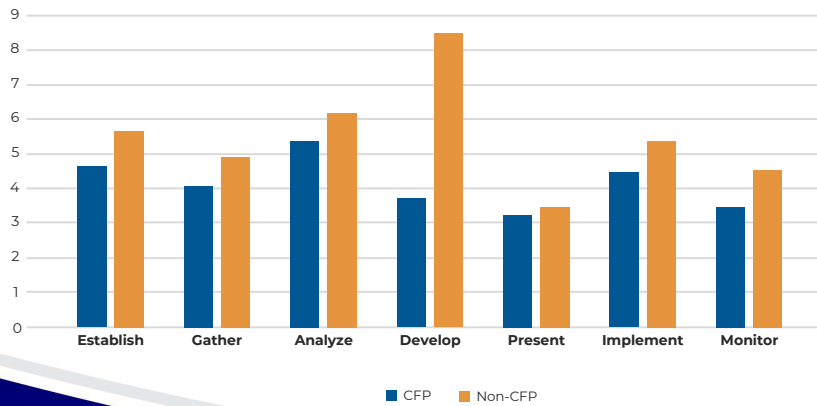
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HOW CFP CERTIFICATION IMPACTS EFFICIENCY



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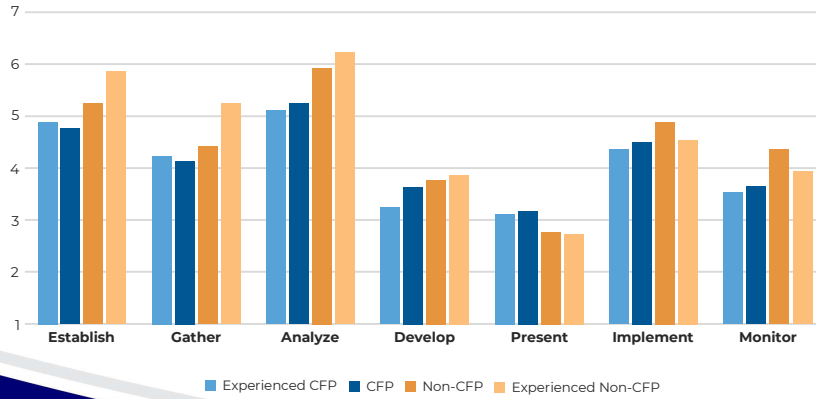
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THE FULL-YEAR EXPERIENCE-EXPERTISE GAP



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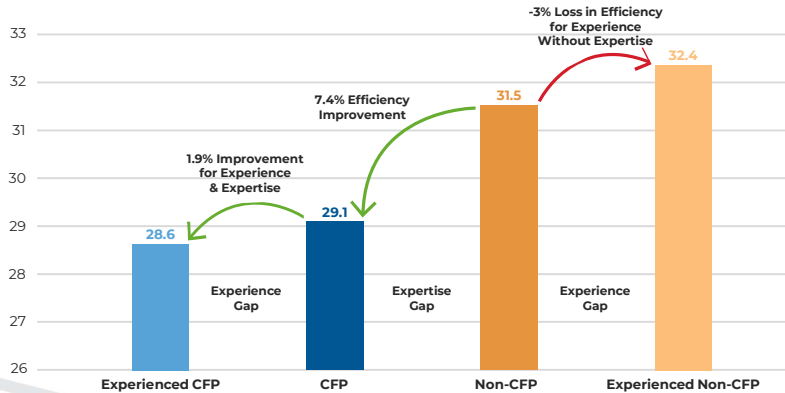
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THE FULL-YEAR EXPERIENCE-EXPERTISE GAP



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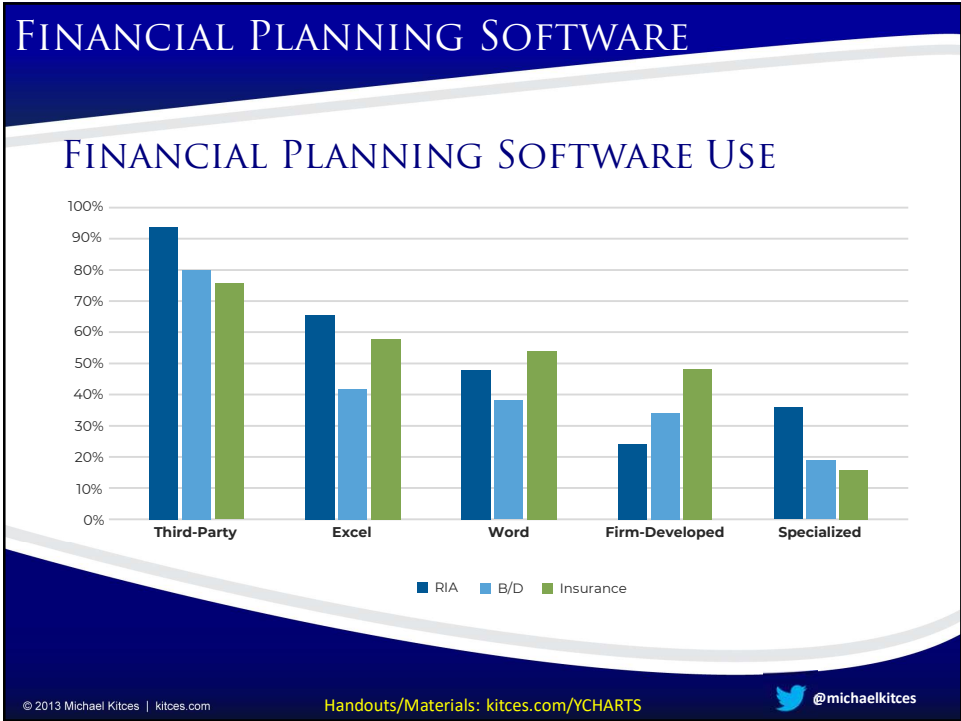
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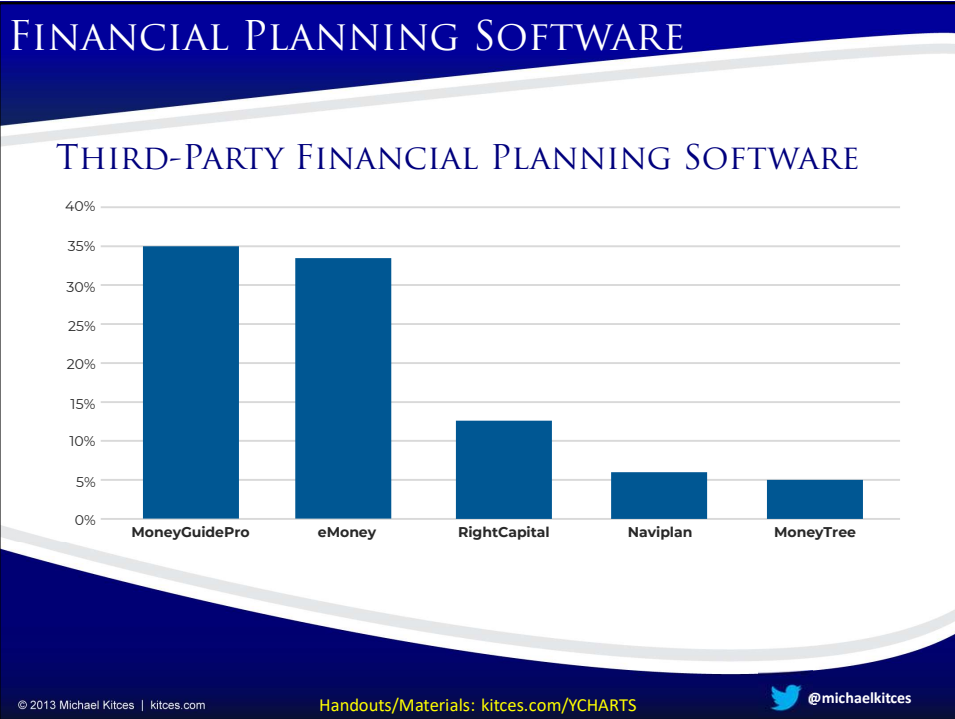
TOOLS USED IN THE FINANCIAL PLANNING PROCESS

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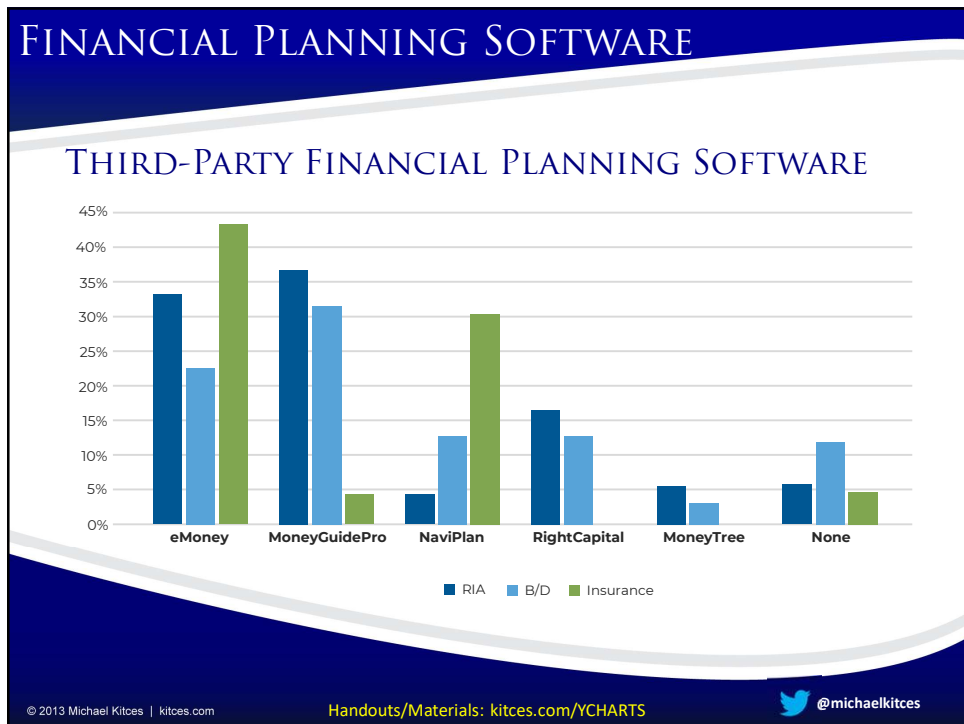
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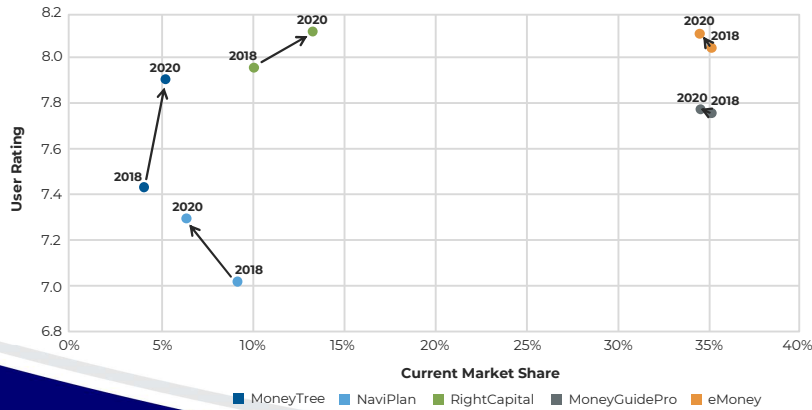
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FINANCIAL PLANNING SOFTWARE

THIRD-PARTY FINANCIAL PLANNING SOFTWARE



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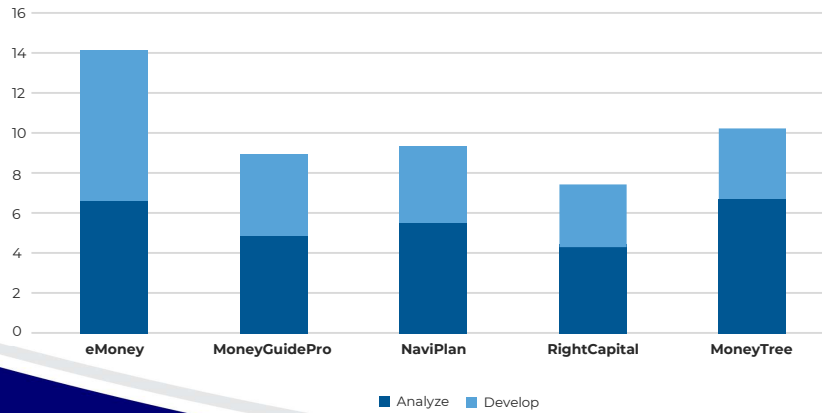
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FINANCIAL PLANNING SOFTWARE

TIME TO USE FINANCIAL PLANNING SOFTWARE



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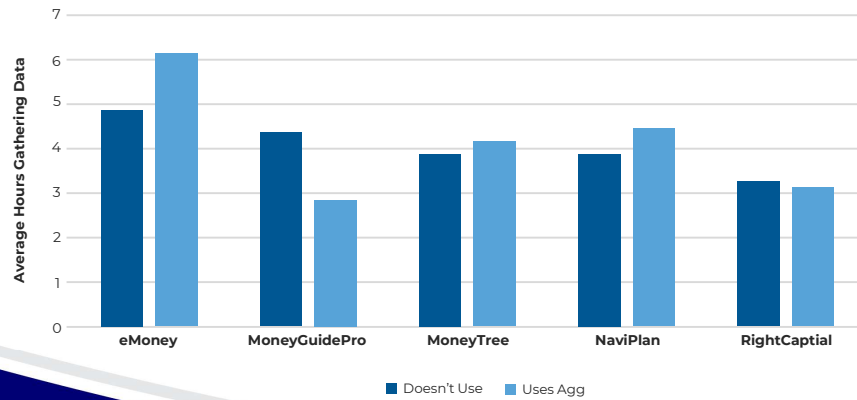
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PLANNING SOFTWARE LETS ADVISORS GO DEEPER?



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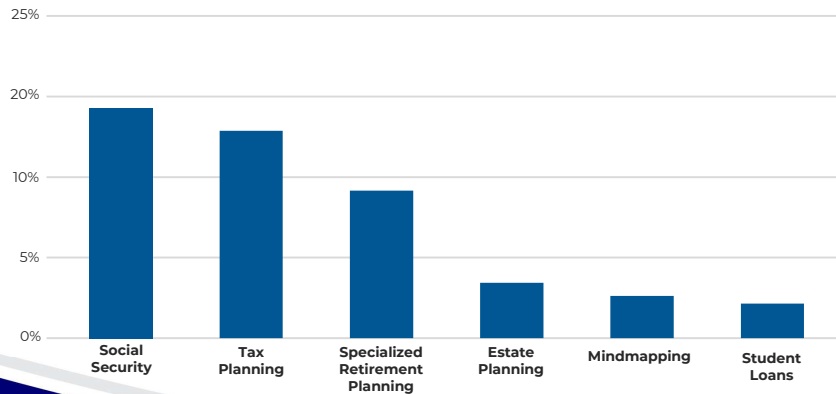
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SPECIALIZED PLANNING SOFTWARE TOOLS



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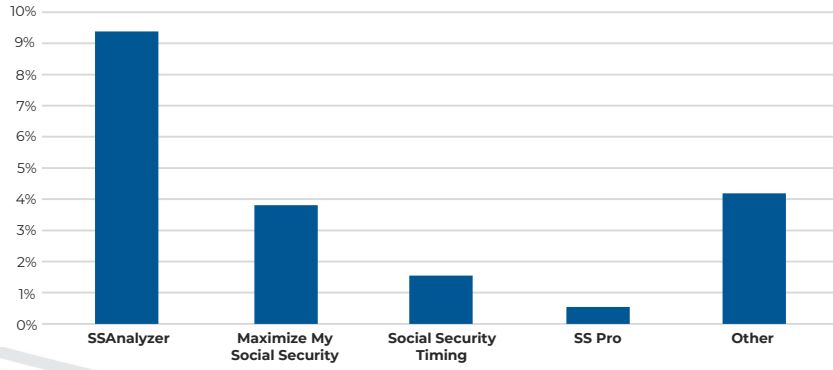
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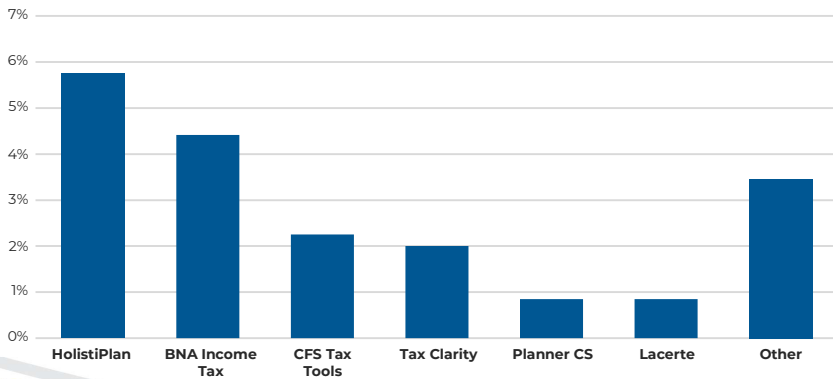
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SPECIALIZED PLANNING SOFTWARE TOOLS



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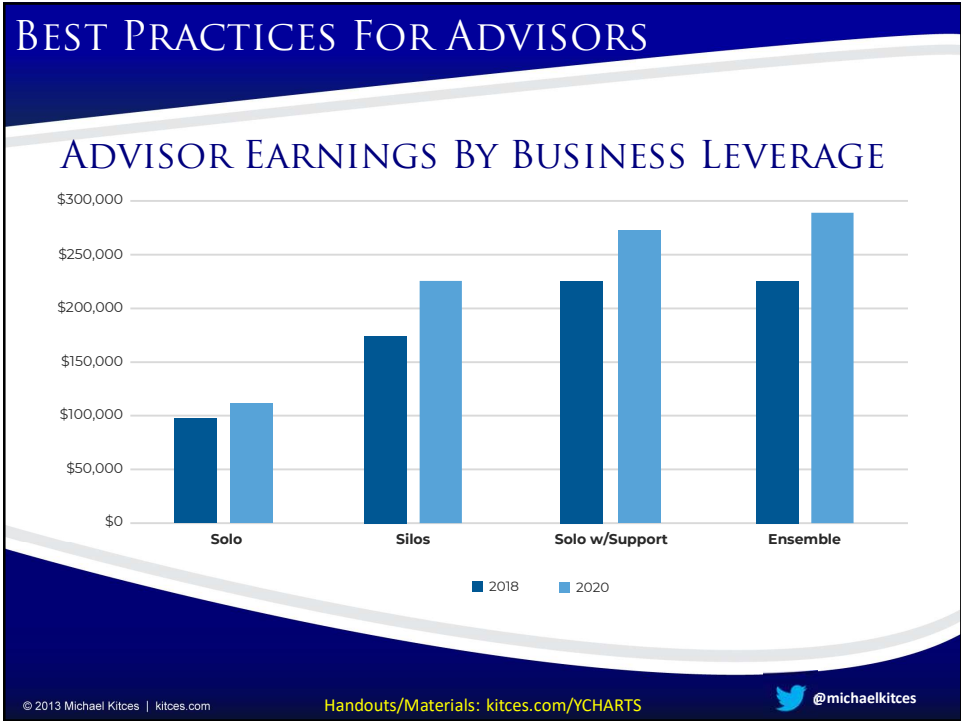
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BEST PRACTICES OF TOP ADVISORS

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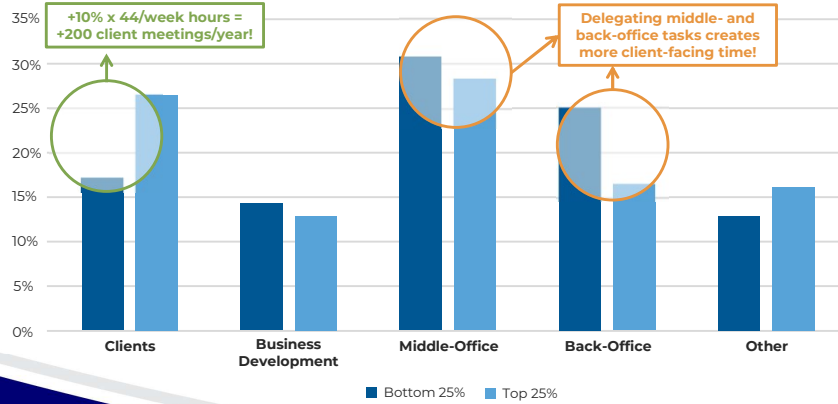
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BEST PRACTICES FOR ADVISORS

HOW TOP-EARNING ADVISORS SPEND TIME



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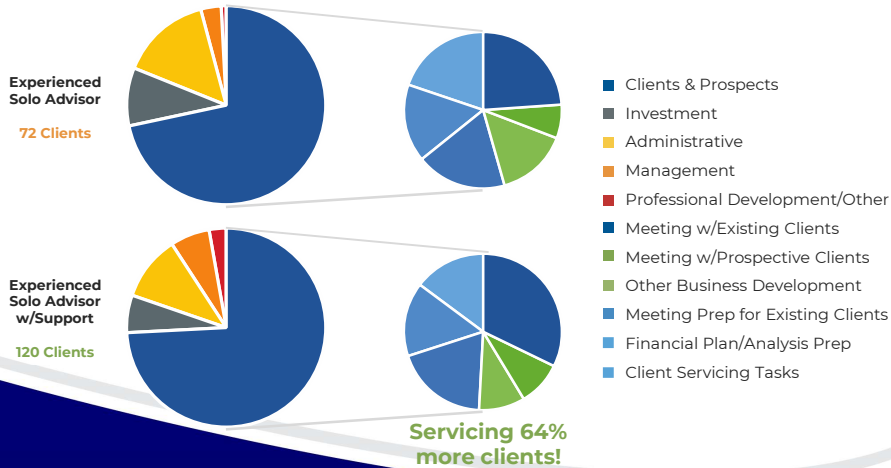
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BEST PRACTICES FOR ADVISORS

IT'S ALL ABOUT LEVERAGING YOUR TIME...



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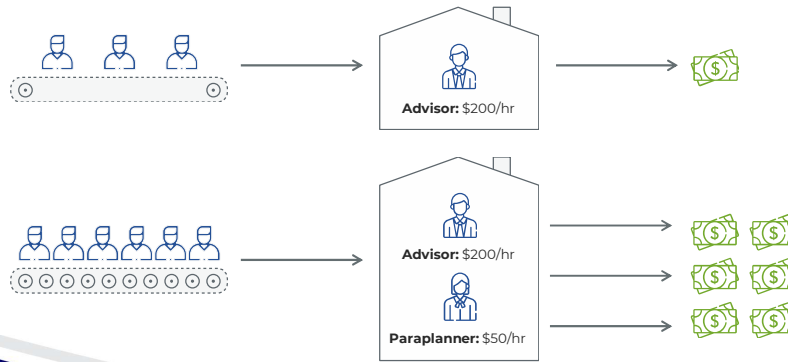
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IT'S ALL ABOUT LEVERAGING YOUR TIME...



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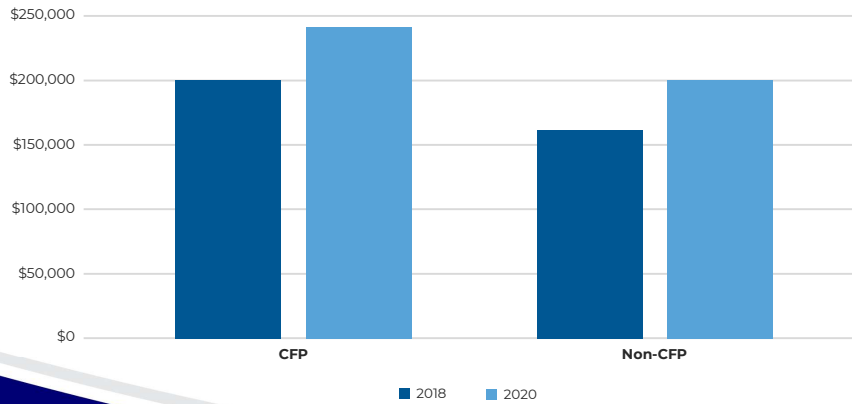
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BEST PRACTICES FOR ADVISORS

CFP CERTIFICATION REALLY DOES MATTER



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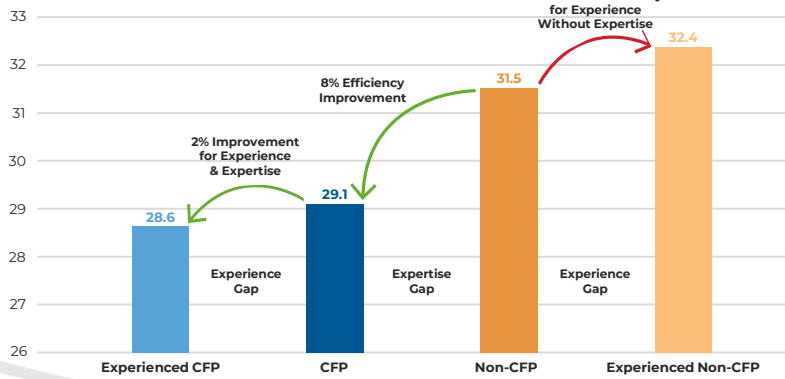
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CFP CERTIFICATION REALLY DOES MATTER



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KEY TAKEAWAYS

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KEY TAKEAWAYS

- Delegation *really* matters
 - 1st hire is typically client service manager
 - 2nd hire is typically paraplanner
 - Getting over the first-hire-hump is the hardest
 - Staff headcount 'doubles'!
 - But 'optimal' time management is a game of inches
 - Freeing 10% of your time = +200 client meetings/year!?

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KEY TAKEAWAYS

- Virtual Outsourcing makes incremental delegation *easier*
 - Virtual Client Service/Admin Support
 - www.ConsiderItDoneCompany.com
 - www.VirtualOutsourceSolutions.com
 - www.OutsourceThisOnline.com
 - TotalOffice.cc
 - Virtual Paraplanner Support
 - www.DelegatedPlanning.com
 - www.OutsourcedPlanning.com
 - wwwSimplyParaplanner.com

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KEY TAKEAWAYS

- Financial Planning Software Doesn't Save Time!
 - It helps advisors plan *better* and *deeper*
 - The time savings is in the *rest* of the (meetings) process!
- What *does* save time?
 - Collaborative planning
 - Less report preparation (and more client engagement!)
 - Experience + Expertise
 - CFP certification (and post-CFP designations?)
 - Systematized planning
 - Consistent clientele receiving (firm-created) deliverables

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KEY TAKEAWAYS

- In the end, efficiency is all about time management
 - Do you *really* need to have so many meetings?
 - Do you *really* need to produce so many deliverables?
 - Do you *really* need to be doing that much of the back-office and middle-office work yourself?
 - Can you focus who you work with to make your expertise more (easily) repeatable?

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