

PRACTICE MANAGEMENT

Transforming from ROI-Centric Planning to Return on Life Planning

by Mitch Anthony and Steve Sanduski, CFP®

OUR PROFESSION HAS made several transformations over the past few decades. Prior to 1980, most financial advisers were brokers who sold stocks and bonds on commission. During the 1980s and 1990s, stocks gave way to mutual funds and asset allocation. Commissions began to recede as brokers became advisers and turned to AUM fees. In the first 15 years of the new millennium, financial planning became de rigeur and the Internet became ubiquitous in the lives of clients and advisers.

Today, prodded by the millennial generation, we're seeing a strong movement toward redefining money. Instead of accumulating money for the goodies it can buy, we see people moving toward using money to live the best life possible with the money they have.

The Human Elements

As Daniel Pink pointed out in his 2005 book, *A Whole New Mind*, the value propositions of the future are going to be rooted and grounded in the right side of the brain, meaning that the human element is what people are willing

to pay for. Everything else is going to eventually become commoditized. In financial planning, the human element is best expressed in the discovery and review processes. We could juxtapose the binaries of the advisory relationship as: (1) a story of numbers; and (2) a number of stories.

The human aspect of the advice and planning process is found in each client's story: where they came from, how they got here, and where they hope to go. Knowledge and integration of these stories give the financial plan a visceral resonance and exponentially raise the probability of follow-through on the client's part. Why? Because when their story is the central context of the planning process they see themselves in the proposed plan.

If our central value is the story of numbers, we are consequently relying on functions that are easily replicated by algorithms and programs, i.e. mechanized and programmable procedures. This is not the human side of the business that Pink was referring to—and the latest disruption (robo-allocation) only

verifies that fact. Any adviser whose value is being questioned as a result of this disruption has clearly been relying too heavily on automated processes and has not purposefully demonstrated human value.

The Central Question

If you want to change the dynamics of the financial relationship to a value that is most meaningful, begin by changing the central question being answered in that relationship. The core question that has been driving the advice and planning world has been: "Do you, or will you have enough money?" Little wonder then that advisers have to spend so much time validating allocations, investments, and returns. This creates a never-ending, cul-de-sac dynamic where advisers must constantly justify how they are doing on a relative basis—a game no one can win in the end.

In the Return on Life™ (ROL) paradigm, the central question is not: "Do you have enough money?" (That is a tertiary question at best.) Rather, the central question is: "Are you using your

money in a way that is improving your life?” This question places the emphasis where it belongs—on behaviors that produce results. This places the adviser in a seat of true advice where he or she is weighing in with wisdom on what financial behaviors and principles need to be applied to better the client’s situation.

Change the central question you are attempting to answer, and the perception of your value will change with it.

One way to help your clients define what “improving your life” looks like is to ask them this question: “Several years from now, what does your life have to look like in order for you to feel a sense of well-being, that you’re making progress, and that you have freedom to live life the way you want?” What you’ll hear are the values that are most important to them—and you can start planning with those in mind. What you

won’t hear is: “I beat the S&P 500 by 100 basis points.”

Change the central question you are attempting to answer, and the perception of your value will change with it.

The Core Tenets of an ROL Practice

The traditional financial advice path and focus has been on numbers and returns (return on investment, or ROI). The ROL model subordinates ROI into a tertiary value, existing only to support Return on Life and highly personalized planning.

Following are the planks of belief constituting the platform for an ROL-

centered approach to financial advice. The ROL relationship will flourish when both the adviser and client acknowledge these principles as their basis for interaction.

Money is not an end. Money does not exist for its own sake. It is a utility that we seek to manage exercising caution and wisdom for the sake of improving our lives.

Comparative measures are neither helpful nor necessary in making progress. How one’s returns compare to any index, fund, or investment category (relative investment performance) are inconsequential and may not need to be a part of the review process.

Progress must be personalized. Progress is best measured against one’s own objectives. For measures of progress to be effective, a personal benchmark first needs to be established.

BOSTON
UNIVERSITY

Financial Planning Program Online

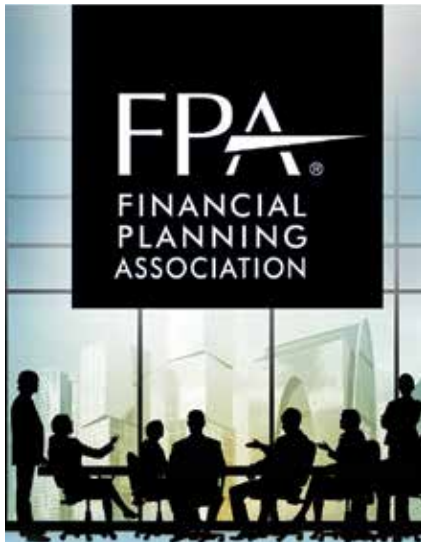
Custom enrollment packages and access to online course content for 21 months.

Work at your own pace.

Get started today:

financialplanningonline.bu.edu/FPA





Journal in the Round: Behavioral Finance and Blending Theory with Your Practice

Join *Journal* contributors Brad Klontz and Kol Birke as they look at the powerful research on financial psychology, as well as practice-oriented techniques and tools for planners to help shape their clients' financial beliefs and behaviors. Followed by a live Q and A and moderated by FPA Knowledge Circle host Barbara Kay.

May 31, 2017

11 a.m. PST | 12 p.m. MST | 1 p.m. CST | 2 p.m. EST

**Register at
Learning.OneFPA.org
Today!**

This requires knowing where all money is coming from and where all money is going.

The primary measure of success is “Return on Life.” We cannot provide the right answers if we do not ask the right questions. The fundamental question in the ROL paradigm is: “Are you managing (or using) your money in a way that is improving your life?”

How I am compensated is a matter of absolute transparency before my clients. If I’m hesitant to be forthcoming about how I am compensated, then I am not living in a place of confidence with my compensation structure or the value that I bring to my clients.

One of the greatest risks in a planning practice is what you don’t know about each client’s life situation.

I can provide quality and value to a limited number of clients. I recognize that to keep my life in balance and to serve others well (by providing the greatest amount of value), I must choose to serve a reasonable number of clients.

We are stewards of wealth, not owners. Ultimately, everything I own will end up in the hands of others. With this understanding, I pursue stewardship that recognizes the responsibility of supporting and securing personal, family, and community life.

The greatest value I can bring to my clients is to bridge their means with their meaning. I recognize the unique role I play between my clients’ means and their sense of well-being, progress, and freedom. I seek to facilitate growth in all these areas for my clients.

I will not entrust my clients’ well-being to anyone who does not put the clients’ interests ahead of their own. I understand the sacred trust that exists in financial matters and will never refer

my clients to anyone who does not appreciate this level of trust.

An ROL adviser has a calling, not a job. I understand that my commitment to help people improve their lives through wise financial decisions is more than employment. It is a vital service demanding professionalism and intellectual, emotional, and spiritual investment of self. To bring a fully human value, I must invest myself fully.

What We Need to Know

In the ROL approach to discovery, we have developed inquiries to help advisers better understand clients’ perspectives, their intended payoffs (what they want their money to do), and their current position in life (what changes they are migrating through). These inquiries educe the deeply human facets of the planning process, as each step in the inquiry requires the client to explain their view and tell their stories.

Client perspectives. How did your clients come to the perspectives they have regarding debt, standard of living, risk management, level of financial support for their children, market risk, wealth-building, and charitable giving? Knowing their views and perspectives is important, but knowing the story of how they arrived at these views is all the more informative.

Client payoffs. The measure for success in the ROL approach is not relative to any indices, fund, or category of investment; rather, it is an individual measure based on personal progress—or what we call the ROL Index. In a very practical way, this tool measures whether you are “getting your money’s worth” out of life by answering the fundamental question stated earlier, “Are you managing your money in a way that is improving your life?” The ROL Index asks 20 questions about 10 key aspects of life that we all try to improve through financial means.

(We will explore this index in-depth in our next article in July.)

Client's position in life. Where are your clients currently situated on the financial lifeline? What challenges and opportunities are they facing? What key transitions are looming? What vicissitudes of life could interrupt their best intentions? Staying in touch with the subtle and not-so-subtle changes in your client's life is the spinal column of the irreplaceable and fully human value proposition. Each transition or change in status determines the inflow and outflow of money, as well as financial progress and decline. As you have discovered, this aspect of discovery never ends. One of the greatest risks in a planning practice is what you don't know about each client's life situation.

Evolution Turned Revolution

The great promise of the ROL approach to planning is not just what it can deliver into the client's life, but also what it can deliver into the quality of the adviser's life. We know many who are weary of answering for markets, returns, and events completely outside of their control. We know many advisers who are tired of the same old, redundant conversations about money and yearly reviews.

The profession is moving quickly toward a much more profound focus on quality of life by helping clients get the best life possible with the money they have.

This is the ROL goal. We, with conviction, believe Return on Life is the path on which the profession is headed because this is what people really want—to manage their money in a way that improves their life. The difference between an evolution and a revolution is this: if an evolution is taking place, it's just a matter of time. If a revolution is coming to pass, it's because some people have foreseen the eventuality and have decided to hasten the pace in that ulti-

mate direction. We believe the direction is set, and the old way of quantitative advice is dying a quick death. The client requires more; the profession needs to deliver more. ■

Steve Sanduski, CFP®, is a New York Times best-selling author and podcast host whose firm, Belay Advisor, works with individuals and firms to accelerate their growth.

Mitch Anthony is the author of The New Retirementality (now in its fourth edition), Your Clients for Life, and Your Client's Story. He is a popular keynote speaker who is widely recognized as a pioneer in financial life planning.

Together they co-founded ROL Advisor, a company that equips financial advisers to facilitate Return on Life conversations with their clients and prospects.



with an advisor team model.

Is your business running as efficiently as possible? With the right team, you can focus on your clients and build a sustainable business. Signator can help with our unique advisor team models. We're a top independent broker-dealer with the resources and experience to help you build a winning firm that clients can depend on.

Take your practice further with:

SEAMLESS TECHNOLOGY • PRACTICE MANAGEMENT SUPPORT • A DIVERSE PRODUCT SHELF AND ROBUST RIA PROGRAM • WOMEN ADVISORS NETWORK • FULL EQUITY & SUCCESSION PLANNING

▶ 1-800-803-5194 ▶ SignatorInfo@jhancock.com

Signator[®]

SignatorInvestors.com/GOFURTHER

We are strongly committed to diversity and equal opportunity. Securities and Investment Advisory Services offered through Signator Investors, Inc. Member FINRA, SIPC, a Registered Investment Adviser, 200 Berkeley Street, Boston, MA 02116.

0185-20170407-363354