PRACTICE MANAGEMENT

Focusing on Life Transitions Is Good for Clients and Planners

by Mitch Anthony and Steve Sanduski, CFP®

Editor's note: This is the third in a series of three articles exploring a more meaningful and more permanent value proposition that today's planners can offer their clients. The first two were published in the May and July issues, respectively.

If you're not in tune with the life transitions your clients are going through—or will soon go through—it could mean clients will leave your practice. In this article, we'll show you that there is a need for fundamentally focusing on life transitions to positively impact the well-being of both your client and your practice.

There are three things to consider when providing clients a life-centered plan: (1) It must address the transitions unique to each client. (2) It is better to prepare than to repair. Much self-sabotaging financial behavior could be avoided by proactively addressing life transitions. (3) There is an umbilical relationship between life being in transition and money being in motion.

By listening in on most advice discussions, one would quickly conclude there are only a handful of life transitions that require planning. This could not be further from the truth. To some degree, this modality of thinking can be traced back to the products offered by financial services manufacturers: insurance, savings vehicles, and finance products. Consequently, the common transitions most financial advisers address are children going to college, retirement, purchasing a home, and death. But life passages are much broader and more voluminous than this short list, and by ignoring the other passages, we do a disservice to clients.

Self-sabotaging financial behavior could be avoided by proactively addressing life transitions.

The Financial Life Planning Institute (FLPI) has been conducting finite studies on the life transitions that most impact a client's financial well-being. These transitions range chronologically from anticipating the cradle to looking back on the grave—and every situation in between. FLPI's research has identified 59 such transitions, unearthing the financial implications for each.

Some of the research has come directly from financial planners who provided data from clients who had completed a checklist of their own life transitions. FLPI has been gathering and analyzing that data for the past decade. One interesting note is that despite market meltdowns and turbulent world events, the most frequently indicated transition in the last decade was one few planners addressed before using this planning tool—concern about aging parents. The unintended consequence of the aging revolution is that many baby boomers are living in the sandwiched reality of acting as shepherd over the preceding and following generations in their lives.

Identify Life Transitions

In a Return on Life™ (ROL)-centric practice, the specific life transitions that your client currently faces and anticipates in the future must be the spinal column of the planning dialogue. This focus makes your process highly personalized and uniquely vital to each client's reality. For this reason, we've developed a technology we call the $Lifeline. It's an interactive experience between planner and client, identifying the specific transitions and the timeline necessary to address the transitions.

It is not the planner's job to determine the priority each transition should occupy, but rather the client's. The planner's tasks are to: (1) be aware; (2) offer financial guidance; and (3) monitor and track changes.

One observation from planners who have used a transition focus through the years is that once they place a searchlight on clients' transitions, clients intuitively understand the need to keep them in the loop of any upcoming changes in their situation. You are now more than a financial adviser—you are a Life-Centered Planning™ confidante.

Prepare or Repair

Given the choice of addressing an effect or a cause, a strategic thinker would always prefer the latter. Addressing the effect puts one in a position of putting out fires and limits the capacity for controlling the situation. Yet, in observing the general practices of the financial advice industry, the majority of practitioners are highly reactive rather than proactive regarding many of the life transitions that their clients will face, with the exception of the few transitions noted in our introduction.

When are clients most likely to make self-sabotaging moves—to let emotion dictate over logic? Most likely in the visceral throes of an impactful life transition. This reality only serves to underscore the need for planners to be proactive and preemptive in their approach to life transitions.

Money in Motion

We could also make a very pragmatic business case for making life-transition tracking a principal aspect to your ongoing discovery processes. Our case rests on the obvious consequence that these life transitions are umbilically connected to money in motion.

Practitioners are highly reactive rather than proactive regarding life transitions.

Think of any life transition, and then make the connection to money in motion. The life transition is the cause, and money in motion is the effect.

Most practitioners have been taught to address money in motion (the effect) instead of the life transition (the cause). The consequence being that very often the adviser is not privy to the transition in progress until it is too late to be helpful. (A study conducted by a major bank on the retirement transition found that the adviser should start the retirement transition dialogue four-and-a-half years ahead of the actual transition to secure a place in the client's mind as the go-to planner.)

An illustration of this reality came from a planner who participated in a two-day course I [Mitch] taught at Georgia Tech University on Return on Life™ advice. I discussed the relationship between life events and assets in flux. I warned the planners of the dangers of ignorance regarding their clients' specific situations and the changes that often go unnoticed by planners.

Two days after the course, I heard from one of the planners:

"You won't believe what happened as soon as I got back to my office," he said. "My assistant informed me that one of my clients had called and told us that she was leaving to work with another adviser. Although she was not one of my top-20 clients, she was on my radar, so I called her to inquire."

He went on to tell me he said, "I understand you're leaving."

"I am," his client replied.

"Do you mind if I ask why?" he asked.

"I just got an inheritance, and I've been talking to someone about it. They are going to help me from here," she answered.

"Do you mind if I ask how much it was?" he asked.

"Around $900,000," she informed him.

"You know it's ironic," he shared. "I just returned from a class where the instructor told us that if we were not aware of the transitions taking place in our clients' lives, they most likely would move those assets to someone who was aware."

"Yep," she laconically answered. And that was the end of the call.

A planner's primary motivation for focusing on life transitions is to help clients effectively navigate through some of life's more challenging and confusing times—protecting clients from their own inclinations to act impulsively.

A secondary motivation is to forge a relationship that is not susceptible to whimsicality and insincere pitches, or to the luring call of automated technology solutions.

Just one more piece of evidence pointing to the fact that what's good for the client is good for the planner. ■

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.*

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

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