

Bridging the financial planning gap

Most advisors offer financial planning, but only about half of clients have a plan

By Leah Golob | May 26, 2017 12:15

While the majority of financial advisors create financial plans, they might just need to give clients a little push to get them started.

According to *Investment Executive's* 2016 Advisors' Report Card, there is a significant gap between the proportion of advisors who create financial plans for clients (86.2%) and clients who have a plan in place (54.2%).

"Many clients have some investment projections but they're not looking at their entire financial situation," says Noel D'Souza, a financial planner with Money Coaches Canada in Toronto.

One thing that sometimes deters clients from the financial planning process is a lack of understanding of what a comprehensive plan entails, D'Souza adds.

Aside from providing some basic client education, here are three tips to help you encourage your clients to create a financial plan:

1. Put planning first

Many clients believe investing and receiving returns is the "end goal in itself," D'Souza says. So, without the kind of clear goal obtained through the financial planning process, it's difficult for both the advisor and the client to make appropriate investments.

Choosing investments for your client should come *after* developing a detailed financial plan together, D'Souza says.

And for clients who feel nervous when discussing their investments, a financial plan is all the more important. "A financial plan can give clients piece of mind so they know that all of the pieces fit together in a sensible manner," D'Souza says.

2. Connect with clients on goals

One way to get clients emotionally invested in a financial plan is to start talking about their short-term, medium-term and long-term goals.

For example, if a client's medium-term goal is to spend one month travelling around Europe, he or she will be more eager to start a financial plan if you encourage them to discuss the main activities they are looking forward to — and their related costs.

Similarly, you can invite your client to envision his or her ideal retirement activities.

3. Avoid intimidating language

If some of your clients have already procrastinated creating a financial plan, using industry jargon may only dissuade them further.

"We want to make sure that we avoid excessive jargon that might make a client's eyes glaze over," D'Souza says.

When pitching a financial plan to your client, encourage them to ask questions at any time during the process, D'Souza says. This might mean revising your explanations as needed.