By Joyce Chuah

When It Is Critical To Walk The Talk

"Hi, my name is John and I am a financial planner."

How do people respond to you when you introduce yourself as a financial planner? Are you proud to announce your profession to others? How do you carry yourself as a financial planner? More importantly, is your life reflecting what you preach?

Financial planning in Malaysia is still in its nascent stage of development, but it has certainly come a long way. Over the last few years, many types of perceptions have been formed about the job of a financial planner. I remember when the Financial Planning Association of Malaysia (FPAM) first started with the CFP conversion programmes, many professionals and financial services practitioners took the opportunity to take the 40-hour crash course class on financial planning, after which they were required to complete a financial planning case, and submit it within three weeks.

I was one of the few lucky professionals to have been given a conversion programme opportunity which had actually saved me valuable time and money, had I need to sit through all six modules of the CFP course, and study for the examinations.

Looking back, I am not too sure how many of us who were fortunate enough to have taken the CFP conversion programme have really appreciated the opportunity.

What do I mean? First, what did you really learn from your crash course? Honestly, at the point in time, I found it difficult myself to see beyond academic reasons for doing the crash course. After all, it was a straight five eight-hour per day programme. How could I think of anything else except that doing the 40 hours was just simply part of the requirement to pass?

Incidentally, how many of us actually went back to each of the module later, sit in and learn the separate areas in each module? I did, and I found doing this rather relaxing as I was free from the pressures of exams and my focus in class was just to learn and ask questions. Then, there is the question of what you have done with your accreditation ever since you passed the exams? What have you practised? Which part of your career has changed? Does your life reflect your practices? Do you "walk the talk and practise what you preach?"

Before we go on to answer these questions, let's take another look at the CFP designation.

The CFP designation is viewed as the global benchmark in the financial planning industry for several reasons. First of all, the appointment was specifically designed by and for financial planners, and didn't grow out of any other profession, such as accounting, mutual fund sales or insurance. Additionally, to receive the CFP designation, advisors have to jump through a number of hoops, all of which are designed to ensure a basic level of education, experience, ethics and experience (professionalism). And to become licensed, they must successfully complete a rigorous examination; abide by a strict code of ethics which outlines the highest standards of conduct; take continuing education classes; and have a minimum of three years' experience in the business.

If we hold ourselves out to the public as certified financial planners of CFPs, we should live up to the expectations of the CFP designation. We need to take on a role to educate the public and make it clear to them when brokers are acting as brokers and making it hard for salespeople to pretend to be fiduciaries or financial planners. To make matters worse, there are still some brokers and salespeople who practise pure product selling and to add salt to the wound, in very unacceptable and unethical ways. I have come across unit trust agents who sell to the 'uneducated' investors using annual distribution declarations and bonus splits to lure them into thinking that these activities add value to their investments.

"If we hold ourselves out to the public as certified financial planners of CFPs, we should live up to the expectations of the CFP designation."

Then recently, there has been a new way in selling unit trust products – promising a guaranteed sum of return to be delivered to investors personally so long as their investments are made before the distribution of a declared dividend. What these investors are not made aware of is that the amount of money, which their agents promised to deliver, is not "instant profits." The cheques their agents eventually deliver to them only represented the capital that they had invested as the real market value of their unit trust funds fall right after the distribution of dividends.

Such practices have hurt the financial planning industry especially when some financial advisors and salespeople may use the term "financial planner" inaccurately, and to add to the confusion, many of the financial advisors offer quasi types or degrees of "financial planning services." As financial planners, what should we be doing to curb such unethical practices, which eventually will hurt our own image as CFPs? Can we educate our clients on the right methods in investment planning and forewarn them of unethical sales tactics used by the so-called "financial planners" wanting to make a quick sale? Perhaps the other question is: are we guilty of such practice ourselves? I certainly hope not.

When we put on the hat of a CFP, it is important that we practise what we have been trained to do. If we had earlier been in the financial services industry, which sold products aggressively, we need change the way we work. We need to have a different mindset. One of the best ways to do it is to remember the six-step process of financial planning. The key word here is: *process*.

Do you still remember the steps without reading further? Let me explain each of these steps and put them in a perspective that can be easily understood by our clients:

Establishing and defining the client-planner relationship

The CFP advisor should clearly explain or document the services to be provided to the client and define both his and the client's responsibilities. The planner should fully explain how he will be paid and by whom. Both the client and the planner should agree on how long the professional relationship should last and on how decisions will be made.

Gathering client data, including goals

The CFP advisor should ask for information about his client's financial situation. Both parties should mutually define the client's personal and financial goals, understand his time frame for results and discuss, if relevant, how the client feels about risk. The CFP advisor should gather all the necessary documents before giving him the advice he needs.

Analysing and evaluating your financial status

The CFP advisor should analyse the client's information to assess his current situation and determine what he must do to meet his goals. Depending on what services you have offered to your client, this could include analysing his assets, liabilities and cashflow, current insurance coverage, investments, estate and tax strategies.

Developing and presenting financial planning recommendations and/or alternatives

The CFP advisor should offer financial planning recommendations that address the client's goals, based on the information he provides. The planner should go over the recommendations with the client to help him understand them so that he can make informed decisions. The planner should also listen to his client's concerns and revise the recommendations as and when appropriate.

Implementing the financial planning recommendations

The CFP advisor should agree with the client on how the recommendations will be carried out. The planner may carry out the recommendations or serve as a "coach," coordinating the whole process with the client and other professionals such as attorneys or accountants.

Monitoring the financial planning recommendations

The CFP advisor should agree with the client on who will monitor the progress towards the client's goals. If the planner is in charge of the process, he/she should report to the client periodically to review his financial situation and adjust the recommendations, if needed, as his life events change.

As financial planners, we need to remember we are educators and not salespeople. To be an effective educator, we need to also be practising what we preach – at home. When I was lecturing some of the modules in the CFP course, I usually ask my students these questions: "Have you done your own personal financial statements? Do you know where you stand financially?" Now guess what the answer is.

For 99 percent of the time, the answer was "No." If this was the case, how can we walk the talk? How about the other areas of financial planning? Is our debt structure efficient? Have we even thought of our own retirement plans? What about our tax management? How efficient is it? Do we even keep a proper tax filing system? How does our personal investment portfolio look like? Have we done an investment policy statement for ourselves? What about our own will? Have we done an estate liquidity analysis before embarking on another insurance policy? Do we know what policies we own and why do we own them? Have we checked our own investment psyche? Are we also having the "herd mentality" when advising our clients and be driven by the same emotions as they are – hope, fear, greed, regret and disappointments? Do we impose our emotions onto our clients? Do we have an overall plan that will guide us towards our own life goals? Can we answer this question: "What is our personal net worth?"

Well, the problem of "practising what we preach" and "walking the talk" is common even in other professions. My father was a dentist and my Mom was the first one to lose all her teeth! Sometimes, we take our professions for granted and if we are not conscious about whether our profession is being practiced at home, it will show up in our authenticity as financial planners and in our advice to clients.

For some of us who have done some work on our own financial statements, we need to write our own financial plan. I know of a financial planner who is heavily into debt and does not even have a simple will. How can this person speak

Continues on page 34

Lo: Mentorship programme

Lo said. "If you are an insurance agent or a unit trust agent, you would have to decide whether you still want to be tied or not when you are practising financial planning. This is important because Money Concepts does not allow its practitioners to be tied – in my opinion, one step further into compliance – in order to be truly objective in your recommendations.

"When that's done, you're in business – you're licensed to practice, have a business plan, understand your target market (niche) and have a business model, whether it's commisson-only, fee-only, a combination of fee plus commission or Money Concepts." Sure sounds like Lo knows what he's talking about.

He does.

The man's not new in the financial planning business. He has been involved in peddling financial products and many aspects of the financial planning process prior to bringing Money Concepts to Malaysian shores. That was after he decided to leave his family business of construction and property development. "I didn't enjoy being a contractor," Lo said matter-of-factly. "Besides there were some family issues. Rather than being embroiled in the issues, I decided to be involved in something else. I had three choices –banking, insurance or investment services. I decided on insurance and started Prudential's business in East Malaysia in 1983. I was with Prudential until the year 2000."

In addition to insurance, Lo has also dabbled in will writing, estate planning and business succession planning/ inheritance planning. He is also one of the founding members of Rockwills Corporation Sdn Bhd, a lecturer and a syllabus (financial planning) developer.

But that's another story.

from page 10

with conviction about planning for one's life goals? We need to check ourselves and be honest about what we say to our clients. Are we fully convinced and passionate about what we have learned in the financial planning modules?

The other important aspect about the CFP designation is continuing education. The financial planning profession is like any other profession where learning is continuous.

How would you feel seeing a doctor, when prompted the question, "Where did you do your medical degree," to which he duly answered, "I didn't. I just watch ER and continue watching ER to keep myself updated!" Of course, there are no such doctors.

But what about financial planners? Do we take our profession seriously? Or is it just another few letters after your name? Some of us have plenty of these letters. Do we take our CFP mark (especially the ones who went through the conversion programme) for granted? Do we keep up with the required continuing education (CE) points, attend seminars organised by FPAM and reflect and research on what we learn from these seminars? Do we even read any financial planning publications? How passionate are we about the concepts of financial planning?

I believe for the role of the financial planner to progress beyond product selling, fees and commissions, we need to start with ourselves – write our own financial plan and make a head start in our own financial portfolios. The other area is education – we need to educate and re-educate our clients and ourselves so that they know how to differentiate between a genuine planner and a good salesperson.

Let us be ethical in our own practice and also ensure that our clients are aware of the different unethical sales practices used by unethical agents just to push a sale through. If we educate our clients on what to look for in an investment or insurance plan, they will appreciate our authenticity as a planner. Together, I believe we can help create a better image for ourselves and for the CFP profession in the longer term.

The writer is the senior partner of Success Concepts Life Planners.