

FINANCIAL PLANNING

PROCESS OF FINANCIAL PLANNING

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MEANING

Financial Planning is a step –by- step approach to meet once life goals . A financial plan acts as a guide as you go through life’s journey. Essentially , it helps you be in control of your income, expenses and investments such that you can manage your money and achieve your goals .

“ financial planning is the task of determining how a business will afford to achieve its strategic goals and objectives “ .

Various views of financial planning

1.) SINGLE PURPOSE VIEW

Some practitioners take the position that simply evaluating a single financial issue and providing an appropriate financial product or services to address that issue constitutes financial planning .

- a) A preparer of income tax returns who suggest that a client establish a retirement plan .
- b) A banker who opens a trust amount for a benefit of a customer's handicapped child .

▣ 2.) MULTIPLE PURPOSE VIEW

Other practitioners might argue that none or only some of the preceding persons are really financial planners .

a) An insurance agent who sells all types of life, health and general insurance .

b) A self proclaimed investment advisor.

c) A tax lawyer who assists , clients with their income, estate, and gift tax planning.

▣ 3.) Comprehensive view

still other practitioners views say financial planning means , and is synonymous with, comprehensive financial planning.

- a) Encompasses all the personal and financial situations of clients to the extent that these can be discovered, clarified and addresses .
- b) Integrates into its methodology all the techniques and expertise utilized in more narrowly focused approaches to client financial problem solving.

Financial planning



CFP BOARD MODEL

1.) Establish and define the relationship with the client : The financial planning professional informs the client about the financial planning process , the services the financial planning professional offers , and the financial planning professional's competences and experience .

2.) Collect the client's information : The financial planning professional and the client identify the client's personal and financial objectives, needs and priorities that are relevant to the scope of the engagement before making and recommendations

3.) Analyze and assess the client's financial status :

The financial planning professional analyzes the client's information, subject to the scope of the engagement, to gain an understanding of the client's financial situation. The financial planning professional assesses the strengths and weakness of the client .

4.) Develop the financial planning recommendations and present them to the client :

The financial planning professional considers one or more strategies relevant to the client's current situation that could reasonably meet the client's objectives, needs and priorities;

5.) Implement the financial planning recommendation

The financial planning professional and the client agree on implementation responsibilities that are consistent with the scope of the engagement, the client's acceptance of the financial planning recommendations, and the financial planning professional's ability to implement the financial planning recommendations.

6.) review the client's situation : The financial planning professional and client mutually define and agree on terms for reviewing and reevaluating the client's situation , including goals ,risk, profile, lifestyle and other relevant changes.