Family Financial Planning

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During the second half of the 20th century, the level of living for most American dramatically improved over the level enjoyed by their grandparents. By almost any standard used, most Americans today should be financially well off. However, there is a lot of data that indicates people are having serious problems managing their finances. Bankruptcies are at an all time high, so are mortgage foreclosures. Consumer debt is breaking records, while savings rates continue to decline. In spite of many government transfer programs, the number of Americans living in poverty is not that much better than it was 30 years ago, with many older Americans joining the poverty ranks. The divorce rate in America is high and researchers report that family financial problems usually play a key role in almost all separations. Most Americans' real income is much higher than it was one, two and especially three generations ago; so why all the financial problems.

Americans now live many, many years longer than their grandparents, so funding retirement is much more difficult than it was in the past. The quality of medical care has vastly improved during this century, with costs increasing even faster. Before the 1950's only a very small percentage of the population attended college. Today going to college is the goal of most high school graduates, but a college education is second only to the cost of a home, and a student is often still paying on the loan 5 to 10 years after graduation. Inflation's impact has been felt in other areas as well. Housing costs 20 times as much today as it did at the end of World War II. It now costs more to buy the average car today than it cost to buy the average house 20 years ago. Inflation has made it difficult when trying to develop plans to fund intermediate and long-term goals such as college educations and retirement. Taxes were not important during the first half of this century. Most people did not pay income taxes until after the end of the great depression of the 1930's. Before 1950, Social Security taxes took less than 1% of a person's wages. Today's rate is closer to 8%. Property and sales taxes were relatively unimportant. If all of this was not challenging enough, during the past ten years hundreds of new and different types of investment and insurance products have been developed. The consumer is confused when forced to make choices. If affluence has no other impact, it has made life more hectic. Most of us think we have less time than our parents and grandparents had. True or not, it takes time to manage money, and time for many people is scarcer than money. And there certainly is less time for families where both spouses work full time.

If all of the above was not enough, most people have received no formal training in managing their finances. So even though most Americans earn enough money to adequately meet their financial needs and their more important wants, actually most do not do as well as they could. It may simply not be possible for any person, couple or

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family to do an excellent job of managing their finances on their own. Is there a solution? Yes. Another profession is emerging with a specialist known as a financial advisor, financial counselor, or family financial planner.

As long as there has been money, at least a select few have benefitted from the advice of financial advisors. However, until the 1960's, most professional advisors have been specialists in one, and at most two areas, and only the wealthy could afford their services. Perhaps they were competent in insurance or taxes or investments or cash flow management or retirement planning or estate planning, but rarely were they reasonably competent in all areas. It was not until the 1960's that the first professionals recognized the need to be reasonably competent in all key areas that affect an individual's finances. Someone coined the description 'Financial Planner' and a new profession was launched.

**So What is Financial Planning and What does a Family Financial Planner Do**

Financial Planning is a client-oriented process focusing on all the psychological and financial factors which impact a person's or a family's finances. The Family Financial Planner assists the client in the examination and evaluation of immediate and long-term financial needs and objectives. Most of the focus of the planning process is in identifying and combining strategies in order for an individual, couple or family to achieve their financial goals. For example, the purchase of a life insurance policy would not be considered independently of the impact on a client's tax and estate planning, and would need to be coordinated with the cash management process.

A professional financial planner usually takes a client through a six step process known as the Comprehensive Financial Planning Process. Step one primarily involves gathering and organizing financial and personal data such as lists of assets and liabilities, tax returns, insurance policies, wills, pension documents and information on the client's attitudes and values about money. Personal data about the client and family, such as age and names of all family members, their health and educational attainment is also collected.

In step two, the family financial planner helps the client identify and clarify financial and personal goals and objectives. The planner helps the client examine and evaluate goals in light of the client's values and attitudes. Such personal factors are equally as important as financial data in helping planners determine the best financial strategies for their client. The family financial planner needs to understand where the client is coming from and what the client considers important.

Step three involves identifying financial and other problems that create barriers which inhibit or prevent a person or family from achieving financial goals. Problem areas can include too little or too much insurance, cash flow may be inadequate or investments may not be serving as effective inflation hedges. The client may have assumed too much debt. The planner needs to identify the factors that are creating stress for the client who is trying to effectively manage finances.

Step four includes developing a financial plan and presenting it to the client. After the client resources have been identified, goals and objectives defined, and problems clarified, the planner and the client evaluate strategies that will enable the client to most effectively achieve goals and objectives. Once the strategies have been identified, a comprehensive financial plan is developed that integrates all strategies. The length of the plan will vary with the complexity of each individual or family's situation, but it should always meet each client's needs. Such a plan will usually have the following sections:
1. personal data
2. client goals and objectives
3. key problems to resolve
4. financial statements
5. cash flow management
6. risk management/insurance
7. investments
8. income taxes
9. retirement
10. estate planning
11. recommendations
12. implementation calendar

Step five involves implementation or the coordination of the implementation of the strategies identified in the financial plan. A financial plan is only helpful if the recommendations are put into action. The family financial planner will assist the client in implementation, or will coordinate implementation with other knowledgeable professionals.

Step six involves periodic review and revision of the financial plan. Client circumstances change all the time, the economic climate is always in a state of flux, and new laws seem to show up constantly. Financial planning is not a one time treatment, but is rather an ongoing process. Individuals and families continue to need a financial expert who understands their circumstances.

*How and Where Does a Family Financial Planner Work? Who Are His or Her Clients?*

Some financial planners may be self-employed consultants who provide financial plans for a set fee. The fee can be composed of a percentage of the client's total assets, or it can be determined on an hourly basis for the time involved. This is called fee-only compensation.

Other financial planners may work for a financial institution, such as a bank, a securities brokerage firm, an insurance company, or a financial planning firm. These men and women provide financial planning, but may also sell products or services. These financial planners' compensation may only come from commissions on the products they sell when implementing a client's plan. Such products might include insurance, securities, real estate, Individual retirement Accounts (IRAs) or trust services. This is called commission-only compensation.

Many financial planners, however, derive their income from a combination of fees and commissions called, not surprisingly, fee-and-commission compensation.

Clients come from all walks of life. During the sixties, seventies and even during the early 1980's, most clients earned incomes and had net worths that placed them at the upper end of the personal financial spectrum. However, with the advent of comprehensive financial planning, computer software packages and an explosion in the number of financial planners, the great American middle class has started to use the services of family financial planners in ever increasing numbers.
What Skills are Required of a Family Financial Planner/How Does One Get These Skills and Practice Them?

The family financial planner needs to have excellent interpersonal skills, and should have taken coursework in relationship theory, counseling and interviewing techniques, personality development, and marital and family interaction. The financial planner should be familiar with personal money management, investments, insurance products and tax planning. In addition, he or she should have knowledge of the laws and legal restrictions involved with retirement plans, estate planning, wills, trusts and tax shelters. The family financial planner must be skilled in working with calculations and budgets and be able to understand and analyze complicated financial and legal documents.

Strong attention to detail is important. Good written and verbal communication skills are essential. The ability to operate a personal computer is quite helpful also.

Family financial planners must constantly update their knowledge in many areas. A great deal of reading is required as well as continuing to enroll in coursework and attending seminars and workshops, which are also part of the planner's continuing education process.

Family financial planners should be able to work well with many different kinds of people, particularly with other professional advisors (for example, lawyers, accountants, insurance agents and stock brokers) with whom close and cooperative associations are necessary to fulfill a client's needs.

Family financial planners also need sales ability, for their success depends on how well they can sell themselves, their services and their recommendations.

What Courses Should a Person Interested in Family Financial Planning Take?

While no specific educational requirements have been formalized for the financial planning field, the majority of financial planners have at least a four-year college degree.

Courses providing the best preparation for the financial planning field include:
- accounting
- finance
- economics
- mathematics
- public speaking
- English
- human behavior
- family theory
- counseling
- investments
- taxes
- financial planning
- estate planning
- risk management

A good introductory course in computer science, which offers hands-on experience with microcomputers, can be extremely worthwhile since most comprehensive financial plans require the use of small computers.
Many colleges and universities offer programs in family financial planning. Curriculums in financial planning are rapidly being established at schools of higher learning across the country, such as Texas Tech, Purdue and the University of Missouri. Those desiring a list of colleges and universities with such programs should write to the International Association for Financial Planning, Two Concourse Parkway, Suite 800, Atlanta, Georgia 30328, and ask for their pamphlet, Financial Planning as A Career.

At present, few universities offer graduate work in family financial planning. Both Georgia State and Golden Gate University offer programs that have a strong business focus. The closest subject matter area, at the graduate level, is family economics.

What are Employment Opportunities Like for People Who Prepare for Careers in Family Financial Planning

Working hours:

Family financial planners usually work at least 40 hours each week, often more when starting in the profession. Occasionally, they must work evenings and weekends to meet with clients. Planners normally work in an office, usually with other planners or a support staff. Some planners work out of their homes. Professional conferences, which afford the opportunity to meet other financial planners and expand one's knowledge, may require travel and one or two nights lodging. But remember, the professional knows no hours.

Earnings:

Financial planners' income vary. Fee-only planners are compensated by charging set fees for the preparation of financial plans, and the amount can be anywhere from $500 to $30,000 or more, depending on the complexities of the client's current financial position.

Commission-only planners do not charge for preparing financial plans. They receive commissions on the sale of products such as securities, insurance and other specific investments. The actual income of these planners depends to a large extent on the client's purchase of their investment recommendations. Earnings for these individuals are similar to those for stockbrokers or insurance agents.

Many financial planners provide services on a fee-and-commission basis. They charge a modest fee for the preparation of a financial plan and earn commissions on the sale of recommended products as they implement the plan.

The starting salaries for graduates who major in family financial planning is currently in the low twenties. The normal annual income of most experienced family financial planners is $40,000 to $60,000 or more. Of course, the income of a financial planner depends on his or her expertise, ability, experience, type and number of clients and fees charged. Indications are, however, that the trend in income is upward.

Employment Outlook:

Financial planning is growing rapidly because of the increase in the number of families with annual incomes of more than $25,000 who can benefit most from this service. In addition to those planners who are establishing their own businesses, many brokerage houses, insurance companies, accounting firms and banks are also setting up financial planning departments.
Besides College Coursework, How Does a Person Prepare for a Career as a Family Financial Planner?

There are three additional areas in which a person may wish to prepare for career opportunities. Because family financial planning is so applied, anyone serious about such employment should consider completing an internship. The university should have appointed one member of the faculty to be up to date on student internship opportunities. That faculty member knows the names of firms that sponsor quality internships and can help arrange college credit once satisfactory completion of the internship has been verified. A well structured internship is an excellent way to discover if a career in family financial planning appears to meet the talents, interests and abilities of the college-student. It is also an excellent way to thoroughly check out a potential employer before his graduation. Better internships usually offer financial compensation.

Another way to prepare for a career in family financial planning is to join the student chapter of the International Association for Financial Planning. A student receives all the benefits of membership in the IAFP at a fraction of the cost of regular membership. It includes a subscription to Financial Planning, and it is an excellent way to become acquainted with professional financial planners, and to locate both internships as well as permanent employment.

Students may also want to join the Association for Financial Counseling and Planning Education. They can write to Albert Horner, 17000 West Eight Mile Road, Southfield, Michigan 48075, for information.

Many financial planners pursue further study leading to a professional designation such as Certified Financial Planner (CFP) or Chartered Financial Consultant (ChFC). Those who seek these designations must take and pass six to ten college-level courses which are available through self study.

The International Board of Standards and Practices for Certified Financial Planners (IBCFP), located in Denver, Colorado confers the Certified Financial Planner designation. Anyone interested in earning the CFP may enroll in one of the college programs registered with the IBCFP or contact the College for Financial Planning in Denver which offers six courses that can be taken as home study or at various locations across the United States.

The American College in Bryn Mawr, Pennsylvania, requires candidates who wish to earn the ChFC designation to meet certain standards in ethical and professional business practices. Candidates for the ChFC must complete a set of ten courses which can be taken as home study or at various locations across the United States. The American College offers their courses at a discount to college students. They also have a scholarship program available to students.

Are Family Financial Planners Regulated?

Since financial planning is a relatively new profession, there are no clear standards set by Federal or State regulatory agencies to which those claiming to be financial planners (anyone can call himself or herself a financial planner) must conform.

There are, however, licenses and registrations recognized within the financial services industry which are conferred or attained only after an individual has met certain Federal and/or State requirements. For example, in the fields of law, accounting,
securities, real estate and insurance, examinations must be passed or particular requirements must be met before an individual is awarded a license or registration to practice law or sell investments, real estate or insurance.

Numerous steps have been taken within the industry to establish professional and ethical guidelines and standards for those who practice financial planning. Several organizations and institutions are active in this endeavor. For example, the International Association for Financial Planning (IAFP) has a Code of Professional Ethics for its members by which they must abide. The Registry of Financial Planning Practitioners, an IAFP program, identifies financial planners who are experienced and knowledgeable, use proven methods, practice financial planning as their primary vocation, and have agreed to abide by certain ethical and professional rules of conduct.

What Opportunities Are Available for Advancement Beyond Entry-Level Positions?

Financial planning is still a very new profession. There is a great deal of room at the top. At this point in time, most graduates of family financial planning programs have found employment with small firms who primarily service affluent clients. Times are changing; large insurance, banking, tax and investment firms are starting to provide financial planning for clients with incomes of $25,000 and up. The opportunities are there for those who are willing to prepare and who know how to work hard.

WHAT CAN I DO AS A FAMILY PROFESSIONAL?

CAN I MAKE A DECENT LIVING AS A FAMILY PROFESSIONAL?

For the first time a book exploring career and professional development in the family professions is available for use by family professionals, those interested in family careers and professions, and as a text in courses related to the various family career possibilities.

CAREER AND PROFESSIONAL DEVELOPMENT IN FAMILY SCIENCE

Edited by
Thomas B. Holman and Barbara Vance
(Available July 1989)

With chapters prepared by family professionals, inside and outside academia, from throughout the United States, this book provides information about the career and professional avenues open to family professionals with baccalaureate and graduate degrees, how to prepare for these career paths, how to obtain employment as a family professional, how to enhance one's career as a family professional, and much, much more.

The book consists of the articles appearing in the February and May 1989 issues of Family Science Review, together with additional contributions from family professionals pursuing a variety of career paths related to the family.

The book will be ready for use in fall quarter/semester classes. Your bookstore may order the book from:

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