



Steps in the Financial Planning Process

Step 1: Establish Client-Planner Relationship

- Client expectations, as well as the professional's suitability and desire to meet those needs and expectations
- Discuss with the prospective client issues and concepts related to the overall financial planning process
- Explain to the prospective client the scope of financial services offered by the professional and his/her firm
- Explain the sources and methods of compensation for the services provided
- Provide to the prospective client any pertinent disclosures
- Mutually define the scope of the engagement
- Document the scope of the engagement

Step 2: Gather Client Data and Determine Goals and Expectations

- Obtain information necessary to formulate the financial plan (e.g., through client interviews; questionnaires)
- Collect applicable client records and documents
- Determine the client's personal and financial goals, needs and priorities with active client participation
- Determine the client's time horizon for each identified goal
- Identify the client's values, attitudes and expectations that may impact the financial plan
- Determine the client's level of knowledge about financial matters
- Determine the client's risk tolerance level

Step 3: Determine the Client's Financial Status through Analysis and Evaluation

- Analyze and evaluate the client's current financial situation, preparing projections when appropriate:
 - Statement of financial position/balance sheet
 - Cash flow statement/budget
 - Debt (e.g., consumer, mortgage, investment, contingent liabilities)
 - Estate documents, strategies and estate tax liabilities
 - Education funding
 - Retirement plans and strategies
 - Employee benefits

- Special circumstances (e.g., divorce, disabilities, non-traditional families)
- Income tax
- Investments
- Asset allocation
- Insurance coverages
- Closely held business
- Asset protection
- Capital needs analysis

Step 4: Develop and Present Financial Planning Recommendations and/or Alternatives

- Prepare appropriate alternative recommendations to meet the client's goals and objectives
- Conduct quantitative sensitivity analysis (e.g., changing assumptions such as inflation rate, rates of return, time horizon)
- Provide documentation for recommendations where appropriate (e.g., prospectus, financial reports)
- Present alternatives, recommendations, and review assumptions with the client
- Obtain feedback from the client and revise the recommendations as appropriate
- Prioritize action items
- Obtain client's agreement

Step 5: Implement the Financial Plan

- Create an implementation plan with an appropriate timeline
- Implement the recommendations
- Coordinate as necessary with the client and/or other professionals

Step 6: Monitor the Financial Plan

- Monitor and evaluate the effectiveness of recommendations
- Review the performance and progress of the plan with the client
- Discuss and evaluate changes in the client's personal circumstances
- Review and evaluate changes in the legal, tax and economic environments
- Make recommendations to accommodate changed circumstances

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Financial Plan

for

Sample Client

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