

# Financial Planners –

## A Title In Search Of a Standard

By David Choo

In this first of a series of six articles, Promiseland's managing director **MR DAVID CHOO** prepares us for the benefits and what to expect in the new international standard on Personal Financial Planning - ISO 22222:2005.

**D**o you know that anyone in Singapore can just call himself a financial planner? Yes, just about anyone can be a self-appointed "Financial Planner" because the designation is not controlled, unlike the terms "Financial Adviser" and "Financial Adviser Representative" which are defined clearly in the Financial Advisers Act 2002.

Yet, internationally, the term "Financial Planner" is the more prestigious designation. So, is there a way to salvage this title in Singapore?

Fortunately, there is, but it depends entirely on consumers, not the authorities. How? By choosing those who are certified ISO fit.

The International Standard ISO 22222:2005 on Personal Financial Planning, which Singapore agreed to support together with 16 other countries thus far, separates the sheep from the goats. The signing of the Memorandum of Understanding for the Adoption and Implementation of ISO 22222:2005 in Singapore by nine associations in Singapore on 1 December 2006, which was orchestrated by SPRING Singapore, marked the beginning of a new chapter for bona fide financial planners.

When the certification process is in place, only financial planners who are certified will be allowed to use the ISO mark. This signifies that they are

adopting the six-step financial planning process and certain minimum standards set by the certification body.

The certification will be for the individual planner, and not the company, and will apply to all planners, whether they are from the banks, stockbrokers, insurance companies or financial adviser firms. All the industry associations, except one, have put their signatures to the Memorandum of Understanding.

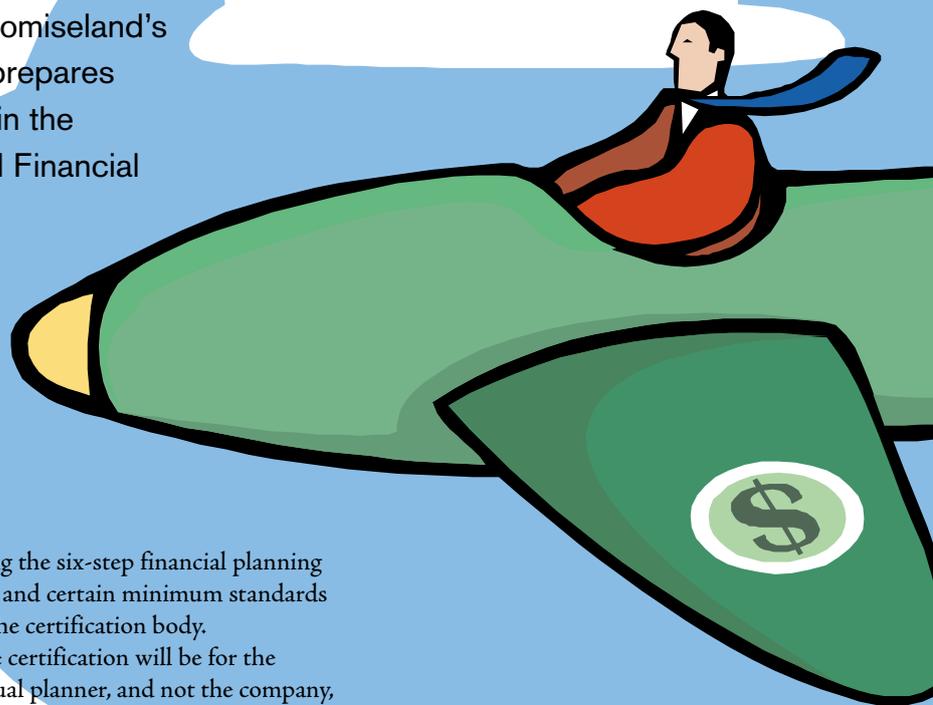
But whether the current practitioners will want to apply for this certification, which is voluntary, will depend on many factors. Being already saddled with many compliance rules, the natural reaction is "not another requirement please". Also, not many practitioners are adopting the financial planning process and are still doing well mainly because they spend less time per sale. Many who have obtained their Chartered Financial Consultant (ChFC) or Certified Financial Planner (CFP) titles started enthusiastically but had their zeal dampened by clients who "had no time" for the full financial planning and wanted to receive product advice only. Yet, there are clear benefits of going through the six-step financial planning process, namely:

1. Establishing and defining the client and personal financial planner relationship
2. Gathering client data and determining goals and expectations
3. Analyzing and evaluating the client's financial status
4. Developing and presenting the financial plan
5. Implementing the financial planning recommendation
6. Monitoring the financial plan and managing the financial planning relationship

### Benefits of the Financial Planning Process and Using a Financial Planner

There are many benefits, but for simplicity, let me group them under four Cs.

- ❖ Client-focus
- ❖ Comprehensive





planning is that it forces the client to take a comprehensive view of his financial needs and solving them in a planned and coordinated way. Solving financial problems piecemeal and on an ad hoc basis often lead to other problems. For example, over commitment in housing loans can expose the client to grave risks when he loses a job. Going into investment before taking adequate insurance is recipe for disaster when the breadwinner dies or is disabled.

A good financial planner guides the client to look at all angles and the different needs of himself, his family and his business, not only for now but the future as well. Planning for contingencies is often not something a client would do by himself, but a good financial planner helps to identify these.

The third benefit is clarity. One of the

Lastly, the financial planner provides continuity. The turnover of salespeople, including insurance agents, is notoriously high because of the emphasis on taking new people with new contacts and getting them to sell their natural market. Not many are able to survive once their natural market dries up. Even those who survive are continually looking for new clients, not servicing existing clients.

On the other hand, an experienced financial planner who has established himself is likely to be in business for a life-time and provides the continuity. Many of the clients' objectives are long-term, e.g. retirement and estate planning. It is wise to invest throughout one's working life and even in retirement. A good financial planner, backed by a company with the required expertise, will provide the continuous advice and

The certification will be for the **INDIVIDUAL PLANNER**, and not the company, and will **APPLY TO ALL PLANNERS**, whether they are from the banks, stockbrokers, insurance companies or financial adviser firms.

- ❖ Clarity
- ❖ Continuity

Financial planning focuses attention on the client from the very first step. The question is what the financial planner can do for the client, and not the other way round.

The first step is to establish and define the role of the financial planner in the relationship and what he can deliver in terms of advice, strategies, techniques, solutions and products. This is the most important step, just like marrying the right person is the most important step in a marriage relationship. Although it is easier to ditch a non-performing financial planner than a spouse, clients should take great care over whom they appoint.

An ethical and professional financial planner will seek to keep clients' interest first from beginning to end in a life-long business relationship.

The second benefit of financial

most common causes of making wrong decisions or "paralysis due to analysis" is lack of good understanding of the subject. Financial services and products can be very confusing and advertisers are not making our lives easier when everything is presented as good and a must-have.

Tax and estate planning is not everybody's cup of tea. Even retirement planning is not as straightforward as what banks and insurers present it to be. Not to mention insurance with its gamut of products and benefits but caveats and exclusions, too.

Who can bring clarity to such wide-ranging issues as tax, law, finance, economics, insurance and medical? An experienced and qualified financial planner can guide the client, manage these issues and be a valuable member of the team of advisers including tax consultants, lawyers, realtor, private banker, etc.

monitoring and resetting of objectives to match the clients changing needs through life cycles and economic cycles.

It is my pleasure to share my experience and that of my financial planning colleagues in the issues that follow. I will go through the six steps, and highlight what clients should pay heed to. The ISO mark for the personal financial planning will take some time to be accepted. Meanwhile, clients are on their own to separate the wheat from the chaff, the sheep from the goats. **Q**



(David Choo, ChFC, CFP, is the Managing Director of PromiseLwand Independent Pte Ltd, a licensed Financial Adviser. He is currently the President of the Association of Financial Advisers Singapore. He can be contacted at email:

davidchoo@promiseland.com.sg or telephone no. 62942461. Website: <http://www.promiseland.com.sg>)