

BY DAVID GARGARO

UNDERSTAND THE EMOTIONAL SIDE OF FINANCIAL PLANNING

CONSIDER MORE THAN NUMBERS FOR INVESTORS

T Many financial advisors focus on the practical aspects of financial planning when developing retirement portfolios with their clients.

They will discuss the features and benefits of various investment options, tax implications, risk levels, sources of revenue and expenses that could affect retirement, insurance and long-term care riders, and other matters. The emphasis is mostly logical – their clients have a need, and this specific investment package will address that need.

However, people are not completely logical – they are also emotional beings. They have wants and fears that can affect their decision-making process. Facts and figures can help to explain investment choices, but they won't alleviate your clients' worries when the market fluctuates. In fact, numbers can make things more stressful when not properly explained or taken in

context. Clients don't mind riskier portfolios when the market is going up, but they can become very stressed when the market goes down, regardless of how their portfolio is structured.

Bradford Ferguson, CFA, president of Halter Ferguson Financial, learned all about risk, and how people react emotionally, while he was a professional stock options trader during the dot-com bubble. When he became an advisor with Halter Ferguson Financial, he focused on helping clients through the financial crisis. He learned that investing wasn't all about numbers and statistics, but rather helping clients to deal with their emotions through the ups and downs.

"My wife would often ask me, 'Are we going to be OK financially?' and I would tell her that finances was what I do

for a living, and that she should trust me," said Ferguson. "Needless to say, that did not ease her worries. It wasn't until we got a custom financial plan that she could see and understand where we stood financially. Money is no longer a worry for her."

The financial crisis emphasized the true value of having a financial plan. While Ferguson focuses on professional investment management, he works closely with Tiffany White, CFP®, who is responsible for financial planning at Halter Ferguson

Financial, to create customized financial plans for their clients. In addition to helping clients to achieve their financial goals, she helps them to feel

more emotionally secure about their investments.

The results have been positive on several levels. Clients with a financial plan did not react as emotionally to changes in the market as those without a plan. Clients in the first group held firm in their investments, and held onto more of their money, than clients in the second group. As

a result, Ferguson, White and the Halter Ferguson Financial team have elevated the need for creating financial plans with clients. They've also

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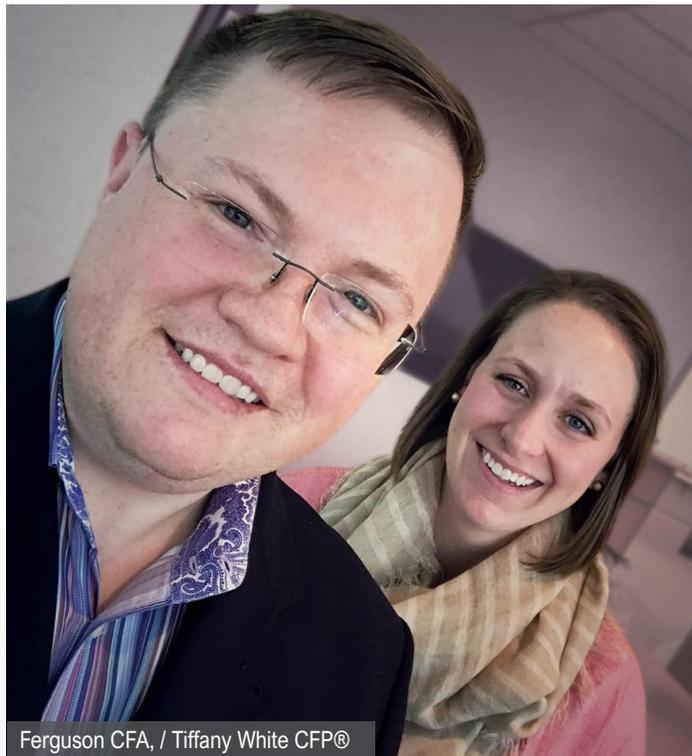
brought more emotion to both the planning process and client communications.

"We believe that every decision is made on an emotional level," said Ferguson. "To serve clients in this way, you must have a strong relationship with them. This also means being willing to have uncomfortable conversations, and setting down your problem-solving hat to put on your listening hat."

Education is vital to helping clients feel better about their portfolios and financial future. However, it requires more than explaining the features and benefits of the various investment options available to them. They don't care what financial advisors do or the specific details of a particular retirement strategy. Clients want to know where they are with their finances right now, and what they need to do to reach their goals.

As a financial advisor, to help alleviate a client's fears, you must demonstrate that all investment and retirement options have been considered, explain what they mean, and ensure that you have not left out anything important. Clients also want to know what they need to do, and why they need to do it. People have an innate need to know the reasons for making – or not making – a particular choice, but you must be careful to not overwhelm them with too much information.

"We take great pains to make their finances as simple as possible to educate them on their finances," said



Ferguson CFA, / Tiffany White CFP®

Ferguson. "After all, no one can make decisions when they are overwhelmed and confused. We go into greater detail only when it's going to help the client or when they request it."

Creating a customized retirement plan can help to alleviate a client's fears. However, focusing on the numbers can get in the way during the early stages. The first step is to truly get to know the client beyond their specific financial goals. Get to know them as people, and understand what is important to them. What are their values, such as faith, family and the need to be secure? What do they enjoy doing when not working? What does retirement look like?

Financial advisors should help clients to determine their most important financial priorities. This would involve asking a question like, "If you can only have one

financial goal, what comes first before the others?" Once this has been established, you can lay out various financial options, and then hone in on more specific issues. For example, identify their most important concerns, and ask about scenarios that most interest them. Also ask whether they

have any specific questions, and determine if they have any major decisions to make in the near future.

"After we make the plan, we show them everything that went into the plan and how their plan turns out, and give them specific action items," said Ferguson. "At Halter Ferguson Financial, we believe our process creates a GPS-like clarity about the path forward, freeing the recipient from stress and worry about money, which allows them to confidently make big financial decisions."

For more information on Halter Ferguson Financial, visit: hffinancial.com



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