



SCMP/IFPHK Financial Planner Awards University Student Category 2010

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Outline



1. Concepts of Financial Planning
2. Building a Financial Plan
3. Presenting a Financial Plan
4. Tips

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Concepts of Financial Planning

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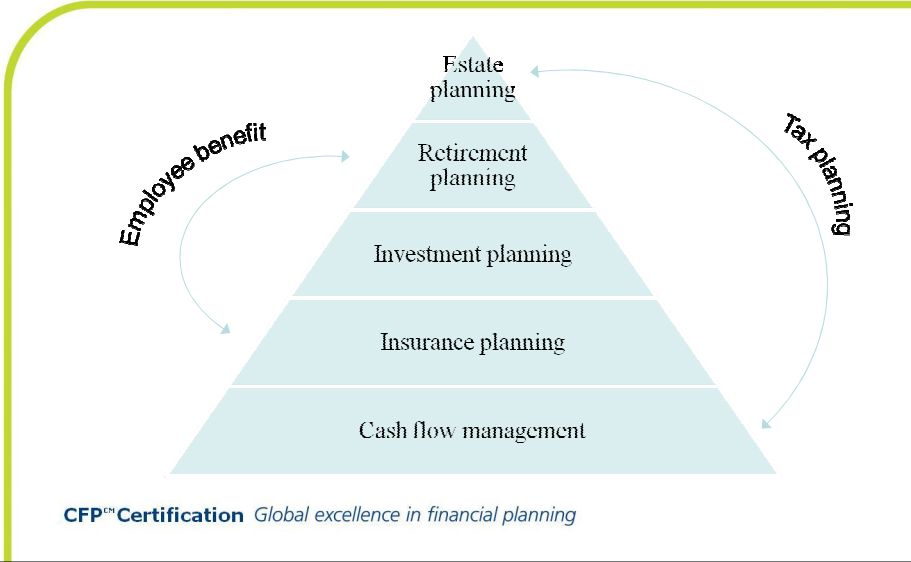
Basics of Financial Planning

A 6-Step process:

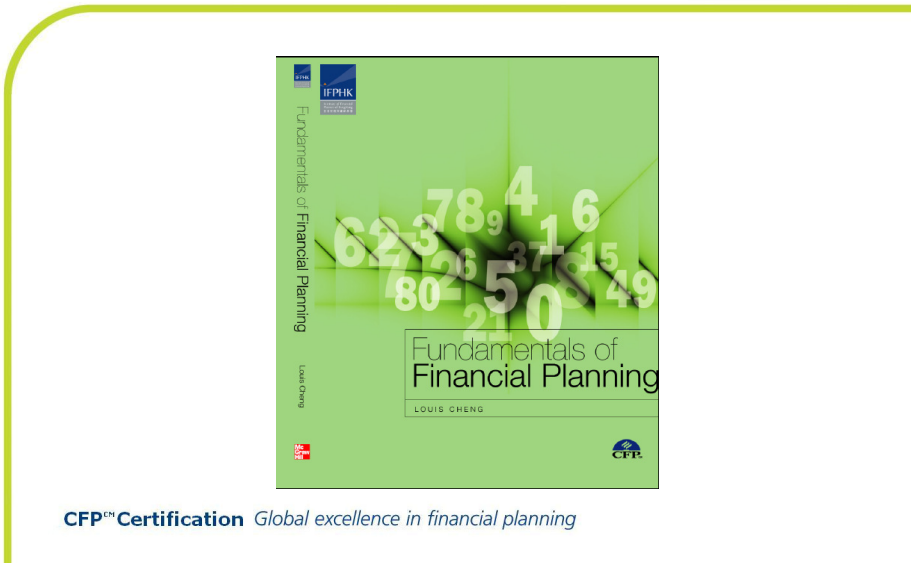
- 1) Client-Planner relationship
- 2) Gathering Information & Goal Setting
- 3) Analyzing Client's Information
- 4) Develop and Presenting a plan
- 5) Implementing the Financial Plan
- 6) Monitoring the Financial Plan

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Basics of Financial Planning



References





Building a Financial Plan

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What're in the Written Plan

- 
- Executive Summary
 - Introduction of Planner
 - Client's Personal Profile (Needs & Goals)
 - Financial Analysis
 - Analysis of Financial Goals (Prioritizing Goals)
 - Recommendation
 - Implementation and Monitoring
 - Alternatives and Contingent Plans
 - Suitability of Advice
 - Assumptions and Appendices

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Executive Summary



- List the major goals of the client
- Identify the key financial needs
- Summarize your key recommendations
- Not more than 1 page

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Introduction of Planner



- Professional qualifications of the planner (e.g. CFP^{CM}, CFA, FRM, CPA, LLB, FAIQ)
- The role of the planner (e.g. representing the client or as a representative of a company)
- Regulatory issues, e.g. licenses
- Responsibility and Limitations
- Disclosures and Disclaimers

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Client's Personal Profile



- Help clients identifying the goals and needs
- Clients tend to have more goals than they can financially afford
- Do not confront clients with unrealistic goals
- Financial planner needs to help clients in goals prioritization by understanding their financial needs

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Financial Analysis



- Cash Flow Analysis
- Balance Sheet
- Financial Ratio
 - ✓ Savings ratio
 - ✓ Liquidity ratio
 - ✓ Solvency ratio
 - ✓ Debt-to-total assets ratio

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Analysis of Financial Goals

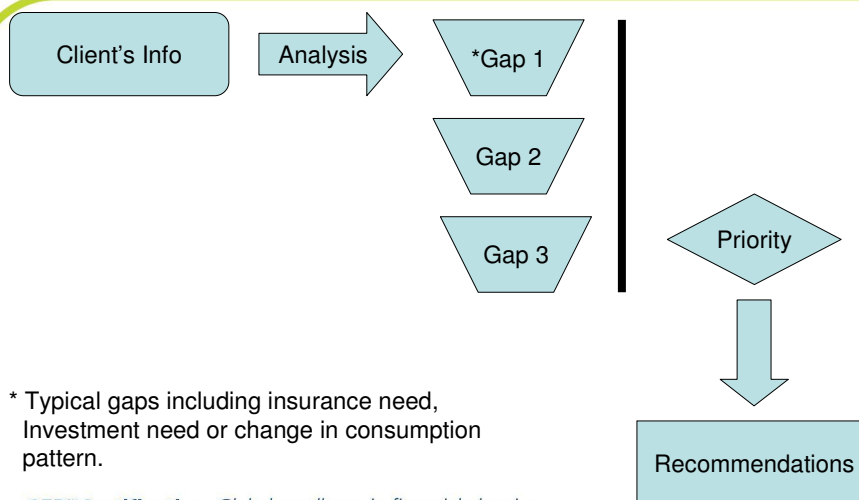


Financial Planning Needs:

- Insurance planning
- Investment planning
- Retirement planning
- Estate planning
- Taxation planning

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Plan and Contingency



Implementation & Monitoring



- Macro-level Changes
 - Recession
 - Exchange rate
 - Tax rate
 - Stock market crash
- Micro-level Changes
 - Employment
 - Marriage
 - Divorce
 - Having children
 - Death of Immediate Family Members
 - Health Problems

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Suitability of Advice



Financial Planner needs to recommend the investment products:

- Based on suitability of each client
- Match the risk return profile of the product with client's personal circumstances
- Refer to SFC's website
<http://www.sfc.hk/sfcRegulatoryHandbook/EN/displayFileServlet?docno=H457>

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Plan and contingency



Change in the following shall change the client's final action:

- Client's info
- Assumptions
- Priority
- Social/economic variables

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Assumptions and Appendices



Most financial planning needs and recommendations are based on key financial assumptions

- Inflation rate
- Savings deposit rate
- Medium and long-term bond rate
- Stock return
- Salary increase
- Life style preference
- Risk tolerance level
- Life expectancy

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Presenting a Financial Plan

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The Presentation



- Time allotment
- Format
- Visual aids
- Communication skills:
 - Clear verbal communication
 - Interactive presentation style
 - Speed and tone are important
 - Do not read from script
 - Eye contact and keep a pleasant smile

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Tips

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10 rules

1. Precise and Concise
2. What you know Vs. What the client should
3. Observe all rules and laws: privacy, licensing limitations, tax arrangements ...
4. Include the client's soft information
5. Provide a model for analysis
6. Show your ability to abstract information
7. Show your ability to set priority
8. Show your limitations, and contingencies
9. Numbers are not the most important, but you can't get them wrong
10. Don't guess, ask!

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