

How I Use Money Guide Pro With Clients

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What's Working Now

When this advisor began letting clients in on the process of using financial planning software, he found they became more engaged and committed to working with him on their goals.

Editor's Note

In this edition of What's Working Now, an AdvisorRADIO feature in which Horseshoath members tell us about recent success they have had running and growing their businesses, we hear from advisor Scott Klatt, who gets clients excited about the financial planning process by using interactive software in planning meetings.

Quick Overview

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What's Working Now: Walks clients through the financial planning process interactively using MoneyGuide Pro planning software.

The Financial Clarity Advantage

I am a CFP and a partner in a fee-based financial planning and asset management firm. For most of my career, I've been doing financial plans for a fee, which sometimes can transition into implementing investment management. We do have our own RIA using the Fidelity platform, and over the years, obviously, our process has developed.

We call our financial planning process the Financial Clarity Advantage. I hope that speaks to our clients, to helping them understand that a big part of our job is to add clarity to all of the confusing items that they may have in their financial lives.

Interactive Planning

I've been using MoneyGuide Pro, a goal-based financial planning software program, for close to 10 years. Initially, I only used it behind the scenes, but it has become a major piece in our financial planning process. Recently, when we split from our old firm and opened up our own RIA, I started using the program interactively with clients.

In my new location, we have a large conference room where we can hook up a laptop so that it shows on a large TV screen. Previously, I would input clients' data ahead of time and show them a printed version of the document generated through MoneyGuide Pro. But now, I'll do the input interactively; I'll pull up MoneyGuide Pro and show it on the TV screen and input data in front of my clients and walk them through the planning.

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It really helps clients understand that financial planning is a process, not a transaction. And each time we meet, there are things that we're changing, not just their ages and the markets, but goals, needs, concerns. When the client comes in, we just walk through it and I change certain items that may be of interest to them, run the analysis, and show them how it affects their long-term numbers.

Here's another benefit: Normally, in couples, one of the clients is more engaged than the other. But what I've found is the person who's normally less engaged becomes extremely engaged when they go through this interactive process. They get to a point where they say, "I see why you work with Scott, I see how this works and how it will affect us in the long term." I see the light bulbs come on.

We have five advisors in our office, and this became so popular that we started fighting over the conference room. So I've actually put a big screen TV in my own personal office. It's on a wall mount so I can move it depending on where we're sitting.

The 4-step Financial Clarity Advantage Planning Process

Of course, this software is part of a bigger planning process we use. Let's say we were walking a client through the process from the beginning. We would sit in my office and I would certainly have MoneyGuide Pro up, but we would also cover the first stage of our process, which is called the "mutual alignment agreement." This first step is all about goals. We do a lot of work up front, uncovering what's important to the client.

When they come back in for the second meeting, they actually see their goals up on the screen. That reminds them that we are really paying attention to what is important to them. And we review and update goals throughout the years, making sure they are still the things that are important to them.

The second step involves reviewing and analyzing all of the hard data that someone has given us. And that's where MoneyGuide Pro comes into play, because we can input everything from insurance to pensions to Social Security to all their investments, and it does asset allocation, risk management, and estate planning. That's us confirming that we have all the appropriate data.

In the third step, we do what we call "uncovering the disconnects." We go over their goals, the data, and we present any disconnects we've uncovered. And then we give our preliminary suggestions.

In the final step, we present the blueprint, the written summary of their financial plan. Of course, we'd love the process to be four neat and concise consecutive meetings, but typically it's probably six meetings before clients actually have our written summary and before they pay the second half of our retainer, because we want to make sure they're satisfied with the plan.

Accountability

Within that summary document, we present our implementation checklist (download sample checklist). This checklist is given to clients and it includes a timeline of who needs to do what and by what date the implementation item needs to be done. There is a check box for each, so as we continue to meet with the client, we can review the progress that everyone has made.

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It's a great tool for us. Just this morning, I got an email from somebody saying, "We're so sorry that we haven't returned your email. We sort of forgot where we are in the process. Can you update us?" And it's very simple for me to do that, because I can pull out the implementation checklist and say, "Well, we've got half-done based on what we suggested. So next time you come in, we're going to do the second half and then check those off." A big part of our job is holding clients accountable, and this checklist really helps.

Intellectual Capital

Before I started using the software, I really didn't have a way to consolidate all the information in someone's financial life and then make sense of it. It was really hard. Establishing that whole financial planning process has been a long-term effort, done by trial and error over many years in the business.

I always tell my younger partners that they are very fortunate to have come into the business with a platform already in place, confident that it adds value to the client. We worked continually to develop that process, and we have done a nice job of having it organized and built as a team. Ideally this intellectual capital serves to represent our business.

We've become more organized and confident with our four-step process. We call the four steps the front stage, which we describe to clients. But we also have what we call the backstage—each of those four steps has probably 15 steps behind it, and we've documented that. Now we know, and our assistants know, that if we are at a certain stage, these are the things that need to happen. And we're getting much better and clearer on that, so as we add more advisors and bring on more support people, it's easier for them to jump in from day one, because they can easily know what we're doing with each client.

Helping with the Big Question

It's interesting: We have very high-net-worth clients and we have average clients, and I certainly like dealing with both. I try to tell clients that it doesn't matter the number of zeros you have behind your accounts, it's the relationship and the value that I can bring. But the issue for everyone is primarily retirement income planning.

The nice part about MoneyGuide Pro is that it really does show, with the best estimates that you can provide, where they'll be at 65, 75, and how the decisions on when to retire impact their long-term future. That seems to be where I can add the most value. It may be as simple as, "If you work two more years that means you're saving two more years of 401(k), and you're not taking anything out." That could make a huge difference on them running out of money at 80 or 90.

The Challenge of Funding Higher Education

The challenge of educating their children has become one of the biggest hurdles I see my working clients facing. A lot of my clients think, "We can't think of retirement right now, we have to get through this first." I don't believe that's right and I remind my clients they cannot finance retirement.

It's really no one's fault—the system has really gotten out of whack when it comes to higher education. It can really blow up many people's long-term financial plans as they tap into home equity or cosign for their kid's loan and their kid can't get a job. I could name 15 clients right now who are heading into this

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question. If you asked me about this even 10 years ago, it would have been different. This has been a really, really big shift.

I try to help my clients to think of education as an investment and to research whether it's really worth it. If your child receives a degree in a particular industry, what is their income likely to be? I know money is just part of going to college, but it's become a much bigger part now. Now college is more of an economic decision, as opposed to a matter of maturing the child, socializing the child, and the like.

There are so many resources out there at our fingertips, especially with technology, that I believe a child can cut the cost of college in half and still get the same quality education if they have a very detailed higher education strategy that starts early. I think it's something that the parents really need to be engaged in early on as well.

My Advice

For advisors starting out or wanting to go to the next level, I would certainly start with the CFP curriculum or something similar that educates you on all the moving parts of financial planning. I would also suggest joining a fee-based financial planning firm that gives you access to a platform, because as I've mentioned, it takes so much time, money, and effort to build a platform that gives you a structure for good financial planning advice.

Mountain Climbing

When I was younger, I made it a goal to hike all 46 high peaks in the Adirondacks, which are all about 4,000 feet. If you look on our website, our company logo is a picture of mountains. I've always felt that this hiking goal of mine relates to what people may feel about financial planning and achieving their financial objectives. Sometimes people think, "This is so big, should we even start? How do I take the first step?"

When you sit back and look at Mt. Marcy, which is the highest peak, you can't actually see the top, and a lot of times you say, "Do I really want to do this 12-hour hike?" But it is like financial planning: It's a process and it's ongoing, and that's why I've had clients that have been with me for 25 years—because they still value my advice and they are still walking up that mountain.