



your financial house

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He's prepared to fill in for last-minute cancellations.*

Questions and Answers

What exactly is "Your Financial House"?

It's a new way of looking at, talking about, and understanding your personal finances. For the financial adviser, it's a client management tool; for the financial client, it's a life management tool.

The whole idea came to me when I was drawing with my four-year-old daughter, Lydia. She'd asked me to draw her a house she could color, and I'd made her the usual box with a triangle on top. She drew rooms inside it and told me each one was a place for her "special things," like her stuffed animals, her sister, mom and dad, and so on.

The coloring and the layout of the rooms in the square made me think about a "quilt chart," which is a visual aid used by most advisors (myself included) when explaining asset allocation and portfolio rebalancing to clients. Often it's met with a blank stare, not unlike a lot of other tools developed by financial experts, mainly because there's no real context for the thing.

So I started thinking, "What if I could make something almost as simple as Lydia's house for my clients, so they could start thinking about a 'financial house' as a place where they could keep their 'special things,' too?" That developed into a simple metaphor and the management tool, along with a whole host of support materials and processes for building Your Financial House.

Your Financial House is used by both financial professionals and financial services clients to bring all the aspects of planning—including investments, retirement, estate arrangements, and so on—under one roof.

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Can you quickly walk through Your Financial House so we understand more about it?

Sure. First of all, we use an illustration of the house that's not all that much different from the one I drew with Lydia. It's a square with a triangle on top. The square, which is the body of the house, is divided into eight rooms: the Room of Dreams, Legacy Room, Lifestyle Room, Wealth Room, Financial Opportunity Profile Room, Children/Heir's Room, Retirement Fulfillment Room, and Estate Planning Room. Each room has a specific function, which is dictated by the person who's having the house built, the financial client. The "builder," or the financial adviser, talks with the client at some length about each room and all the specs for the house and then creates a "financial blueprint."

If you've ever built a home or watched one go up, you know a lot of forethought and personal taste went into the construction. Before workers started pounding nails, running wires, installing plumbing, or putting up drywall, the owner hired a builder. The owner decided how many rooms there should be and explained how they'd be used so architectural plans and detailed schematics could be made. Then construction got underway.

Building Your Financial House is the same.

The adviser interviews the client, surveys the site (which means the current financial situation), does a detailed analysis, creates a plan, then oversees construction.

How does this differ from a traditional financial planning process?

Two of the most common errors financial professionals make are to try to either dazzle clients with their knowledge or try to educate them to the same level of expertise. Clients want to be informed and consulted, but the last thing they want is a lecture on, say, how Monte Carlo simulations work.

It's just like when you're constructing a house. You don't want the carpenters and electricians to be bothering you with, "Now, here, come take a look at all these wires and the kinds of nails we're using. I'd like to walk you through every little thing to show you exactly how we're doing it."

No, you want to be able to say, "Just do it and give me the quality I need. This is how the room should work. I envision myself sitting in my favorite chair in this room in front of a fireplace," or "Here's where we want to put the flat-panel screen and theater seating, plus the wet bar for entertaining." Your first concern isn't how they're going to wire the room or install the plumbing. You

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want them to do their professional best—measure, plan, and execute flawlessly—but you don’t want to have to look over the schematics or spend a bunch of time admiring the stuff that’s supposed to be behind the walls.

When financial advisers hand you a two-pound document they’ve labeled with terms like *asset allocation* and *Monte Carlo analysis*, it’s as if they’ve asked you to review the wiring or the pipes. With Your Financial House, you receive a financial blueprint—an overview—and if you decide you’d like to see the detailed analyses, too, you have immediate access to them. The big difference is that the lion’s share of your time will not be taken up with lessons on investing or participating in number crunching; it will be about determining what’s most important to you in Your Financial House.

The first meetings cover important issues, such as your vision for the house, how big the “rooms” should be, what you’ll be doing in the house, even some of the “building materials.” Together, you and your builder do the following:

- 1) Brainstorm what should be included in your detailed plan, the “financial blueprint.”
- 2) Identify any existing strengths and weaknesses in the current financial structure.
- 3) Get choices and solutions for problem areas.
- 4) Understand how each room in Your Financial House can be constructed to fit your life now and in the future.

Using a personal assessment tool called A.S.K., the adviser prompts you to describe your *anxieties*, your *strengths*, and the areas of *knowledge* you think you need to lessen those anxieties and enhance your strengths. (A little different from the “okay-let-me-see-your-portfolio-and-make-some-changes-today” approach, isn’t it?) Only after the builder understands these points is he or she ready to go to the next step, which is to talk with you about each room of the house and, ultimately, to create your financial blueprint.

Do you mean that literally? What does the financial blueprint look like?

No, it’s not exactly like the one you’d have for a house, the kind that comes in a tube and rolls out into a huge layout. The financial blueprint is presented to you in a binder. You receive a summary of the conversations you’ve already had, references for the “building materials,” and information on each of the rooms organized behind colorful tabs. When you get this, you’re ready for construction to begin:

Once you’ve signed off on the blueprint, you and the builder can choose specialists to get to work

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making Your Financial House a reality. Periodic meetings with your builder help you check in on the work that's been done and how things are going. You might decide to change things as you go along, and that's okay. Renovations are definitely in order when life takes a different direction than you'd anticipated or you simply decide you want something else.

If someone wants to find an adviser who'll help build Your Financial House, how would he or she do that?

At some point in the future, we'll have a directory, but for right now, probably the best thing people can do is to take the idea to someone they trust, someone already in the field, and ask for it. If the adviser hasn't heard of it yet because the program's still fairly new, then the client and adviser can look at the Web site, YourFinancialHouse.com, and decide if it's something they'd like to begin together.

