

TUESDAY TIMES

FACILITATING DECISION MAKING – IMPROVING INDUSTRY PRESCRIPTIVE LEVELS

BY ISAAC FANG

Recognising and embracing financial planning standards establish the level of practice expected of a financial planning professional engaged in the delivery of financial planning to a client.

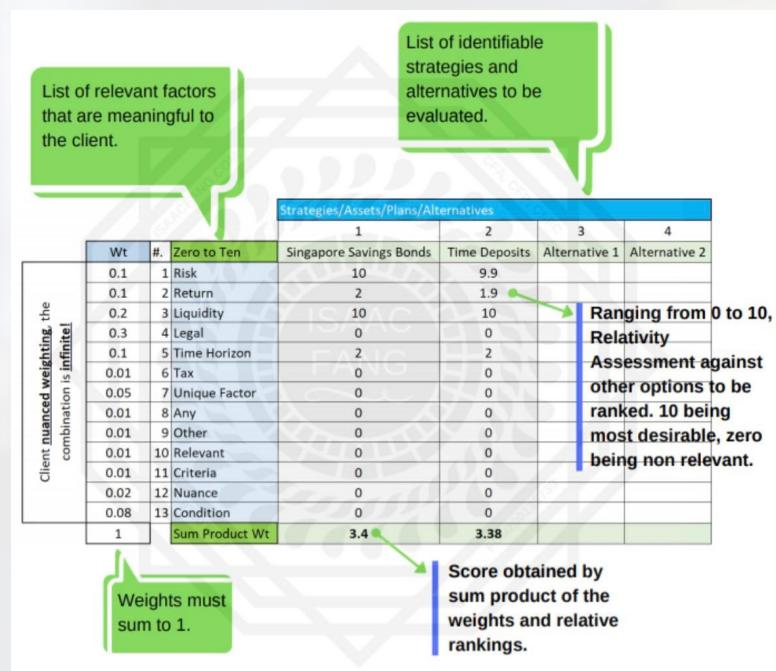
They help establish norms of professional practice and clarify the respective roles and responsibilities of financial planning professionals as well as their clients in financial planning engagement. The value of the financial planning process is also enhanced as it involves developing and presenting the financial planning recommendations to the clients. This is a critical juncture as it necessitates that strategies be identified and evaluated, and subsequently developed to meet client objectives, needs and priorities.

SITUATIONAL DILEMMA

There are many strategies and plans to address client objectives, needs and priorities. But there appears to be lack of a process to filter suitability matching to the objectives, needs and priorities in relation to the nuances of the client.

Surely not all possibilities are to be embraced. How do we then select the relevant suitable strategies and plans? The financial planning professional has to present the financial planning recommendations and the supporting rationale in a way that allows the client to make an informed decision.

Conflicting desires, competing priorities and budgetary constraints need to be reflected in the final adopted plan for implementation along with client choice. Is there a process to evaluate the various identifiable strategies and present those very supporting rationale to elicit a decision?



FACILITATING DECISION MAKING PROCESS

In relation to the illustration, inherently, the list of meaningful and relevant factors takes into consideration the factors and assumptions critical to the recommendations, with respect to the client's individuality. The table provides more objectivity in assessing multi-factor considerations thereby facilitating decision making. Filling in each of the boxes takes effort and seeks to reasonably quantify relative differences when comparing; e.g Returns ROW SSB COL 2 versus Fixed Deposit COL 1.9 Furthermore, the grid nature of the table allows additional explanation to justify a particular ranking where necessary or when ranking is not reasonably understood. e.g R2C1 - SSB generally provide higher returns than time deposits for a given tenure but rank lower on the scale from 0 to 10. When the table is completed, the sum product provides a final assessment tool for evaluating the strategies and facilitate client choice.

BENEFICIAL OUTCOMES

Client individuality and nuances are expressed through the weights assigned. Conflicting desires, competing priorities and constraints are confronted through enforcing sum of weights equal to 1. A list of meaningfully relevant factors to be considered for the objectives, needs and priorities are being captured. A list of identifiable strategies and plans can be drawn up for evaluation. Relativity assessment rankings and subsequent sum product final scores provide supporting rationale that will help client make an informed decision. Final adoption for implementation may possibly consist of a blend of strategies that have high sum product scores. Methodology may be re-applied for comparing similar plans within a strategy.

INDUSTRY BENEFITS

Better objectivity and reduced bias in the final recommendation enhances professionalism image of the industry. Methodology inherently puts client in the focus and expresses client centredness. Methodology is a tool that fulfils the requirements by the practice standards: identifying and evaluating strategies providing supporting rationale for recommendations allows client to make an informed decision. Methodology permits compliance checking, embraces caveat emptor and fits into a proposal-acceptance arrangement. In doing so, it nudges the industry towards a more prescriptive approach than a sale's one.

FINAL WORDS

There can be many strategies and plans to address client objectives, needs and priorities. But a process is needed for evaluating them and at the same time providing the supportive rationale in the presentation of the final recommendations to the client. The process illustrated establishes that what is best to an individual can vary with personal objectives, needs and priorities. The combinations of the weights and factors can be infinite and subjected to changes in future. There will always be new innovative financial products and strategies in future so there is no best of all time, only best at that point in time. Nevertheless a methodology of evaluating options is needed. It needs to be highlighted the process discussed earlier seeks not to replace but reinforce, and fulfil the spirit, intents and purposes of recognized standards in improving the profession and that way, take the level of practice to a much higher plain as expected of a financial practitioner, in the interest and benefit of the people we come in contact with and serve.



ABOUT THE AUTHOR

Isaac Fang is a licensed Financial Practitioner and an active IFPAS member. He holds the CFP®, ChFC®/S, CFA® designations.