

LIVING LIFE YOUR WAY

# A GUIDE TO FINANCIAL PLANNING



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# ABOUT THIS GUIDE



**A HEALTHY FINANCIAL LIFE  
IS (A BIT) LIKE A  
SOPHISTICATED MACHINE.**

All the parts should be working so well together, beneath the surface, that the casual observer wouldn't even notice how they are all slotting together.

But when you're juggling the responsibilities of day-to-day life, carving out time to consider any single part of your finances can be tough enough, let alone trying to work out how it all fits into a bigger picture.

That's where a CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professional steps in.



# THE BENEFITS OF FINANCIAL PLANNING

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## A CFP<sup>CM</sup> PROFESSIONAL WON'T JUST LOOK AT ONE ASPECT OF YOUR LIFE.

After all, there's no point focusing intently on whether you're investing enough money each month if your lack of insurance means you could be wiped out at any moment by something unexpected. And it's not much fun having a good nest egg built up if you're not really sure how much of it you can afford to spend.

A CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professional will delve into your individual circumstances, determine your key financial and life goals, and work with you to determine where you are now, where you need to be – and how you're going to get there.

While you might have a goal such as achieving a comfortable retirement, or making your money last once you've stopped earning, a CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professional is qualified to delve into what that really means. They'll show you what your chances are of achieving your goals, when you could reasonably expect that to happen and what you need to do with every aspect of your financial life to maximise your chances of success.

## A CFP<sup>CM</sup> PROFESSIONAL WILL ALSO MONITOR YOUR PROGRESS.

A CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professional will also monitor your progress to keep you on track and provide reassurance and additional information as needed.

Financial planners are uniquely positioned to provide this assistance because, although they're objective observers, they aim to develop lifelong relationships with clients to allow them a deep understanding of each person's path.

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# THE FINANCIAL PLANNING PROCESS



**CFP<sup>CM</sup> PROFESSIONALS  
APPROACH EACH NEW  
CLIENT INTERACTION  
WITH A SIX-STEP  
PROCESS.**

They'll sit down with a client to establish the relationship and determine precisely what the client hopes to achieve from it.

They'll run through all the data they need from the client, including the goals they most want to achieve, their income, debts, liabilities, investments, and plans for the future.

The financial planner will look at the situation as it is now – the starting point the client is working from. Then they'll develop and present recommendations or changes that the client could implement. That might involve investment options or taking out a certain insurance product, revamping a will, working out a guideline for how much money can be drawn down each year throughout retirement.



# WHAT HAPPENS NEXT?

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ONCE THE CLIENT AGREES WITH THOSE RECOMMENDATIONS, THE CFP<sup>CM</sup> PROFESSIONAL WILL MAKE THEM HAPPEN AND MONITOR THE OUTCOMES...

Monitoring is usually done via meetings held at least annually but most CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professionals are available to their clients as necessary, when they want to make sure they are still on track or if their goals need to be recalibrated.

CFP<sup>CM</sup> professionals are different to most other financial advisers because of the breadth and depth of their service, and the level of skill and experience they are required to attain to achieve the standard.

The financial planner might weave in insurance, investment advice, some estate planning and cashflow analysis, or look at ways that the structure of a client's affairs affects their tax bill. They could help with retirement planning or financial management by setting a budget.

The process is personalised to each individual client to give the best possible outcome.

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# SETTING FINANCIAL GOALS



## MAKE SURE YOUR GOALS ARE TANGIBLE AND MEASURABLE.

Having financial dreams is easy. Who doesn't want to have a worry-free retirement, chasing goals and living out lifelong dreams? But turning aspirations into defined plans takes a little more work and sometimes a bit of help.

First, you need to make sure the goals are tangible and measurable, with a set of deadlines at which you need to have made steps to achieve them.

"A comfortable retirement" is a dream. "Structuring my investments so that I can comfortably withdraw \$40,000 a year on top of the pension" is a goal.

"Helping my kids" is a dream. "Having \$10,000 a year to fund my children's university education without depleting my own retirement income" is a goal.



# WHAT'S IMPORTANT?

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## SET GOALS BY THINKING FIRST ABOUT WHAT'S MOST IMPORTANT TO YOU.

For some people, it's security. For others, it's being able to achieve things for other people. Yet others just want to be able to enjoy themselves, without worrying about whether their finances are in shape. When you identify what's important, and why, it's easier to get motivated to work out the goals you need to set to get there.

Your goals might be big – retiring earlier or paying off your mortgage in half the time – or they might just be lifestyle tweaks such as restructuring your investments to help you generate the returns to make your money last through your retirement years.

## WHEN YOU'VE GOT A FEW GOALS IN MIND...

When you've got a few goals in mind, you can work out what you can achieve in the near future, what will take a bit longer and what's going to stay on the horizon for the time being. You can probably set a comprehensive budget this week, and review your Will to check it's still current.

You probably can't amass \$5 million in your bank account if your current balance is \$5,000. But over the long term, those bigger goals become much more achievable.



# HOW TO GET THERE

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## ONCE YOU HAVE LOCKED IN WHAT YOU WANT TO ACHIEVE, YOU CAN WORK BACK TO DETERMINE HOW TO GET THERE.

What do you need to do every day, week and year? What are the risks that could crop up along the way and knock your plans off track? How would you cope if the investing landscape changed? What can you do to avoid risks that are avoidable and plan for those that are not? How will you know that you're progressing as you should be? When will you decide that you need to rethink or recalibrate?

An experienced CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professional can guide you through all of this and point out how your goals fit into the rest of your financial life.

## FOR YOUR GOALS TO SUCCEED, THEY NEED TO BE ACHIEVABLE.

It's great to have big aspirations, but if they're so enormous that you do not know where to start, you probably won't do anything at all. Break them down into smaller chunks that are easier to digest.

## TRY TO CHECK YOUR OPTIMISM (OR YOUR PESSIMISM).

When you're in the excited planning phase, it's easy to get caught up on the big picture glittering on the horizon and not think about the potential potholes in the road ahead.

A CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professional can help you consider whether you're vulnerable to any potential threats, whether that's sickness or illness disrupting your ability to earn, a major tax bill, or even a financial challenge such as a marriage split or family dispute getting in the way of a happy retirement.



# HOW TO GET THERE

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## **SIMILARLY, IF YOU'RE THE GLASS-HALF-EMPTY TYPE...**

You might think big ambitions are out of reach, and not bother to try. A CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professional should help show you what's achievable.

If you're trying to fix financial mistakes of the past, it's helpful to understand why things didn't go to plan. Was it your attitude to money? A lack of information?

Identifying the gaps and sharing these with your adviser will help to prevent the mistakes from happening again.

## **TRY TO WORK ON GOALS THAT FIT IN WITH YOUR WIDER VALUES...**

... so that you have extra motivation to see them succeed. Along with simply investing for retirement, you might want to be guided to investment funds and companies that are delivering on social or environmental change that you think is important.

## **PUT SYSTEMS IN PLACE TO TRACK YOUR PROGRESS.**

There's nothing as motivating as seeing yourself ticking off wins on the way to a bigger victory. A CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professional offering regular check-ins will give you an objective way to identify successes to celebrate, or to pull you up and put you back on course before you deviate off course.

## **AND IT CAN HELP TO AUTOMATE AS MUCH AS POSSIBLE.**

Automating is about ensuring that things happen as they should. Your CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professional will have the experience to help you set up systems so that everything you need to do to achieve your goals happens with as much or as little input from you as possible.

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# WHY CHOOSE A CFP<sup>CM</sup> PROFESSIONAL?



**WHEN YOU ARE DEALING WITH THE BIGGEST ASSETS IN YOUR LIFE, IT JUST MAKES SENSE TO SEEK ASSISTANCE...**

Study after study shows that many New Zealanders look no further than their friends or family when they need financial advice.

While your family is probably fantastic for a lot of things, unless you live with a bunch of financial advisers, tips for managing your money may not be one of them.

When you're dealing with the biggest assets in your life - your retirement nest egg, your income, your business, the legacy you leave your children - it just makes sense to seek assistance from someone whose job it is to put you on the right path.

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# ADVICE OF THE HIGHEST STANDARD

There are thousands of financial advisers in New Zealand who can offer specialist advice on their particular specialist strand, such as investment advice, mortgages or insurance.

But when you need something more comprehensive, or a relationship to see you through every life stage, a CFP<sup>CM</sup> professional offers the full package.

A CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professional will consider how every cog of your financial machine works with the ones around it.

When you opt for a CFP<sup>CM</sup> professional, you're choosing someone who is at the pinnacle of their profession and has chosen to attain the CFP<sup>CM</sup> mark to prove that. It's a global standard of financial planning excellence, with a structured framework behind it to ensure that you're getting reliable, trustworthy, comprehensive advice to help guide your financial life.

These are not advisers who are willing to settle for just achieving the minimum required to work in their industry – they want to stand out.

## A 360-DEGREE APPROACH TO YOUR FINANCES

To carry the CFP<sup>CM</sup> mark, they must have achieved a post-graduate diploma or undergraduate degree with a major in personal financial planning that is equivalent to an NZQA level seven or higher, have a satisfactory ethics record and training and be licensed appropriately for the regulatory environment.

They must be able to show three years' sector experience as a financial adviser across all six competencies of financial advice, have 12 months' supervised experience under a CFP<sup>CM</sup> practitioner member or submit a portfolio of experience from the previous three years and hold and maintain association practitioner member status, with 60 hours of continuing professional development over two years, including two hours of ethics training every year.

This is in addition to the regulatory requirements imposed on other financial advisers in this country.

CFP<sup>CM</sup> professionals are part of a worldwide network of people who work to uphold the integrity and reputation of the CFP<sup>CM</sup> mark.

A CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professional can guide you through anything from a change in marital status to managing a financial windfall, entering or exiting a business or long-term planning for major financial goals.

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# WHAT TO ASK YOUR ADVISER

It's vital to have a relationship with your CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professional that is based on deep trust and confidence. You should not be afraid to ask as many questions as you need to in order to feel comfortable – after all, you're putting your faith and your financial future in the hands of another.

## HERE ARE SOME QUESTIONS TO CONSIDER RAISING BEFORE YOU BEGIN:

- What's your experience?
- What are your qualifications?
- How do you get paid?
- What will I have to pay?
- What associations and professional bodies are you a member of?
- What continuing education do you do?
- How do you ensure that your knowledge and systems are up-to-date?
- What services do you provide, and which will I need to see someone else for?
- What independent research do you carry out or have provided to you?
- What type of client do you specialise in dealing with?
- Is your business licensed with the Financial Markets Authority?
- How will our relationship work? How often will we meet?
- How often will you update me on the investments you're managing on my behalf?
- Will you be available to me to answer questions as I have them?
- What products and providers do you work with?
- How will I know that what you're recommending is the right solution for my personal circumstances?
- Do you have any testimonials or references I can check?
- How do you deal with any complaints that arise about your service?
- What would you consider to be a successful outcome for me?

# GET IN CONTACT WITH US



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