**How to Present Sample Financial Planning and Investment Management Reports**

**Real World Personal Finance Software**

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**Using Sample Financial Plans to Engage Clients and Prospects**

This piece is to help you develop sales scripts for selling financial planning and money management services. To be more specific, it’s how to explain the basics of sample reports to prospects, and actual reports to clients.

Most everything here are generic examples of common situations. All of the dollar amounts are just examples. You should do whatever works best for your business.

The examples used come mostly from the free comprehensive and [Integrated Sample Financial Plan](http://www.toolsformoney.com/free_sample_financial_plan.pdf), which was created using the [Integrated Financial Planner](http://www.toolsformoney.com/financial_planning_software.htm). More downloads and information about making and using Sample Financial Plans is here: <http://www.toolsformoney.com/financial_plan.htm>.

If clicking on a link in this document doesn’t work, then just copy and paste the link into your browser (right click, choose Edit Hyperlink, and then you’ll see where it’s supposed to go. It not, then it's in the Screen Tip).

Like the old saying goes, "spectacular achievement is always preceded by unspectacular preparation." So being prepared for client meetings pays large dividends. This piece will help you do that by organizing topics to help people become more comfortable talking about their money.

Then as you build rapport, they'll feel more comfortable telling you private information, so you can segue into gathering both the subjective and objective data needed as a team to create a financial plan.

**Let’s Start Before the Beginning**

Before you actually get going, you may want to become better familiar with the destinations. So a very top-level explanation of the biz, the money jobs that require tools, and then the tools themselves is needed.

What your clients are paying you for can usually be put into three sections:

**▪** Investment management

**▪** Retirement planning (projections of the future)

**▪** Financial planning (everything else, like insurance AKA risk management, college planning, and budgeting)

Here are the tools we offer for investment management, with a brief description:

**▪** [Model Portfolios](http://www.toolsformoney.com/model_portfolios.htm)**: These are used to actually manage money. They’re best implemented when the total account is under a threshold amount that triggers “actual work” on your part. On the site, we use $250,000 as this amount as an example. Amounts over this threshold would entitle the client to receive more services, time, work, energy, and attention from the money manager. For example, when we used to be full-time portfolio managers, accounts over $250,000 had their investment portfolios created and managed using the Comprehensive Asset Allocation Software. This is a lot of work, compared to the Models, so that’s the difference (is the client paying you enough to do this tedious complex hard work? If not, then just use the Models, which require little-to-no actual work. The long-term results are very similar).**

**So on average, money managers tend to use the “one-size-fits-all cookie-cutter” approach to managing their clients’ money. In other words, they want to manage these “small” accounts in a way that’s similar to other similar accounts, in order to “not do much work.”**

**These are known as Model Portfolios. They usually come in several different flavors, based on the clients’ investment risk tolerance. For example, we use five, which are:**

**Conservative**

**Moderately Conservative**

**Moderate**

**Moderately Aggressive**

**Aggressive**

**You basically create the Models (which we have already done, so 99.9% of your work has already been done for you), determine which risk tolerance the clients’ fit into, and then buy investments for the portfolio in percentage amounts given by the Model used. This is by far the quickest, simplest, and easiest way to manage money that anyone has ever invented that still allows one to obtain the desired long-term results (e.g., good returns with much lower risk because of the extreme over-diversification).**

**▪** [Investment Risk Tolerance Calculating Tools](http://www.toolsformoney.com/financial_planning_fact_finders.htm)**: This is the best time to discuss them since they were mentioned above. This is a critical step in the money management process, so just about every money manager has either bought tools for this, or they’ve made their own from scratch or a template.**

After looking at what everyone in the industry has done in this space since the beginning of time, it’s clear that by far the best thing to do is ask investors enough different multiple-choice questions that the answers to them can be quantified, and thus scored, making the end result be the semi-automatic selection of one of these five categories. With the Models, this is all of the information needed to manage their money, unlike the **Comprehensive Asset Allocation Software, which requires much more information.**

So the bottom line here, is this tool will most always be used when managing an investors’ money. The Investment Fact Finder also has questions that will help you gather most all of the other information needed to manage someone’s money (other than the actual list of their investments held now).

**▪** [Comprehensive Asset Allocation Software](http://www.toolsformoney.com/asset_allocation_calculator.htm)**: If the investor has enough money under management to pay you enough to customize investment portfolios to fit their lives as much as possible, then you profit by using the best tool to perform this task. It does a much better job than the Models, but takes much more time and work.**

**So in the site’s text, clients with accounts over $250,000 would have this tool used, rather than the Models.**

Therefore the bottom-line for the investment management process, is to just choose the Models or the **Comprehensive Asset Allocation Software, then start with those directions, which will step-by-step you through the whole process in great detail.**

**▪** [Mutual Fund Selections](http://www.toolsformoney.com/mutual_fund_picks.htm): You can use these to fund asset classes as a default choice when you don’t know what else to do. The Models have a very long-term track record, because they’ve used these default mutual fund picks as their funding vehicles.

Both the Models and the **Comprehensive Asset Allocation Software are just empty shells that allow you to work in detail with asset classes. Then the Mutual Fund Picks allow you to at least have something to fund these asset classes with, if you don’t already have something ready to go at the time.**

Basically, whatever you’re doing when it comes to running money, you can default to a pick for an asset class when your strategy doesn’t provide an actual investment recommendation.

**▪** Miscellaneous Investment Management Tools: There are several “calculators” that specialize in one area of investing, so you’d use these if and when the need arises. Below is some text to point you in the right directions:

If managing individual bonds is needed, then this tool will help: <http://www.toolsformoney.com/bond_calculators.htm>

If managing rental real estate properties is needed, then this tool will help: <http://www.toolsformoney.com/real_estate_software.htm>

Then there’s too many tools to list here for all of the odd little jobs that come up when making financial plans: <http://www.toolsformoney.com/financial_tools.htm>

If you’re in a situation where there’s a “difference of opinion” (haha) about which overall method of investing will work best for a client or situation, then this tool will allow you to use previously unheard and unused things called reason, data, facts, logic, and math to determine the bottom lines on the long-term results of all that. So you’d use this extremely complex tool when someone says this method of investing is “good,” when you know better and want them to change: <http://www.toolsformoney.com/investment_comparator.htm>

**▪** [Investment Policy Statements](http://www.toolsformoney.com/investment_policy_statement.htm): To make a very long story very short, this tool is just text that’s meant to be the client telling the investment portfolio manager how to manage the clients’ money, in great detail. So you’d use this if and when the need arises. Some money managers use it all the time for every account, and some only do the extra work when the account pays them enough. It’s just a tool, so you’d use it if and when you see fit (and/or when the client requests it, and/or when a government regulation calls for its use).

And that is it for the investment management side! Now for retirement planning, AKA future forecasting or project one’s financial future.

There are several tools for these jobs. Let’s discuss [retirement planning software](http://www.toolsformoney.com/retirement_planning.htm) first.

**▪** If you just want to quickly estimate a situation with minimal input, work, and time, and you don’t care about most all of the Real World details, then the [Simple Retirement Planner (SRP)](http://www.toolsformoney.com/simple_retirement_planner.htm) works well. This is NOT serious projection software, it just gets you into the ballpark with minimal work and time. Advisers usually use this tool when they’re sitting in front of clients, discussing top-level ideas and strategies (because you can get reasonable answers in a couple of minutes of input, which can be changed in seconds on the fly).

**▪** If you still want something quick and easy, and don’t care about minor details – like accounting for taxes, then the [Retirement Planner (RP)](http://www.toolsformoney.com/retirement_planner.htm) works well. This provides a much better estimation of what’s may happen in the future than the SRP, but it still lacks so much detail that it should not be used to make actual retirement reports for clients. It’s a quick and easy planner that just gets you into the ballpark with much more detail than SRP.

**▪** If you want to perform this analysis, and get the most accurate forecasts possible, without creating a whole full-blown comprehensive integrated financial plan, then [Real World Retirement (RWR)](http://www.toolsformoney.com/retirement_software.htm) is the best thing anyone has ever created for that.

The single version is mostly for consumers and investors doing it themselves, and [Dual RWR](http://www.toolsformoney.com/retirement_planning.htm) is for professional advisers. It’s basically just two RWRs stuck together, with a *Master Input* sheet to help minimize the work inputting data.

The reason why professionals want and need two retirement planners stuck together, is so you can see two versions at the same time. These are usually called Current and Proposed (although you can change this text to say anything you want to, because it’s Excel-based, and not hardwired via “code” which you cannot change).

The reason for this is simple. You’d input data collected from the Retirement Fact Finder into the Current version. This will then forecast what will probably happen if the clients’ never met you, and just kept plodding along with their lack of decent planning for decades. This usually results in them not reaching their goals.

The Proposed version is just the Current version tweaked by the adviser, in order to change all that, so the clients’ can reach their retirement goals. So Proposed is what you’re proposing to them. It’s your brilliant plan of action that’s going to save them (and is how you earn your non-asset management money in most cases).

So when you can show people the difference between these two scenarios on one page or screen, then that usually closes the deal on implementing your brilliant money management strategies – which is how you usually get paid the bulk of your money (in addition to hopefully charging something for doing this work).

**▪** If you want to create a whole full-blown comprehensive integrated financial plan, then the [Integrated Financial Planner (IFP)](http://www.toolsformoney.com/financial_planning_software.htm) is by far the most accurate, flexible, and powerful program ever created for this purpose (yes, it’s even more accurate, flexible, and powerful than [NaviPlan](http://www.toolsformoney.com/naviplan_financial_planning_software_evaluation.htm), if you delete the need for calculating their taxes and the extremely rare need for estate planning since estate taxes basically went away forever for 99% in 2010).

But use caution, this is not a trivial program, so it’s going to take a lot of time and work to create plans with it. So if you need to see net worth statements with liabilities (the RWRs will only list assets that generate retirement income), account for the details of children’s college planning, and account for the details of life insurance needs, along with detailed budgeting and cash flow projections, then the IFP is the cat’s meow.

If you don’t need to do these things, then you can usually get these jobs done well enough by just using Dual RWR (because you can use the Cash Flow Projector to account for their budgets and cash flows with more detail than any other financial planning software ever created too, and then link the two programs up).

**▪** Other programs that forecast financial futures are need driven, and are as follows:

Use the [college planners](http://www.toolsformoney.com/college_savings_calculator.htm) if all you want to do is that (you can fairly easily integrate the results into both RWRs).

The [Comprehensive 401k Calculator](http://www.toolsformoney.com/free_401k_calculator.htm) is by far the most comprehensive retirement tool ever created for that purpose (and you can fairly easily integrate the results into both RWRs and the IFP too).

And that is it for the retirement projecting side! Now for generic financial planning.

There are several tools for these jobs.

**▪** [Budgeting and Cash Flow Projections](http://www.toolsformoney.com/personal_budget_software.htm): This is the only personal finance software on the site that is NOT the best tool anyone has ever created to get the jobs done. The reason is that there’s too many competitors that give theirs away for free, just to get a fraction of a penny from website traffic, so it’s sort of a dead market.

However, the Cash Flow Projector allows more flexibility, power, and control than any program ever invented for this purpose (it’s just the budget software that’s “lame” because of the market situation).

Doing these jobs right requires a lot of work! So be aware before you start using these tools that it’s a ton of work, and usually does not have a lot of payoff (unless you’re charging for it directly).

**▪** If you want to calculate and forecast the need for life insurance (the Cash Flow Projector combined with a retirement planner is what calculates the need for disability insurance), then again and as usual, our [Life Insurance Calculators](http://www.toolsformoney.com/life_insurance_calculator.htm) are by far the most accurate, powerful, and flexible tools for those jobs.

**▪** If you just want to calculate and forecast net worth / balance sheets, then our [Net Worth Calculator](http://www.toolsformoney.com/net_worth_calculator.htm) and Projector is by far the most accurate, powerful, and flexible tools for those jobs.

Then the last part of the puzzle is [drumming up business, so all of the tools for that are listed here](http://www.toolsformoney.com/financial_planning_marketing.htm) (and it’s assumed you already know what all that is about, or you wouldn’t be reading this).

That’s about it. Any more here would just be duplicating the product pages and the directions. Hope that helps!

**Now Let’s Start Working: Financial Planning Fact Finding (AKA: Discovery)**

To construct an investment portfolio, and/or financial plan, that will best serve your clients, you must first "know your client." You'd gather this data not only to construct an appropriate investment portfolio, but also to collect documentation to back you up from a compliance and/or liability standpoint. Client suitability is the most important buzzword. Proper discovery and record keeping is also essential to staying out of trouble!

The minimum amount of information needed to construct a portfolio for a Level I client is determining risk tolerance (Level of Client Services is explained on page 12). All about investment risk tolerance is here: <http://www.toolsformoney.com/investment_risk_tolerance.htm>

The minimum amount of information needed to construct a portfolio for a Level II - IV client is risk tolerance category, amount of money they plan to withdraw from the portfolio, age, amount of assets, health, and earned income relative to their family status. Some consider time frame to be a factor too, but we consider everyone’s time frame to be long. If a client has a short time frame for some, or all, of their money; then this amount should first be set aside in the most liquid type of investments, and the remainder allocated as long-term.

The tool used to perform investment management discovery is the Investment Fact Finder. A primer on how to conduct client discovery interviews is here: <http://www.toolsformoney.com/investment_fact_finders.htm> and more helpful directions are here: <http://www.toolsformoney.com/fact_finding_via_email.htm>

**How to Use Sample Financial Plans to Close New Business**

First, take a good look at what you've been using (break out the best actual financial plan you've done in the last month) and compare to these:

<http://www.toolsformoney.com/free_sample_financial_plan.pdf>

<http://www.toolsformoney.com/free_example_financial_plan.pdf>

Then put yourself in the position of the client and ask which system you'd rather have, which makes more sense, which is more understandable, which is more closely custom-tailored to your life, which provides the most value, which most [accurately forecasts their future in the most Real World manner](http://www.toolsformoney.com/financial_planning_software_reviews.htm), and last but not least, which system gives them the [least investment risk and the best portfolio returns.](http://www.toolsformoney.com/model_portfolios.htm) We think the answers to all of these important issues are in our favor, no contest.

**Sample Plan Preparation and Assembly**

Get what's called a thick expensive "feely-good binder" to put the reports in. This is a large three-ring binder, with a cushy-feeling and rich-looking cover.



Ensure it has at least one place on the front inside cover to put your business cards. It also needs to have plastic half-page spacers in the front and back to keep pages from binding. It's worth spending extra money if they have custom engraving services, so you can put your firm's name on it in big gold letters. Proper use of a good binder for your example financial plan will pay for itself a thousand times over.

Then get some Avery section dividers from an office supply store. These are just thick paper inserts that have section numbers on them (like Contents, 1, 2, etc.). Use them to match your [Table of Contents](http://www.toolsformoney.com/financial_plan_toc.docx) by using the Avery template in MS Word to print the name of each section of the report.

Then get page protectors - the transparent plastic page-sized pockets that you put paper in, so you can see through, but they keep the pages clean. They also allow you to clean them if they get dirty (or if you like to write on them with an erasable marker pen). This also serves as a great place to insert pages that you want to take out and give to people on the spot, so you won't have to take pages out of the example financial plan.

Put every page in a pocket so when you turn the page, it reads as if it was just paper (so you'd put two pages in each page protector).

This is going to take up a lot of room, which is why you want a big thick feely-good binder. You wouldn't do this for a real client's plan, but your sample financial plan will get used a lot more and will have to endure lots of abuse (if you have any kind of marketing going on, then you should be using it almost daily).

Then when prospects come into your office and want to see what you can do for them, you walk them through the sample financial plans, using something that sounds like the sample "scripts" in these directions. Once you have it down, you'll be doubling your closing ratio.

When sales brought in qualified prospects, and we went through this "Dog and Pony Show," we had about a 95% closing rate (only about 1 out of 20 people said no. This 5% was because most of them were happy with their long-standing relationships with their current advisors, even though their investment returns were not even close. They basically just came in because sales hounded them until they did).

That's a very high closing ratio! Why? Because this all makes sense to people, the [investment returns are better](http://www.toolsformoney.com/model_portfolios.htm) than what they've been getting, with much lower risk, all of the [little financial planning jobs](http://www.toolsformoney.com/financial_tools.htm) they hired you for were done, and they like having their [financial futures forecasted](http://www.toolsformoney.com/retirement_savings_calculator.htm) in a way that makes sense, is accurate, and they can understand.

Your closing ratio won't be near this high until you've mastered using these financial planning tools with Real World clients, and can present them articulately (and then can answer their questions intelligently).

It takes preparation, skill, wisdom, knowledge, hard work, time, and practice to wake people up. People keep doing what they've been doing because all of this just gives them a headache, it's too much time and trouble to make changes, it's expensive, they hate paperwork, they fear the risk of losing money, but most of all - they just don't have the attention span needed to understand. They also don't understand because the information was never presented to them in a logical fashion using words they understand.

So if you want to succeed in this business, then your second hardest and most important job, after finding people to present to, is getting people to understand. We've found that these two tasks are much harder than actually doing the financial planning work and/or managing money!

That's why the bottom lines of most real financial planning and investment firms rest on how well sales people can present technical information to people they've just met. Most are terrible at it, so their closing ratios are less than 40%. The result is that people just stay with their money-losing advisors because they trust and like them personally. Even if it's going to probably just going to ruin their lives down the road, and they know it, this is what people actually do in the Real World. It's your main job to change their minds.

You're never going to raise your closing ratio over 60% with just fluffy verbal hype, [taking notes with a yellow pad](http://www.toolsformoney.com/financial_planning_fact_finders.htm), and fancy Broker Dealer and/or product sales brochures from life insurance companies and [American Funds](http://www.toolsformoney.com/american_funds.htm). Doing things this way may make enough little one-time transaction-based sales to barely survive and not get fired, but the solid lifelong relationships you'll need to build with high-net worth clients that's needed to [graduate to higher levels of the planning food chain](http://www.toolsformoney.com/money_ebook.htm) depend on how well you master real financial plan software, and how well you present it. That's just the way it is and there's no way around it (unless you're a stockbroker that found a way into a group of high-net worth clients that love trading stocks, or a firm that already has a huge profitable client base - yeah good luck with all that if you can't even present a plan yet).

Also, spending many times more money than it would take to buy all of the financial planning software on this site, on things like Bachrach Values-Based Selling seminars, isn't going to help you much with this stuff either.

Why? Because you only have to be a superstar salesperson to survive if you're trying to (over) sell people things they don't want nor need, and are just not suitable nor good for them (e.g., life insurance company products like annuities, whole life insurance, American Funds, etc.). You'll only need to become a hard-hitting "expert closer" if "you're trying to sell ice to Eskimos." Once you figure out what people want, need, and what's actually good for them, then you can suck at closing, and still do just fine.

Sales training courses like this will help people like and trust you more, but still, unless you can provide actual juicy red meat that smart people with real money will want to spend it on, they're just going to go away to "think about it." These people don't come back and will then avoid your calls, forever.

Sure you'll get lots more tiny clients with little money to work with, but you'll rarely get anyone of significant value until you can do something of Real World value for them. These little clients are the ones you're going to want to get rid of, if and when you become "successful." The bottom 20% of the revenue-producing clients generate ~80% of the time, work, and annoyance over time, so if you want to move up the food chain, they'll most all eventually have to go one way or another (or you'll give up and go back to your day job eventually because you'll never net over $25 per hour of time in that mode).

Even financial planners with little-to-no people skills (e.g., accountants) can do better than the fluffiest Tony Robbins / Bachrach Values-Based Selling graduate if they can just get people to understand real value - which is having the software tools needed to change people's financial lives for the better.

If you have inadequate financial tools, or can't present them well, then all of the fluffy sales training in the world will not save you. It may turn you from a total sales failure into a barely surviving salesperson (which is exactly the long-term result we've seen with about two dozen Bachrach Values-Based Selling graduates we've done work for in person).

But if you want to live the dream most people think of when they get into this biz (six-figure income while working less than 40 hours per week with a flexible schedule doing something good to help humanity) then you're going to need to step up and invest in all of the things needed to be a "true professional." Like it or not, believe it or not, this means spending work, time, and money on being an expert at learning and presenting real investment management and financial planning software.

So financial planners need to have their sample financial plan presentations down pat to be able to show people the difference in their financial lives between what they've been doing vs. having a real financial plan, coupled with getting decent investment returns.

If you have no sample financial plan, didn't take the time to learn how to present it, and all you have is verbal hype and few sales brochures, then you're just going to lose most all of the people you talk with, because you'll have nothing to offer but the same old song and dance.

The more money someone has, then the more they've "been there and done that" for decades with financial advisors that have nothing to offer but the same old transaction-based old dog and pony shows. These are the people you want and need to be your clients. They've probably been interviewing financial planners for decades, and few have met their standards. You'll live the dream in this biz by a keeping small flock of these good clients happy, not a large flock of tiny high-maintenance ones that don't pay well.

If you still don't get it: You need to "Put the Horse Before the Cart" and not the other way around. Tools to do your job like a true pro = The horse. Fluffy-values-based-sales-skills = The cart.

Why? Because even if you're the best salesperson in the world, unless you have something of value to sell (the horse) very few people will buy, and the ones that do will both work you to death and not pay you enough. Even if you couldn't sell fire to Eskimos, good people with money are still going to hire you, if you just can get them to understand you can do the important and required hard work for them - and then get the Real World results.

The proof - accountants (CPAs)! It's a long-standing joke that accountants have little to no people skills, sales skills, personalities, but are very competent at getting the important and tedious jobs done right. People pay them year-after-year for the simple fact that they get the required jobs done well. It's just as simple as that.

So don't let BD sales managers or recruiters tell you that your success or failure is mostly due to your sales skills. This is only true if you only do what they want you to do - which is have a large flock of small clients buying mostly life insurance company products and American Funds. This is because when you quit (or usually are fired for not meeting their quotas), they'll get to keep all of the clients you drummed up, so they win no matter what happens to you. This is just their business Model, so it's just what they do for a living ([the old scorpion and frog analogy)](http://www.toolsformoney.com/scorpion_and_the_frog.htm). Read a page about how and why you can avoid all of that, and move up the financial planning food chain, by [becoming your own RIA](http://www.toolsformoney.com/ria_setup_consulting.htm).

Great clients with real money would much rather pay big bucks to an accountant-like financial planner / investment manager with no people skills, than a fluffy salesperson armed only with fancy color product sales brochures. If you don't believe it, then just ask them.

If you want to get paid like a pro, and live the dream like a pro, then you'll need to act like one. After you get the basic education and licenses, then you'll act like one by investing in the tools needed to do the jobs. Then you'll need to learn how to present these concepts to new people. When you can do this, people will hire you.

If you still don't get it:

Being a great fluffy value-based verbal-hype salesperson = Not making much money because your large flock of low-net-worth high-maintenance clients works you to death chasing paperwork, fixing the problems they cause, and other useless non-profitable activities.

Being a true professional that can work real financial planning and investment software and are able to get people to understand = Having a small flock of low-maintenance high-net worth clients that are with the program, allowing you to live the dream (six-figure income while working less than 40 hours a week with a flexible schedule doing something good to help humanity).

The choice is up to you, and just boils down to how much research, time, work, and money you're willing to pony up when it comes to dealing with the tools needed to do your jobs (real financial software), learning how to use it, present it, and then answer hard questions well. This is the only way to provide things of Real World value to people that can actually afford to hire you for enough money to make it worth your efforts long-term.

Once you get that done, then it's just prospecting. Then once you get people to sit and talk with you in person, the only things standing in your way are:

**▪** Your dress and office situation.

**▪** [The way you do business and get paid.](http://www.toolsformoney.com/model_portfolios.htm)

**▪** [How much your Broker Dealer restricts what you can do for people.](http://www.toolsformoney.com/finra_compliance.htm) Read about [getting free](http://www.toolsformoney.com/ria_setup_consulting.htm) from all of that.

**▪** The tools you have to do the three main financial planning jobs people will hire you for - [managing their risks](http://www.toolsformoney.com/life_insurance_calculator.htm), [forecasting their future](http://www.toolsformoney.com/retirement_software.htm), and [managing their money.](http://www.toolsformoney.com/asset_allocation.htm)

**▪** How well you can get people to understand what it is you want to do for them. This is called presenting your sample financial plan.

So as you can see, even if you have the first four things down, if you can't get people to understand what it is you want to do for them and their money, then all of the resources that went into getting that person to sit down with you have been totally wasted. Then on top of that, all of the resources you invested in getting to the point of being able to, and allowed to, prospect for this business are all wasted too.

So your success or failure all boils down to how well you can present your "Dog and Pony Show" to brand new prospects and paying clients. Most everything you'll need to do that is here in this document.

We've yet to see anyone in person (we haven't done in-person with planners since '01 - this has been all web-based since then) make it long-term in the biz, without being able to do just this one simple thing: Break out the sample plan and explain to people what it is they'll get, on the spot, without fumbling, just like falling off a log.

It's only been the ones that can reach across their desk, grab their feely-good binder, open it up to the right section, put it in front of new prospects, point to the right things, say the right things, then give the right answers to the usual questions and objections; that have survived and prospered to this day. Just about every one of them that failed at this task is no longer in the biz today (granted, this is mostly because of the broken economy and perpetual flat-to-down markets since '00).

Now it's just up to you to invest the time and work to learn it, and be able to present it in a way that brand new people you've just met will understand. After you can do that, your closing ratio and your income will double - even if you are computer illiterate and have no clue about how to make financial plans nor manage money (because you can just read the directions or/and hire the people to do all that). All that's needed is for you to invest the time in learning (and buying the right tools, of course. Learning all about the wrong tools is going to be just as futile as not being able to present the right ones).

Please also keep this in mind: All you need to do is get about $5 million under management at a 1% fee to generate enough money to keep your basic expenses paid pretty much forever. This is because if you manage it well, it will grow faster than your expense inflation, giving you a perpetual raise every year without having to do much of anything but your basic job.

This $5 million could come from just that one old crusty pain in the butt that showed up at your office in dirty torn jeans in an old broken down pickup truck. All he was after was someone that could do the jobs. He's been shopping for years, has fired everyone else, is sick of the same old fluffy sales routine, and planned to walk out of your office the moment the words annuity or life insurance or American Funds was spoken.

We've seen this in the Real World several times. It's usually just getting or losing this one prospect that sets the stage for eventual success or failure. So never ever disrespect anyone based on their looks, dress, demeanor, education level, language skills, the vehicle they drive, their bad attitude, occupation, or any of that. Just run EVERYONE through the same old song and dance, as if your life depended on it - because it probably does (and you definitely cannot gauge the size of someone's portfolio by how well dressed they are, their vehicle, how smart they are; because money can come from anywhere, and it doesn't care who it goes to one little bit).

Plus you need the practice. So even if you're sure this new prospect doesn't have any money and is just going to waste your time, you need to do the whole dog and pony show as if your life depended on it, just because you need the practice for when the real deal is sitting in front of you.

All it's going to take is for you to do your thing right just this one time, and your practice could turn around in one day. And by the way, buying all of the financial software tools from us that's needed to get to that point would cost you less than 10% of just the first year's fee income from just this one client.

So the bottom line is that most of the tools, tutorials, primers, and resources to do all of this work are here (the links which will lead you to the product beef). Everything else is scattered around on the site (it's best to start this search on the [home page](http://www.toolsformoney.com/) and then the [free downloads page).](http://www.toolsformoney.com/personal_finance_software_downloads.htm)

The cost in money to buy everything is small, but the cost in learning, building your sample plan, and then being able to talk about it all right is all very high.

If you can do it, then you will succeed. If not, then you probably won't!

After monitoring the progress of about a thousand planners since 1988, we can say with 100% certainty that success in this biz is not who your BD is, how fancy or rich or famous your office is, what products you can sell, what fluffy sales courses you took, who you know, what licenses or professional designations you have, where your office is, the state of the markets / economy, or any of that.

The #1 success factor in this biz is investing in the tools to do your jobs, and being able to present samples of what you do to prospects in a way they understand. Then last but never least, you'll need to know how to present the actual reports you'll make for paying clients well too. This is where the rubber meets the road.

That all depends on how much you're willing to invest in these two areas. Just these two things will eventually make or break you.

If you don't believe it, just talk with ten successes and ten failures in the biz, and see what they all have in common. That's exactly what we did in the last century, and is how and why this is all here. This whole site is basically here because we got to the bottom of what actually worked long-term in the biz, duplicated it all in a way people would pay for, and then went global with it all via the Internet.

So the bottom line is knowing what works, what doesn't work, and then trying to market it online.

You'll see that the key to all of this is just being able to first adopt a viable business Model, then find people, then do the jobs they need done (buy and learn how to use good software tools), and then be able to get the key points across (learn sample and actual financial plans), so that they'll hire you now and not fire you later (just do you jobs well, honestly, and be professional).

If you can figure out how to make a profit at all of this, then you'll be set for life. If not, then it's back to the day job ya go sooner or later. Sorry for being annoying, but that's just the way it is. There's much more valuable content like this in the [Money eBook](http://www.toolsformoney.com/money_ebook.htm).

**Preparing to Present the Sample Financial Plan**

Less than a quarter of the reports available using this software is shown in the sample plan PDF files, so you may want to browse the demo spreadsheets that are also listed on [this page](http://www.toolsformoney.com/financial_plan.htm) if you’re interested in more.

A common question is, “Do I really need to make and present a 100+ page financial plan?” The answer is no, you can simplify things as much as you want to. All of the pages you see in the examples can also be modified and customized any way you want (but usually only with [financial software based in Excel](http://www.toolsformoney.com/excel_financial_planning_software.htm)).

Practice presenting your sample plan to prospects will help you greatly when it comes time to present an actual plan to a paying client. For prospects, you’ll be presenting data for a fictional family, John & Mary Sample. For an actual client, you’ll be talking about actual numbers pertinent to actual people. Practice makes perfect!

When we talk about how much money a client has to have to qualify for one of the Levels of Services, this is the total amount that is currently under your “management.” Everything that you are paid for is considered - mutual funds, VAs, life insurance cash values, and anything that’s in a fee-based account that you are getting paid an ongoing fee in return for giving investment advice.

[401(k)s](http://www.toolsformoney.com/401k_asset_allocator.htm) are a tricky thing to get paid on. You can try managing them in exchange for a fee, which they would have to write from their checking account. That works sometimes and is only an hour’s work per quarter or so.

These services were not done for prospects. A prospect typically turns into a client when they open an account, sign an agreement to pay a fee (and then half is usually paid up-front), and/or initiates ACAT or similar asset transfer paperwork.

So if a suspect or prospect says, “Run us one of those reports so we can see exactly what you recommend, and then we’ll think about it.” Just tell them, “We don’t do that!” You’ll never survive and prosper if you give your hard work away for free. This is one of the most common reasons new financial planners fail.

The point of this primer is to get you up to speed on telling prospects they will get a report just like the samples, customized to fit their situation - ***after*** they engage. If they want to know what mutual funds you’ll be recommending, they are shown in the Model Portfolios - but some change monthly. One of the things new planners need to learn is how not to give things away for free to people that are not going to buy or hire you.

But the [Model Portfolios](http://www.toolsformoney.com/model_portfolios.htm) are very different. You want new prospects to take this home with them, along with the usual package of marketing materials that we call a “Prospect Binder.” All about that important set of tools is here: <http://www.toolsformoney.com/financial_planning_binder.htm>.

The reason you want them to have the Models is so they can use it later to compare their historical investment returns to what they, or their other advisors, have been getting. They are usually so much better that there is no contest. Some people will do something to white out the no-load mutual fund picks, so they won’t be giving their advice away for free. There’s no reason to hide the loaded mutual funds that you may be able to get for them without paying the load in Fee-Based Accounts, because the only way to buy them is through an advisor.

If you’re working on a commission basis (and have a Broker Dealer), there are major compliance issues with showing and giving Asset Allocation Models. So you'll need to deal with all of that. That world is discussed here: <http://www.toolsformoney.com/finra_compliance.htm>

If your BD won’t let you use Model Portfolios, even if you’re doing everything you need to be compliant, then you should consider just not having a BD. All about that is on this page: [http://toolsformoney.com/RIA\_services.htm](http://toolsformoney.com/ria_setup_consulting.htm), or [you can usually always get around that](http://www.toolsformoney.com/using_unapproved_money_management_systems.htm).

This is what was needed to pass BD compliance in the past. We don’t have old approval letters, and it wouldn’t matter if we did because every BD is different, the rules change, and things like this sometimes need to be updated with compliance annually. Before showing, or giving, the Model Portfolios to people, you should have gathered, printed, and attached:

• The cover page, edited with your name, address, the Broker Dealer disclosure blurb at the bottom. This can be downloaded from here: <http://www.toolsformoney.com/financial_plan_report_cover.docx>.

• Text that goes with the Models: <http://www.toolsformoney.com/model_portfolios_newsletter.docx>

• Morningstar Fund Detail reports for all of the mutual funds used. These are not shown in the Sample Plans.

• Mutual fund prospecti, annual reports, and other required paperwork, if you’re working in commission mode.

Now a digression: Here’s what you can do if you want to get with our money management program, but have a “bad BD” that won’t approve anything:

As you may know, most every investing strategy your BD wants you to use ends up getting lousy investment performance. Especially if you hire their outside "[money managers](http://www.toolsformoney.com/private_money_managers.htm)."

So if you're interested in using our Models, asset allocation software (and/or the mutual fund selections), but think your Broker Dealer won't approve it; there's still hope.

First, [submit it for approval](http://www.toolsformoney.com/finra_compliance.htm) and see what they say. What you want to submit is a [demo](http://www.toolsformoney.com/asset_allocation.xlsx) or a webpage.

If they don't approve it, then here's what you can do:

Gather the client data needed for input into the software using any [investment Fact Finder](http://www.toolsformoney.com/financial_planning_fact_finders.htm) that's approved. Print it and keep it on file. Then use our investment software (and/or investing questionnaire) at home on a non-work computer and write the bottom-line trades down.

When you get back to the office, just make the trades and manage the portfolio as usual.

Just don't show, print, nor give any of the reports to anyone. Don't tell anybody, don't put anything in their paper or computer file (at home or at work), and nobody will ever know.

You'll get the same results as if everyone had hard copies.

Basically, if you're not telling or showing clients your system, then it doesn't need to be approved. This is because you're "not communicating" anything to the public, and only "communications, sales literature, or advertisements" need to be approved.

If you're not communicating anything, then there's nothing to be approved. If you're not using a system, then it doesn't need to be approved. So if you keep it all a secret, then nobody can prove you're using an "unapproved system."

The irony is that a BD Rep is allowed to just wing it (create and implement investment portfolios) at random ad hoc, with no clue, system, communications, strategy nor plan at all according to BD compliance and FINRA. Yes, managing money for clients without a clue is perfectly legal for BD Reps, and happens about 75% of the time. It's actually a rare event that a Rep actually has a plan or an investment strategy that actually works.

So this is what you'll appear to be doing - the same old random ad hoc thing everyone else is doing with client moneys.

So just tell others you're winging it on intuition, and nobody can do nor say anything about it. So what you're doing is using one of the best systems ever created, telling others you're not using any system at all, and then you can use these asset allocator software programs to get good results with less risk, everyone will be happy, and only you will ever know. It works great.

Everyone will think you're a genius and will wonder how you're doing it. Just tell them you use a little of this and a little of that and you're a good mutual fund picker. This is the same generic investor strategy everyone else is using anyway, so they'll think you're doing the same thing, but are just better at it.

If colleagues ask you to show or train them on what you're doing, just say no.

The only difference is that clients won't have printed reports. If what you're limited to using doesn't have printed reports of value anyway, then they won't be missing anything.

This way you can get the low risk and good returns by funding a pure asset allocation strategy with mutual funds, and you'll minimize the whole compliance annoyance and/or getting into trouble (for doing good things for clients for a change).

You can then input Current and Proposed portfolio data into Morningstar Principia if you want to give or show clients approved reports (AKA approved fund detail pages).

End of the digression.

After you explain the Sample Plan, say, “What do you think of that? This is as sophisticated as it gets in this business. Have you ever seen anything like this before?” Then do the usual thing after asking any closing question - just shut up, stare, and wait for an answer.

The more money people have, and/or the more they know about investing and have seen other examples, the more they will like the Sample Financial Plan. So it just boils down to how well you can explain it. Most everything you'll need to explain and understand these reports is either here, or in the direction pages for each individual product. If you still don’t understand something, that means other people, most importantly clients, don’t get it either, so please let us know so we can make changes.

Before showing prospects everything, it’s important to first find out how much money they have to work with. Yes, we’ve been there and done that, and we know it’s awkward and hard. There are several reasons for wanting to find out how much they have ASAP. But at this point, you just want to know so you can show them the right sample reports. What you really want to know is how much they are willing to let you manage, and this is the step-by-step process for finding that out.

We’ve been in this position many times and have fumbled with various ways of asking a stranger how much money they have to work with in the first few minutes of the first meeting after small talk is over. Even fluffy consummate salesman with thirty years experience, have a hard time with this. You always feel like you’re imposing, being nosy, or you’re diving in too fast. We worked on these scripts one on one for years, and we think we finally got it right. The best thing to do is *look them straight in the eye and just ask!*

When the time is right, it seems like the worst thing you can say at that point in a meeting, but it’s not. Everyone is there for the same thing - to find out if you can reach an agreement on managing the prospect’s money (and/or do financial planning). Finding out how much you’re talking about is a logical starting point and it’s the perfect segue into the *Dog & Pony Show* (showing off the reports).

After the small talk is over and it’s time to get down to business, you just say, in a nice, caring way: “So <client’s first name>, if it turned out that you liked the way we do planning and manage money, around how much would you consider letting us manage? The reason I’m asking is because we want to show you what we would do with your money, and we need to know which sample reports to show you right now.”

Then you just shut up and don’t say anything until they give you an answer. If they take too long to answer, then say, “Just ballpark rounded to the $25,000,” then shut up and wait again. The vast majority of the time, they will fess up and tell you. The less you beat around the bush, the better things will go from then on.

Sometimes they fudge because they don’t want to give away their hand too soon. About 10% of the time they will be uncomfortable, and/or just don’t know how to answer the question. Married couples like to look at each other with the, “Whose got the brain today, dear?” routine.

If you get tired of waiting for an answer, just pull out the Sample Financial Plan and point to the *Level of Services* page and say, “Which would fit your situation the best, the investment management plan for under $100,000, $100,000 to $250,000, $250,000 to $750,000, or over $750,000?” Then they will get it over with and pick one. If they still balk, then just use the $250,000 to $750,000 examples.

Sometimes the Under $100,000 prospects are curious and ask to see the custom stuff after you show them the Portfolio Models. That’s your opportunity to show them you can do a lot more than just put people into Models (anybody can do that). Always take the opportunity to show off a pony if asked to!

If after they see the Sample Financial Plan,they go into, “Why don’t you do that for us and our $75,000 portfolio?” Just find a way to say that you aren’t getting paid enough. Some could say, “The arrogant analyst guy at the home office who does the paperwork won’t do it. But when your portfolio grows to over $100,000, then he will. It’s not really that much different… the same techniques and funds are being used, it’s just that he has to draw the line somewhere or he’d be spending all of his time making reports for $25,000 portfolios when he’d rather be doing investment research. The Models are fine and are pretty much the same thing for portfolios under $100,000.” It’s your call what to say to avoid doing work for free or too cheap, which is one of the major reasons why financial planners fail.

Keep in mind that in this industry, having Model Portfolios is something only “professional money managers” do. So if they have been shopping around town, and seen other Models, you’ll stand out as being a pro just by having them. Believe it or not, most people who hold themselves out as money managers don’t even have generic Models (and even have no clue whatsoever about what their performance has been). All they have is the “good old boy story” where they just buy mutual funds and ETFs at random and promise to take care of them.

Most advisors pick investments either by habit, using what they’ve done in the past and are comfortable with, which fund family is the easiest to deal with service-work wise, how much they like the wholesaler, which pays the most commission, and/or what the financial press is touting at the moment. If the [American Funds family of mutual funds](http://www.toolsformoney.com/american_funds.htm) pops into your mind at this point, then you get a gold star for the day (click the link to read how to easily win the competitive game with advisors selling American Funds, or this link if your competition is touting variable annuities: <http://www.toolsformoney.com/variable_annuities.htm>).

If your prospect has been shopping, ask them what the competition’s Model returns have been and compare. Comparing is a good thing that you want to do because our Models are near-impossible to beat in any market condition. Prospects have brought in other firm’s Models occasionally, and we have never seen one that was better. Our Models do exceptionally well when the market is down; so don’t ever be afraid of comparing. In fact, the Models cream most everything in time frames over one year, so look forward to comparisons.

You’ll just have to take our word on this one, but almost nobody does investment management and retirement reports at the level shown in the Sample Financial Plan. We have never seen it, and if we did, we’d do it too. We’ve been on close to a hundred job / consultant interviews in many cities in our travels, [have performed the only actual reviews of them](http://www.toolsformoney.com/financial_planning_software_reviews.htm), and we’ve seen most everything - from national big hitting firms to dozens of one-man shows. We’ve seen unbelievably huge and complex tax / estate plans, but never a better financial plan.

This is good time to point out that none of the major financial planning and investment software vendors have this level of sophistication: NaviPlan, Financial Profiles, and all of the MoneyWhatevers barely have an adequate retirement planner, college planner, insurance needs analysis planner, etc. Nor do they have any complete turnkey system at all to manage money for clients. Only Toolsformoney has it all!

If someone has something good, we look into it, and if we like it, then we’ll incorporate it into our tools. The reasons nobody does investment management at this level are because the leaders of the firm would rather pocket the money we, or portfolio managers like us, would cost them. They also don’t want to take the time and trouble to actually do work for people’s portfolios. That’s why the Asset Allocation Model is so popular.

Next is they would have to explain to existing clients when they ask, “If this is so great, why weren’t you doing it before?” Next they don’t want to explain to clients why they are not getting the neat reports anymore when the technical that actually do the work people leave. This is why we doubt you’ll ever see anyone that has better way of managing investments, or coming up with a better way to make and use financial plans.

**Presenting the “Dog & Pony Shows”**

In most all sales situations, you'll want to put on the best show you can to display your competence at providing valuable services, your ability to select superior products, and why you’re better than the competition. In many industries, this is known as “The Dog & Pony Show.” Some people don’t like the term, but we do! We even say it to prospects before the presentation, and most of them laugh or smile.

Next, spend a few moments on the sample plan’s Table of Contents, Introduction, Disclaimer, Notes, and Assumptions. Most of the titles in each section of the reports are self-explanatory.

Now cover the Level of Services page. If they want to discuss this, then here’s a tip. Assuming that you are using the plastic page protectors as described here[,](financial_plan.htm) and then print a fresh set of Level of Services and put them inside between the two sample pages. Then when they want to get bogged down in that, you can just pull them out and say, “Here you can take this home with you.” This will allow you to continue your presentation without having to use up time and their mental energy. Of course, if they start reading it and want to discuss it now, you’re pretty much stuck doing it then.

You’ve probably just glossed over the previous pages pretty quickly, as they’re not too important. They just need to know there is a Table of Contents and [the assumptions used](http://www.toolsformoney.com/financial_plan_interview_notes.docx) are summarized somewhere. People only have so much attention span, so you need to move on and save their mental energy for the important things.

Next, talk about the [Cost Benefit Ratio pages](http://www.toolsformoney.com/financial_planner.xlsx). When showing the Sample Plan, these four pages deserve special attention. It’s best to cover the primary bottom lines they want to hear about most first. These pages do that.

The “Current Plan” is where the financial planner just inputs data clients gave them into financial plan software. This is then projected into the future as if they never met the planner and just continued to do what they were doing. The usual thing planners say about the Current version is here, "If you keep going down the road you're on, then you will eventually end up where you're headed." Then "where you're headed" is usually not good.

Then the recommendations the planner makes are input into another version (AKA V2) of the software, and this is called the “Proposed Plan.” The value of the advice is shown in the differences between the long-term Current vs. Proposed projections.

The Current Plan’s net worth in future years is subtracted from the Proposed Plan’s net worth. The difference is then divided by how much fee you charged. This is shown in three time frames.

For example, if they are projected to have $100,000 more net worth in the Proposed Plan in ten years, and you charged a $1,000 fee, then the cost benefit ratio of the financial plan is 100. In other words, for every $1 in fees they paid you, you returned $100 to them in increased net worth in ten years. Be sure to talk about this. If you work on commissions, then you’ll have to make something up about how much you’ll get paid (you can also just not use the first page showing the ratios).

The three tables show how you’ve increased their incomes and net worth, and helped managed their expenses (this isn’t always the case as sometimes incomes need to go down and expenses need to go up). The percentage change numbers are probably the most important here.

The three graphs show the differences in net worth, incomes, and expenses every year until you told the plan to stop showing numbers.

Incomes shown in the Current Plan will probably have a dramatic decline in later years. This is because incomes from retirement assets will stop when they run out of money. This is, of course, one of the main things you’ll “fix” as a financial professional.

The Proposed version will / should then show incomes increasing in a much smoother line.

**How to Use and Explain the Family Budgeting and Cash Flow Projection Reports**

Budgeting and cash flow management is at the very heart of the financial planning process.

The first two pages of text just summarize the details of the reports, which are what you’re doing in your presentation, so you can just gloss over them. This is just to help clients understand it all later when they read the plan at home. Read them on your own time to help your talk go better. This document can be downloaded from here, so you can delete the site information, and print it with your contact information: <http://www.toolsformoney.com/family_budgeting_reports.docx>

In the Integrated Sample Plan, all of the Current pages are first, and then the Proposed pages follow.

The tables and pie charts present just Current snapshots of what’s going on now. Only the column graphs present what’s projected to happen in the future.

In the *Budget and Cash Flow Results* section, start with *Budget Totals with Debt*.

Tell them how much the Sample’s are spending on average per month by using the figure fourth down on the top section, titled: *Monthly Budget Totals (net monthly cash needed*).

Tell them the numbers in this block have two sections. One shows amounts before taxes, and the other after.

Tell them the numbers are also shown hourly, daily, weekly, and annually.

Then tell them how this is duplicated in the box below, showing what their situation would look like if they had no debt.

After that, point out their *Budget Category Percentages*, which is the next box down. This shows what percentages their money is going to fund the main types of expenses.

Repeat the process using the disabled figures (shown on the [Cash Flow Projector demo (which is not in the sample plan PDFs)](http://www.toolsformoney.com/cash_flow_demo.xlsx)), duplicated in the boxes to the right. Then tell them how to solve the problem of not being able to earn money because of a disability; by showing them how much disability insurance they need to buy now (shown in the section below).

The disabled budget & cash flow section is not shown in the Integrated Sample Financial Plan because of the limitation on the numbers of pages the PDF maker could put in one PDF.

Next, discuss the *Surplus or Deficit with Debt* section. Read the Sample’s monthly net number. If they have a surplus, tell them how great that is because they can use this extra money to invest for their future. If they are in deficit, then you’ll need to go into where that’s coming from, and how best to deal with it. The Sample’s have a surplus just for that reason in the normal section, and huge deficits in the disabled section.

Show them the red numbers in the disabled section. This shows how much money may be lost over the time frames without disability insurance. It’s important to make sure they understand how these deficits would come about if one, or both, were disabled, and how disability insurance will pay to make up the differences.

The next set of boxes is similar, and just breaks down their incomes into different time frames.

There are many graphs on the *Results* sheet. They are hopefully all self-explanatory, and are duplicated to show the difference between normal and disabled (or Current and Proposed on the [Integrated Sample Plan](http://www.toolsformoney.com/free_integrated_example_financial_plan.pdf)).

The first set of charts shows the annual, and then compounded cash flow deficits. The compounded chart can be looked at as having to borrow to meet the deficits, and this debt grows at a discount rate that you input into the Cash Flow Projector.

There is no such thing as a “debt account” where a new liability is created. Instead, annual deficits are subtracted from assets in the [Integrated Financial Planner](http://www.toolsformoney.com/financial_planning_software.htm) (they’re not accounted for at all in the stand-alone modules, nor with any other financial plan software other than NaviPlan). Annual surpluses are also added to assets in the Integrated Financial Planner. So the chart showing the compounding of liabilities is just to show the long-term impact of spending more than income.

The yellow chart showing variable expenses has a hump in it from years 6 - 15. This shows the impact of having to spend money from Current cash flow to put the four kids through college (because they didn’t save enough and thought they could afford expensive private colleges in the Current version of the Integrated Financial Planner). This is where most of the huge deficits came from.

The two graphs showing projected incomes and expenses (and taxes a couple of pages down) are “stacked.” This means that incomes are added to each other. The next two graphs showing incomes vs. expenses are not stacked. You can change all of this, and add new charts, in the actual software because nothing is protected.

The long chart shows their budget categories projected up to 75 years into the future. Only the first several years are shown in the samples. You can also [control Excels’ printing to show anything you want to](http://www.toolsformoney.com/printing_in_excel.htm).

There are many more things you can print and show them, like details of all of their incomes and expenses on the other sheets, like *Budget (All Expenses)*, in the actual software. To keep the size of the Integrated Sample Plan down, many reports were not put into the PDF. You’re free to create your own custom example plan that reflects the way you run your practice, and you should, rather than using the generic one from the site.

If they think the numbers are high, then it’s probably because it’s the first time they’ve ever seen them with replacement costs taken into account. So show them that sheet and explain how it works and what it’s for. The details of the *Replacement Costs* sheet of the [Budget and Cash Flow Projector modules](http://www.toolsformoney.com/current_budget_&_cash_flow.xlsx) are not shown in the Sample Plan (but the bottom line monthly expense for it is). These are the projected future costs of having to replace expensive things that wear out - like roofing. The future cost is discounted, and then payments are assumed to be made from now until the time when they are expected to be replaced. This adds up to a lot of money, and is the main reason why people’s budgets never seem to add up over time.

The point of the budget and cash flow reports is to show them that you can do the work needed to get a grip on what’s currently going on, and what their future will look like. In the Current version, what their future will look like if they keep doing what they’re doing, and how you plan to “fix it” in the Proposed version. Our software allows for complete control of everything in the process, and most other financial software is extremely limited. Only ours and [NaviPlan](http://www.toolsformoney.com/naviplan_financial_planning_software_evaluation.htm) performs these functions [because all financial planning software that's Goal based" or "goal focused" is "fake financial planning software" and just ignores most all of reality](http://www.toolsformoney.com/moneyguidepro_financial_planning_software_evaluation.htm).

**How to Use and Explain the Net Worth Report and Projections**

Only the main parts of the software were included in the samples (several of the main features of the net worth modules were not used in the Integrated Sample Plan to keep things simple and to show an average case).

As you move forward through the pages, you'll drill down into the details.

It usually doesn’t take a lot of time to go over this, as most people get it when you say assets minus liabilities equals net worth. The pies and charts just show the data in different ways. Some people need to be educated on the difference between qualified and non-qualified investments though.

The snapshots are the same in both the Current and Proposed versions. Repositioned assets add up to the same amount of money in total, so they’re only shown once. The names of the accounts and the individual assets that changed in the Proposed version can be seen on the [Net Worth Projector demos](http://www.toolsformoney.com/net_worth_projector_demo.xlsx), which are not in the PDF because of the size limitation of the file maker.

The net worth chart in column format is stacked, meaning everyone’s assets pile on top of each other to show the Grand Total. The assets column is made up of the six assets in the table below. The same for the other two.

If you show them the asset allocation pies (from the net worth module), then explain that this is different from the investment asset allocation report, because it takes personal property and other non-investment assets into account. These sections of the net worth modules were not used in the Integrated Financial Plan.

The point is that the projections into the future, especially after retirement, are by far the most important. Show them the loss of net worth as asset depletion occurs from having to generate retirement income. This difference in long-term net worth helps to set them up for the need to plan for retirement using your brilliant services and superior products. The charts are the best way to show this. The tables and charts show all of their accounts. The percentage numbers next to account names on the table are the annual rates of return you input for each account (any rate of return or end-of-year market value manual overrides are not accounted for here).

All of the graphs are stacked, meaning all of the assets pile up on top of each other so the top equals the totals. It’s normal for assets to decline in the later years, as they are used up providing retirement incomes. It’s also normal for children’s assets to go away completely as college is funded.

If you’re wondering how we got the projected net worth table to print like that in the PDF, that’s easy once you know how, and is explained here: <http://www.toolsformoney.com/printing_in_excel.htm>

Here’s a document that goes into the financial plan that helps explain the net worth reports (shown in the PDF): <http://www.toolsformoney.com/net_worth_reports.docx> Read it on your own time to help your talk go better. This document can be downloaded, so you can delete the site information, and print it with your contact info.

**How to Use and Explain the Retirement Reports**

On the non-integrated version, it starts on PDF #2: <http://www.toolsformoney.com/free_example_financial_plan.pdf>

On the [Integrated Plan PDF](http://www.toolsformoney.com/free_integrated_sample_financial_plan.pdf), the [Integrated Financial Planner](http://www.toolsformoney.com/financial_planning_software.htm) software was used, and in the non-Integrated Financial Plan PDFs, [Dual RWR](http://www.toolsformoney.com/retirement_savings_calculator.htm) was used. You can do the same work using single [RWR](http://www.toolsformoney.com/retirement_software.htm) as Dual RWR.

Most retirement reports are simple and only take about twenty minutes to run. However, the sample plan PDFs made from Dual RWR and the modules shows a “full-blown” version, with every asset and miscellaneous income / expense slot used up to show the full power of the program(s). It would take us over an hour to run one this size, and so far nobody has given us a real life client with a Fact Finder filled out this extensively. The Integrated Financial Planner sample plans illustrates an average case, so most bells and whistles are not shown.

In the retirement section of the example Integrated Financial Plan, each Proposed page is placed directly behind, or next to, the Current page. This is because it’s the most important section, and so you’ll be spending more time comparing the differences. You’re free to arrange the pages any way you want to.

First show them that’s there’s plenty of text that explains all of the technical details. This text (shown in both Sample Financial Plans) is here: <http://www.toolsformoney.com/retirement_software.docx>. You can customize these pages all you want to. Most everyone likes it, so you should always have some of it in the plan.

The first page, titled *John & Mary Sample, Financial Independence Analysis*, summarizes the results. All of the pages are titled *Financial Independence Analysis*, and you can change this manually in the actual software.

Say, “This page shows your current ages, when you want to retire, how much money you'll want to spend, how much that will grow annually to meet the increases in cost of living, and the tax rates used. If it turns out you’re spending more money than you can afford to, the section below shows how much more you’ll need to either invest on a monthly basis, or lump sum today, both at the assumed interest rate shown, to meet your goals so you won’t run out. This is the one of the most important bottom line results of the whole financial plan.”

Both of their life expectancy ages are shown below their current ages (based on IRS Unisex Mortality Tables).

On the Integrated Sample Plan, be sure to point out that the Sample’s need an additional $103,000 to reach their goals (this is the Current Plan), but that this was not needed after implementing all of the Proposed financial planning and investment advice.

If they don’t have an extra $665,000 today, then they can also reach their retirement income goals, assuming all other input remained the same, if they saved $3,800 per month until the year John retires (his age 60). This may sound goofy, but some people will say, “We already have more than $665,000 in another account that we didn’t tell you about yet….” This gives you the opportunity to mange more money! Most of the time they won’t have any more, so focus on the monthly savings need (which grows at an assumed rate of return that you input into the software. In this plan it’s 3%).

Be sure to point out that, “In the Proposed version, not only were their retirement goals met, but with more income too. This was done just by repositioning investments to get a little more return, and telling the kids they’ll have to go to a public college instead of an expensive private college. No cutting back on expenses or having to invest more money. Isn’t it amazing what a few simple changes can make?”

Now about the section: *Probability of Success Given All Assumptions* is the result of the Monte Carlo simulations. You can run it on both Current and Proposed scenarios separately.

Monte Carlo Simulations are also known as stochastic Modeling, stress testing, and worst-to-best case scenario analysis. There’s way too much to say about it in this piece, so all of the details are here: <http://www.toolsformoney.com/monte_carlo.htm>

There’s no easy way to explain it, so how you'd do it will depend on the intelligence and attention span of your clients. Here are the basics: Say, “The probability of success number estimates the overall chances of your retirement plan succeeding assuming various realistic changes in some key variables. For example, the rates of return on assets, inflation, and tax rates are all changed to account for some worst-case scenarios. Assuming all of the other data stayed the same, the results of hundreds of different scenarios are all added up and a bottom-line number estimates your chances of success. Because of the extreme worst-case scenarios, the numbers are very low. There would have to be another depression-like economy for a long time, but as you’ve seen in the first decade of the 21st century, it’s possible things could be so bad that even your best plans could be ruined. That’s why investing using asset allocation techniques to reduce risk are so important. In order for your plan to succeed given adverse change in taxes and inflation, you’d need to average over 9% on all of your assets until age 100. That’s very hard, even in decent economic environments. The probability of success in the Proposed Plan is a little higher than the Current Plan, because you both were able to retire one year earlier, with more income, and we also assumed a higher tax rate. So even if things didn’t work out well, you’d still have a much higher chance of making it long-term using Proposed Plan assumptions than Current Plan assumptions.”

All of the changes between the Current and Proposed Plans are shown in this and the next set of pages.

Now go to the *Asset Summary* page and say, “This page shows all of your investments, when they become effective, if you are adding new money to them, when they start to pay out income, the rate of returns and assumed tax rates. The section below shows how much money comes from sources that are not marketable investments, like pensions, Social Security, and any post-retirement earned income.” (Post-retirement earned and other incomes don’t display here in the Integrated Financial Planner, like they do on RWR, because they show up on the Cash Flow results instead.)

A page with a detailed analysis of when the optimal age to start collecting Social Security benefits is here: <http://www.toolsformoney.com/social_security.htm> This comes up often, so it’s best to take a stand one way or the other so you’ll have something to say about it (although the numbers clearly show the optimal age, and financial plan will ALWAYS work out better when taking it ASAP).

This sheet is also not in the Integrated Financial Plan because it’s part of the Cash Flow modules: Go to the *Miscellaneous Annual Expense and Non-Asset Income Details* page and say, “This page will show all of your miscellaneous incomes and expenses you plan to have on top of your income goal. For example, in the middle you are putting the four kids through college, and a bunch of other stuff. You can put anything you want to here.” This is the part of the program where you can show off the power of RWR (or the IFP). Tell them that any little thing that you want to see input into their plan, only this retirement software is able to do it.

Now go to the *Annual Summary Numbers* page and say, “Here is where all of the details sum up every year. Here is your inflated income goal or how much money you’re spending, Social Security, non-asset incomes, and pensions.

In the Current version, the Samples’ are spending too much and start to run out of money when John turns 71. See where the deficits start? The three right columns show how much money they’ll have left at the end of each year, the average weighted rate of return, and how much the asset base grew or shrunk over the year. Now look at how changes in the Proposed version fixed all that, so they even have $681,000 left over at age 100.”

Go to the graphs and wing it. The point to get across in the first declining graphs are the Sample’s running out of money in the Current version. Then in the Proposed version, inclining graphs show them being just fine.

The first set of graphs summaries everything. It compares the total pot of money with the income goal. As you can see in the Current version, the pot of money declines to zero around age 71. In the Proposed version, there is $681k left at John’s age of 100.

Next, the surplus/deficit graphs show many years of running out of money (having large income deficits) shortly after retirement, and the Proposed graphs show many years of moderate surpluses.

Hopefully, the other graphs are self-explanatory. It’s just the same data display in different ways.

**The Life Insurance Needs and College Funding Sections**

Hopefully the life insurance needs section is also self-explanatory. It just lists all of the different needs and then adds them all up and displays them in different ways.

You may want to touch on the amount of capital needed to replace John’s income, which is the largest number.

Our software is also the only suite you can buy that's able to project needs into the future too.

## After reading the directions and the product page <http://www.toolsformoney.com/life_insurance_calculator.htm>

## you’ll see that you basically input personal data, like what life goals the Sample’s wanted to be covered with life insurance, and the report displays the total amounts needed.

The bottom line in the Sample Financial Plan is that the Sample’s need to purchase $1.7M in additional life insurance today (over what they already carry), to meet their goals. There are four life insurance needs scenarios, so be sure to talk about all of them:

<http://www.toolsformoney.com/current_life_insurance_for_oldest.xlsx>

<http://www.toolsformoney.com/current_life_insurance_for_youngest.xlsx>

<http://www.toolsformoney.com/proposed_life_insurance_for_oldest.xlsx>

<http://www.toolsformoney.com/proposed_life_insurance_for_youngest.xlsx>

When presenting the sample plan, or the actual reports to clients, it’s important to mention ALL of the items they said they wanted covered - in this case, mortgages, cash reserves, immediate needs, final expenses, debt payoff, and children’s’ college expenses.

The point is that when they say they don’t want to buy that much life insurance, you can just point to each line item and then ask them if they want to delete it from being covered to reach the amount they do want to buy. This usually results in them keeping most all of the recommendations.

It’s also important to show people that life insurance needs usually decline annually. Saving this wasted money spent on premiums could make or break their retirement plans.

The following text is for the Integrated Planner: Hopefully, the college planning information is also self-explanatory.

In both versions, all kids were able to attend college until they graduated. Amounts not met by investments were paid for out of cash flow in those years. But in the Current version, it ruined the Sample’s retirement.

The biggest difference between the Current and Proposed sample plans, is that all four kids have to settle on going to a public college instead of an expensive private college. John & Mary decided that on one hand, they couldn’t retire as they hoped, and couldn’t afford to put all kids through private colleges. On the other hand, if the kids all went to cheaper public schools, they could retire much better than anticipated, and everything would probably be fine. So they chose the latter (the kids need to work more and goof off less anyway).

All of the data is shown for all students combined on the [first few pages](http://www.toolsformoney.com/current_college.xlsx). Then on the individual student pages, you can see how much is paid for by the investment account, out of pocket by the parents, and out of pocket by the students. An item of interest is the red section of the first graph. This is the shortfall of the investment account. In other words, the savings ran out, and so a lot of expenses had to be paid for out-of-pocket from the parents' cash flow.

This may seem like a simple financial planning module, but it’s so complex that [none of the major vendors even have an adequate college-funding module](http://www.toolsformoney.com/financial_planning_software_reviews.htm). You can read about this product here: <http://www.toolsformoney.com/college_savings_calculator.htm>

After basic parameters are input, like how much is currently saved, how much college will cost, when it will start, how long it will last, etc., the results are displayed in simple bottom lines - both for public and private college adventures, and both using taxable accounts, and tax-sheltered 529 plans.

Here's a page if you want to get into the 529 college plan debate: <http://www.toolsformoney.com/529_college_savings_plans.htm>

When presenting college reports, just mention this college planner is the only one with this level of detail and accuracy, and that you’ll be able to give them the information they need better than anyone else in town.

The cash flow numbers (both the savings and out-of-pocket expense the parents will end up paying) are integrated into the cash flow and retirement modules.

**About Using the Level Of Services Chart**

A sample showing what services clients would receive given the level of assets under your management (or how much they pay directly in fees) is here: <http://www.toolsformoney.com/financial_planning_services.docx>

You'd basically make a list of things you will do for so much fee. Obviously, the more they pay you, the more services you will provide. It’s critical for everyone to understand what they’ll get for how much fee, before engaging. Edit this document, and the following levels, to whatever best fits your business:

**Level I:** The total amount under management is under $100,000.

**Level II:** The total amount under management is between $100,000 and $250,000.

**Level III:** The total amount under management is between $251,000 and $750,000.

**Level IV:** The total amount under management is over $750,000.

**How to Use and Explain Asset Allocation Reports to Level I Clients & Prospects**

Investment management is where the Level of Services list applies the most.

The Sample Plans don’t have [Model Portfolios](http://www.toolsformoney.com/model_portfolios.htm) in them to avoid giving away valuable content for free. Some text to explain them in more detail is here: <http://www.toolsformoney.com/model_portfolios_newsletter.docx>

First, let’s talk about the Model Portfolios. The [Comprehensive Asset Allocation software](http://www.toolsformoney.com/asset_allocation_calculator.htm) is discussed later, which does have a [demo](http://www.toolsformoney.com/asset_allocation.xlsx) and is shown on a PDF.

To avoid redundancy, everything here is referring to the *Fee-based Moderate Model*, although the same concepts apply to the other Models. It would be helpful to pull this one Model page out now for reference.

The following is the general presentation flow of what has worked very well in the past. Use your own words, but keep in mind that each point is important for reasons that may not seem apparent until you work with Investment Allocation Models for a while.

After finishing your explanation of the Models, you may want to pull out a few Morningstar Fund Detail pages and talk about their current [mutual funds](http://www.toolsformoney.com/mutual_fund_recommendations.htm) you’re working with (have prospecti and reports ready too if you’re working on a commission basis).

First show them there’s detailed text they can read later that explains the technical details.

Next, before even opening up the Models, go into a little about [the three ways to manage money](http://www.toolsformoney.com/asset_allocation.htm). Explain the very basics by first telling them, “Market timing and security selection is too hard and it’s best left up to the mutual fund managers. We focus only on asset allocation because of the three methods, it’s the one that goes best with matching portfolios to people’s lives. It's also the only way to reduce risk other than using derivatives, like options. Both of the other methods greatly increase risks. We focus on asset allocation and we let the fund managers do the security selection and market timing. Only large institutions like them have the time and other resources to pick stocks and time the markets. Models are the most common way of doing asset allocation.” There’s text below that explains this in detail.

Next tell them, “We have developed five different asset allocations, called Model Portfolios. They are:

- Conservative; for people who need income paychecks from their investments and are afraid of

losing money,

- Moderately Conservative for investors who want a little more growth than Conservatives,

- Moderate, which is a middle-of-the-road compromise between these extremes,

- Moderately Aggressive for investors who don’t care about dividend income, and who want to take on

a little more risk in hopes of getting higher returns,

- and Aggressive, for investors who can handle the risk of losing money and want high returns.”

These five investment risk tolerance categories are explained in more detail above and then maintained here: <http://www.toolsformoney.com/investment_risk_tolerance.htm>

Next pull out *Fact Finder Part I* (or the *Investment Fact Finder* or the *In-Person Fact Finder* or the *Existing Client Fact Finder,* which all have the *Investment Fact Finder* in them).

Flip through the multiple-choice questions and say, “This questionnaire asks questions that will determine which of the five investor risk tolerance categories you best fit into.” Then go to the scoring page and say, “All of your answers are scored, weighted according to their importance, and the Grand Total selects your risk category. Most people fall into the Moderate, or middle of the road, category between low-risk and low-return and high-risk and high-return.”

Now go to the Moderate Model and say, “For example, if you scored Moderate, we would use this Model to allocate your portfolio.”

Start at the left side and say, “These Models use sixteen asset classes. Asset classes are names given to distinguish one type of investment over another. They are… (read a few or all of them if you want to). They are somewhat in order with the safer ones on top and the more risky ones on bottom. For each asset class, our analyst has (or I have) picked the one mutual fund that he feels best represents each asset class. They are all listed here (point to that column).”

People will try to read all of the mutual funds to get a freebie, so try to keep moving. If they want to talk about an individual fund, go to the Morningstar fund detail page for the fund they asked about and show them.

Then go to the return columns and say, “These three columns are the rates of return for the mutual funds year to date as of (read from the top), the last twelve months and the last three years as of the end of last month."

Next, show them the historic returns of the Models, and then compare them to the indices (or even better, use the *Moderate Benchmark Index Model*). Tell them that this is extraordinary, and that few investment managers can even match the S&P500, let alone have at least one of the 15 Models usually consistently beat it, and then it’s much harder still to beat the Index Model. If they are Conservative, then show them the Models substantially beat bank investments, with a much better yield too. Even in down markets, they don’t lose much money. It’s not insured, but the long-term returns are much better than bank investments like CDs. You can talk about avoiding fixed annuities [here: http://www.toolsformoney.com/fixed\_annuities.htm](http://www.toolsformoney.com/fixed_annuities.htm).

Then go to the right column and say, “Up to now, everything is the same in all five Models. The only difference is how much of each asset class and mutual fund is used. That’s shown here in the *Allocation Weights* column.

For example, more bonds are used in the Conservative Models, and more high-risk stock funds are used in the Aggressive Models. In this Model (you are still on the Moderate Model), this much of each asset class and fund is being used.” Read a few or all of them if you want to, depending on their interest and attention span.

Then show them the return numbers at the bottom and say, “Here are the returns for the Model after everything is added up.” Read them the after-fee numbers if you charge fees, remembering to compare the year-to-date returns to the market returns (DJIA, S&P500, and NASDAQ are the most popular).

Then say, “After the Fact Finder determines which of the five Models you best fit into, we’ll look at your current investments and decide whether or not to sell or keep them. If something you have fits well into an asset class we use, and you don’t have too much of it, then we’ll recommend keeping it. Then we will recommend buying the mutual funds to get you as close as we can to the Model. Then we will keep you informed if there are any changes in the Model, and quarterly we’ll take a look and see if your portfolio needs to be rebalanced.”

Closing question for prospects after asking if there are any questions, “Here’s your *Investment Fact Finder*. (You should have had one printed up with their name and current date on it all ready to go and inserted into the sample plan before they got there.) Would you like to fill it out here or take it home and mail it back?”

At this point, the Model part of Dog & Pony Show is done, and now you go into your normal sales routine.

That’s about it. Some Model basics to keep in mind:

The returns are hypothetical (actual returns are posted on the site [here](http://www.toolsformoney.com/model_portfolios.htm) and [here](http://www.toolsformoney.com/asset_allocation.htm)). How to understand how the returns are calculated is [here](http://www.toolsformoney.com/model_portfolio_instructions.htm). One would have had to invest in those exact funds, in those exact percentages on the last trading day of the previous year, with you charging the exact inputted fees, and reinvest all dividends and capital gains, no new money added, no withdrawals, to get those exact returns. This will never happen.

The main points of the Model are to show the asset classes, funds used, and the weights. The return numbers are secondary. The focus should be on showing the client that all of these different asset classes working together provide good diversification without sacrificing returns. You can see this by showing how some things went up and others down.

That’s important because good diversification lowers risk, and lower risk means the client’s portfolio usually won’t go down as much the markets.

If someone has specific investments they don’t want to sell, tell them you’ll determine what asset class it’s in, and then that investment would represent that asset class. This means we just won’t buy the fund in the Model representing that asset class unless more is needed after keeping what they already have. We’d only recommend selling Current assets if they have too much of something, or if what they have is really bad compared on an apples-to-apples basis.

The biggest problem with Models is that it only takes one factor of the investor’s life into account in determining the mix of asset classes and funds - risk tolerance category. This is the most important factor most of the time, but others may add up to being more important, and they are totally ignored here.

The last twelve months, and last three year’s numbers are as of the last Morningstar update. So they’re most always over a couple of weeks behind. We usually get the CD the second week of the month. The three-year numbers are annualized, so that would have been the average rate of return for each of the last three years.

The matrix has horizontal lines separating the major asset classes. Everything within a box is considered a sub-asset class. There are dozens of sub-asset classes. For example, there is a line below cash. Everything from here down until the next line are fixed income / bonds. Everything from that line down are U.S. stocks. Everything below that are international stocks. Everything is the last section is “Miscellaneous Equity.” The total allocation weights of these five major asset class areas are summarized in the “Generic Asset Class Breakdown” area (cash, bonds, stocks, int’l, & other).

You'd use the *Benchmark Index Models* to better compare to the Model with the same date. This is the same Model as the *Fee-based Model*, but indices are used in place of mutual funds. Everything else is the same. Then it has comparisons below the returns, and on the chart at the bottom.

The purpose is to compare the index returns to the Model returns dated the last trading day in that month. This is how investment pros compare portfolios apples-to-apples. Benchmark indices are used to gauge how an asset class has performed over a certain time frame.

If we’re doing a good job at [mutual fund picking](http://www.toolsformoney.com/mutual_fund_picks.htm), then both the Models, and the individual funds, should have a better return than the Index Models. Indices are very hard to beat consistently, so it’s common for a mutual fund to underperform an index for a month or two. More than that, and there is a problem of some kind that we need to remedy ASAP. It is not common, however, for a Model to have a return less than the index portfolio. This shouldn’t happen more than two months in a row. For more sophisticated clients that want more information regarding the Models, use this instead of the YTD numbers shown for the five single indices.

**How to Use and Explain the Small Asset Allocation Software Reports to Level II Clients & Prospects**

It's very helpful to read the directions for the Comprehensive Asset Allocation Software here: <http://www.toolsformoney.com/asset_allocation_calculator_instructions.htm>

The sample financial plans don't have the *Small Asset Allocator* in them. It only shows the “big” asset allocator. They are pretty much the same in concept, just three less major asset classes, and none of the other (future forecasting) reports. There is a sample that came with your order that you can print and add to the example financial plan, and the file name is, *Sample Small Asset Allocator.xlsx.*

If you manage more than $100,000 for a client, then use the “Small Asset Allocation tool” to calculate their asset allocation on a custom basis. This is a four-page report (five to six if they have a lot of assets to list). The first page is the cover sheet, the second is the Guideline asset allocation calculator, the third is the snapshot of their Current portfolio, and the fourth is the Proposed allocation with the buy and sell recommendations.

First show them the second page, titled *Asset Allocation Guideline Calculator*. This is not included in the sample plans, nor the demos, to preserve content. Tell them, “This page does exactly what the title says it does - it calculates the asset allocation mix we think you should have.”

Next, say, “This tool works with five asset classes - cash, income producing investments like bonds, U.S. stocks, international stocks, and everything that is considered very aggressive or doesn’t fit into the other four buckets, goes into the Aggressive Growth / Miscellaneous bucket. As the colors try to indicate, they are in order of safe to risky going from left to right.”

Next say, “Here are the five most important factors that go into determining someone’s asset allocation mix. They are in order of importance, so the ones on top are weighted heavier than the ones below. The most important is risk tolerance, which we get from information you put on our Investment Fact Finder.”

Now pull out *Fact Finder Part I* (or the *Investment Fact Finder* or the *In-Person Fact Finder* or the *Existing Client Fact Finder,* which all have the investment Fact Finder in them). Flip through the multiple-choice questions and say, “We’ll be using this questionnaire to determine your risk tolerance.” Then go to the scoring page and say, “All of your answers are scored, weighted according to their importance, and the Grand Total selects your risk category. Most people fall into the Moderate category.”

Now go back to the calculator page and say, “The next important factor is how much income you’ll be needing to take out of your portfolio on a consistent basis. The more of your portfolio you’ll be taking out and spending, the more you should have in safer investments that pay dividends, like bonds, value stocks and real estate.

The other factors are how much money you have in investments, how much money you earn, or if you’re retired, your health status, and your age. For married couples, we’ll be taking an average for incomes and ages.”

Husband and wife should fill out the multiple-choice questions together, answering with an average too. For example if one wants an answer to be A, and the other C, the average would be B. If one wants A and the other B, then they (or we) will just pick one or the other. We usually pick the more conservative answer.

Then say, “We just select the rows in all five categories that apply to you, and then total the selected columns, and it all adds up to the mix of asset classes we think is best, called the Guideline Allocation.” This is a good time to ask if they have questions.

Then go to the next page on the sample plan or demo listing John & Mary’s Current investments. Say, “First your personal and retirement assets are separated and then the amounts are put into one of the five asset classes. For example, Checking and Savings went into the Cash Equivalent bucket. All figures are rounded to the nearest thousand, because this isn’t an exact science, and tiny numbers like this aren't significant long-term.”

Then say, “All of the assets are added up, turned into percentages, and then listed in the row called Current Allocation. The Guideline and the Current percentages are also shown as pie charts. These percentages are then compared to the Guideline and the changes needed to reach the Guideline is shown on the bottom row.”

Continue by saying, “The last page shows how the Current assets in the portfolio are recommended to be sold and new ones bought to reach the Guideline. Assets recommended to be sold off partially, or completely, have that row shaded peach. The dollar amount to the right of the asset's name will reflect this change. If it’s $0, then it is recommended to be sold off completely. If it is more than zero, then you can determine the amount that is recommended to be sold by subtracting the Proposed from the Current numbers.

The same goes for the Proposed / new recommended investment buys - if an asset that's currently held is shaded blue, then more money is recommended to be put into an investment the client already owns. If an investment shaded blue does not appear on the Current section, then it's a brand new investment recommendation.

The Proposed percentages at the bottom should be close to the Guideline after the recommendations. If it doesn’t match exactly, it’s okay. It’s either due to rounding, or from a constraint of some kind, like not wanting to sell something. Again, this is not an exact science, and percentage values change in this small range on a daily basis just due to market fluctuations and the mutual fund managers trading.”

So the bottom line with this tool is that their allocation is done on a custom basis, and you can see where the recommended changes are in each asset class.

Here's a closing question for prospects after asking if there are any general questions, “Here’s your Fact Finder. (You should have had one printed up and ready to go before they got there.) Would you like to fill it out here or take it home and mail it back?”

At this point, the small asset allocation part of the Dog & Pony Show is done, and now you'd go into your normal sales routine.

The next section uses a different investment software module than the Models and the *Small Asset Allocator.*

**How to Use and Explain the Comprehensive Asset Allocation Reports to Level III Clients & Prospects**

The asset allocation reports shown in the Sample Financial Plan are what’s being discussed below. But the input sheet and the asset allocation mix calculators are still not shown to not give valuable content away for free.

More text to explain this is here: <http://www.toolsformoney.com/asset_allocation_text.docx>

If you manage more than $250,000 for a client, then we recommend using our “Comprehensive Asset Allocation tool” to calculate their asset allocation on a custom basis (not the Models, or the small allocator).

First show them the text that explains the reports. Say, “Most all of the details in the report are explained here.” We like to make a joke by saying, “This is great stuff to read when you can’t get to sleep!”

Skip the [IPS](http://www.toolsformoney.com/investment_policy_statement.htm) for now, because that’s only for Level IV clients (and the Samples are a Level III client). If they ask why you skipped it, just tell them why (you aren’t making enough money from their accounts needed to do the extra work). The IPS is also not shown in the Sample Financial Plan, and there is no free demo, to avoid giving it away for free. If you already have the IPS Tool, then you can print and show a sample if you want to.

Then go to the matrix page, titled *Asset Allocation Calculator*. Say, “This page does exactly what it says - it calculates the asset allocation mix we think you should have.” This is not shown in the samples or demos.

Next say, “This tool works with eight major asset classes - cash, three of the most-used types of bonds, U.S. growth and value stocks, international stocks, and everything else. We really use 21 asset classes, but they are condensed into eight in this report.”

For example, the first generic bond bucket really has three types of bonds in it: short-, intermediate-, and long-term government or investment-grade corporate bonds. The international equity bucket has funds from both developed countries and the newer emerging countries. The last bucket on the right could have from five to a dozen sub-asset classes in them. As the asset class colors indicate, they are in order of safer blue to risky red going from left to right.”

Next use the calculation matrix page (not in the sample or demo) and say, “Here are the five most important factors that go into determining someone’s asset allocation mix. They are in order of importance, so the ones on top are weighted heavier than the ones below. The most important is risk tolerance, which we get from information you put on our Fact Finder.”

Now pull out *Fact Finder Part I (*or the *Investment Fact Finder* or the *In-Person Fact Finder* or the *Existing Client Fact Finder,* which all have the *Investment Fact Finder* in them). Flip through the multiple-choice questions and say, “We’ll be using this questionnaire to determine your risk tolerance.” Then go to the scoring page and say, “All of your answers are scored, weighted according to their importance, and the Grand Total selects your risk category. Most people fall into the Moderate category.”

Now go back to the investment allocation calculator page and say, “The next important factor is how much income you’ll be needing to take out of your portfolio on a consistent basis, now. The more of your portfolio you’ll be taking out and spending, the more you should have in safer investments that pay dividends, like bonds and real estate.

The other factors are how much money you have in investments, how much money you earn, or if you’re retired, health, and your age. For married couples, we’ll be taking an average for incomes and ages. Husband and wife should fill out the multiple-choice questions together, answering with an average too. For example if one wants an answer to be A, and the other C, the average would be B. If one wants A and the other B, then they (or we) will just pick one or the other. We usually pick the more conservative answer.”

Then say, “We just select the rows in all five categories that apply to you, and then total the selected columns, and then it all adds up to the mix of asset classes we think is best, called the Allocation Guideline.” This is a good time to ask if they have questions.

Then go to the next page listing John & Mary’s Current investments (the next page titled *Current & Proposed Asset Allocation*). This is the main page where most all of the work is done.

Say, “First, your personal and retirement investments are separated. Then we list the name of each account, and then investment, and then how much you currently own next to it. All figures are rounded to the nearest thousand. Then the amounts of each investment are distributed between the eight major asset classes. For example, checking and savings all went into the Cash Equivalent bucket. But now look at the Current mutual funds (Mary’s qualified assets section).”

Then go to the Morningstar Fund Detail reports in back of the report, point to the Composition section at the top / middle and say, “See how this mutual fund has x% in cash, x% percent in international stocks, and the rest is divided up in an unknown amount between large-cap value and large-cap growth stocks. Don't make a fuss about this, as the data is outdated the day after it was released to Morningstar by the mutual fund”

Now go back to the allocation page you came from and say, “We break down the allocation of each fund and show it like this in the report. See how the $25,000 of Fidelity Growth & Income is allocated? Out of this $25,000, John & Mary really own about $2,925 in cash, $200 in international stocks, and the rest is divided up equally between large-cap value and growth stocks.” This data came from row 37 of the [demo](http://www.toolsformoney.com/asset_allocation.xlsx).

This is a good time to ask if they have questions.

Next tell them, “All of the investment values are totaled up for both the personal and the qualified sections, and then added to together for the Grand Total.” This data came from D44 of the [demo's](http://www.toolsformoney.com/asset_allocation.xlsx) *Asset Allocator* sheet.

Then point to the Grand Total row and tell them, “All of the totals in each asset class are turned into percentages by dividing by the Grand Total.”

Then turn the page (to the pie chart page), point to the first row titled “Current Allocation,” and say, “Here’s the same thing we just looked at, but in percentage of total investments. It’s called the Current Allocation. Right below that is the Guideline Allocation we just went through on the calculation page. The pie charts just reflect these same numbers.” We usually flip back to the main allocation page to remind them because it’s starting to get complicated. We also usually ask if they are still with us, or if they have any questions at this point because it gets more complex very quickly now.

Then say, “See the differences between the Current and Guideline?” Now flip three pages to the last page in the allocation section titled, Source and Application of Funds. Then say, “This page show how much needs to be moved in each asset class, both in dollars and percentages.” Then flip back to the pie chart page and say, “Now that we know how much needs to be moved in each asset class, we can make recommendations.”

Then point to the three gray areas to the right in the middle of the page and say, “Here’s the same allocation, but only using the four most commonly used major asset classes. This is how most stock brokers look at the world”

Flip to the next two pages titled *Proposed Asset Allocation*, and continue by saying, “These pages show how the Current investments in the portfolio are recommended to be sold and new ones bought to reach the Guideline. Investments recommended to be sold off partially, or completely, have that row shaded peach. The number to the right of the investment name will reflect this change. If it’s $0, then it is recommended to be sold off completely. If it is more than zero, then you can determine the amount that is recommended to be sold by subtracting the Proposed from the Current numbers.

The same goes for the Proposed / recommended new investment buys - if an investment that is currently held is shaded blue, then more money is recommended to be put into an investment the client already owns. If an investment shaded blue does not appear on the Current asset page, then it is a brand new investment recommendation. The Proposed percentages at the bottom should be close to the Guideline after the recommendations. If it doesn’t match exactly, it’s okay. It’s either due to rounding, or from a constraint of some kind, like not wanting to sell something. This is not an exact science (yes, this is repeating from above).

Now talk about the *Annual Asset Growth of Current vs. Proposed Asset Allocations:*

After you've input estimated rates of returns for the asset classes in the third row, the rows starting with the current year are populated with end-of-year values. The values come from the actual asset class percentage amounts you used in both the Current and Proposed allocations, and are multiplied each year by the inputted rates of returns. This is on the *Asset Class Returns Forecaster* sheet of the [demo](http://www.toolsformoney.com/asset_allocation.xlsx).

The point is that with the higher rates of return of the Proposed portfolio, the *Total EOY Values* (shown in the middle) will be much higher than in the Current version.

*Annual Asset Growth of Current vs. Proposed Asset Allocations:*

Here is where you can input estimated rates of return for each asset (unlike the above section, where you input estimated rates of returns for whole asset classes). The input sheet isn’t shown in the sample but is on the *Asset Returns* sheet of the [demo](http://www.toolsformoney.com/asset_allocation.xlsx).

The first section is for their personal assets, and the second for qualified assets. The point here is the same as the above section, to compare the differences between the Current and Proposed portfolios (shown on the bottom two rows). It then shows the annual differences in growth using the different rates of return from above.

So the bottom line with this tool is that their allocation is done on a custom basis and you can see where the recommended changes are in each asset class. Then you can forecast things either by individual asset, or by asset class, and then you can compare differences between long-term Current and Proposed portfolios. The *Asset Allocator* sheet just works with a current snapshot, and doesn't perform any forecasting.

The same closing question after asking if there are any generic questions, “Here’s your Fact Finder. (You should have had one printed up and ready to go before they got there.) Would you like to fill it out here or take it home and mail it back?”

At this point, the Dog & Pony Show is done, and now you'd go into your normal sales routine.

**How to Use and Explain Asset Allocation to Level IV Clients & Prospects**

Most of this is the same as Level III, but Level IV gets the [Investment Policy Statement](http://www.toolsformoney.com/ips_instructions.htm) in addition to everything Level III gets. So we’ll only explain how to talk about the IPS here.

After telling them about the [text that explains the investment reports](http://www.toolsformoney.com/asset_allocation_text.docx), go to the IPS next instead of the asset allocation section.

Then say, “We’ll make a customized Investment Policy Statement for you that looks just like this one. An IPS is a formal way of you telling us how you want your money managed. The [first page or so explains what an IPS is and what it does](http://www.toolsformoney.com/investment_policy_statements.htm).

Then the Account Profile section reiterates your ages, goals, time frames, portfolio income needs, preferences and constraints, how much you have, and your ability to assume risk, as well as your willingness to assume risk. The willingness part is determined by our Fact Finder.”

Explain the chart on the second page like this, “This chart lists the asset classes, what the calculated Guideline Allocation is, which we’ll explain later, and what the allowable ranges are for each asset class.”

The next sections explain the usual portfolio characteristics. Just say, “This section explains your risk and return goals, what the fees and expenses are, what kinds of investments are not allowed in the portfolio, and when you will get reports. Then when it’s the way you want it, we all agree by signing it.”

Now pick up with the asset allocation section as explained in the Level III section, above

**The Bond Calculator and Real Estate Software Reports**

## There are many more reports than what’s shown in the samples for evaluating bond portfolios and rental real estate in those modules of the investment software, and much more, but these are the two most important.

Five bonds were input into the bond portfolio (but only two can be seen). The left column displays all of the pertinent results, and are self-explanatory. The bottom line is that if interest rates went up 1% (100 basis points as shown in the middle gray input area), the resulting change in the bond portfolio, both in percentage and dollar amount, are shown in the middle (*Percent & Dollar Amount Change in Bond Portfolio’s Price from Both Duration and Convexity*). We have the only bond software capable of performing these tasks for under $500.

The rental real estate report shows the overall rate of return (IRR) over the properties life, accounting for all cash flows. It does this both before and after any capital gains taxes that may be due. It also shows the Net Present Value (NPV) of the property, to show if it’s currently over- or under-valued. Reading the [directions](http://www.toolsformoney.com/real_estate_software_directions.htm) on the web page is needed to understand all of this.

You can use it to evaluate an existing rental, or your use it to estimate the current market value of a rental someone is considering buying. The point is to input actual data, and then see how it's doing compared to funds.

The bottom line is that we are the only vendor that has this type of real estate software for under $100. So this means you can run this kind of report for them, and your competition can’t.

## The Investment Comparisons Report

This is really only used when people are not in the business of selling whole life insurance. The point is that when Real World numbers are input, whole life insurance almost never beats buying term life insurance and investing the difference in well-diversified mutual funds. The demo with the numbers is here: <http://www.toolsformoney.com/buy_term_invest_the_difference_demo.xlsx>

In this case, Real World numbers were run using 5-year level term and state-of-the-art VUL. All of the parameters were done on an apples-to-apples basis. The VUL ran out of money at age 76. The other six methods of investing the difference, between whole life and term, are also shown. Even a bank CD at 5% outlasted the VUL by a few years. A true no-load mutual fund outlasted the VUL by several years. In other words, it was able to pay out an inflated retirement income stream 175% longer than the VUL. All of these scenarios accounted for the fact the 5-year level term, for the same face amount, were carried every year.

You can read about this extremely complex product, that's the one and only software tools that compares methods of investing here: <http://www.toolsformoney.com/investment_comparator.htm>

# Miscellaneous Example Financial Plan “Fluff”

The remaining reports in the Sample Plan constructed from the modules are in the category of “fluff,” except for one section: The [Implementation, or To Do List](http://www.toolsformoney.com/financial_plan_implementation.docx).

Here is where you'd list all of the things that need to be done, when, and by whom, in order to put the plans into motion. People like to see that not only will you run the report, and manage the money with great results, but you’ll also be the driver to guide them through the mundane and tedious work that needs to be done. That’s a huge part of your “job” that they’re paying you for - to help drive them to their goals (not just showing them, and then letting them run everything on autopilot – it's your job to do most everything for them).

The point here in explaining the sample, is to just tell them that you’re going to keep track of what needs to be done to help them reach their goals, with concrete steps of action. They are paying you to help, and this is where you show them that you’re going to follow through on the plans you've made for them. Following through is also how most people get paid, so it shouldn’t be a problem.

The [referral tool](http://www.toolsformoney.com/financial_planning_referrals.docx) is something you should always be using in most every client contact situation. It should be included in every hard copy mailing sent every time.

Some old generic advice about the mechanics of portfolio management and trading is here: <http://www.toolsformoney.com/investment_portfolio_trading.docx>

We hope this information helps. Please let us know what you think, and it anything needs to be added.

**Preparing to Prepare to Create and Present a Financial Plan**

This is a good point to mention the most annoying tip of all that makes reading this piece all worth it. My apologies in advance for being annoying, but it must be said because of its critical nature and repercussions.

I've seen dozens of financial planners fail and leave the business, just because they failed to grasp the basic concept of just this one tip:

If you're making financial plans and/or similar reports for clients, or employ a case writer that does, then make a sign and hang up over your phone that says: "*Never ever call to, or make an appointment with a client to come into the office to get their plan / report until AFTER* ***ALL*** *of the (computer software) work is done, and has been checked (preferably by someone else) more than once!*"

Also, put the same sign in the office you have client meetings in - this is because this blunder occurs most of the time at the end of a client meeting (when it's usually always your habit to have this knee-jerk reaction).

Sales managers are always saying, "*Don't end an appointment unless you have the next one booked.*" Just never ever do that! Commission-based financial planning sales managers are usually pretty stupid - that's why they're still just sales managers (Bing search for "The Peter Principle").

How hard is it to call someone for an appointment that's expecting you to call anyway? Sales managers are just afraid that you suck so bad that the client will back out if you don't "seal the deal now" and/or ABC (always be closing). Just ignore them and/or give them this piece to read.

In reality, if you suck, then the client will blow you off regardless of when you set appointments. Whether you have an appointment set now, or plan to call for one in a few days AFTER you've made the plan, is irrelevant to when the client will blow you off.

So, telling people you want to make sure the plan is good before you make the appointment will actually help not to get blown off, because it makes you look more responsible (especially to old seasoned investors that have experienced financial planners that can't even control their own workloads and schedules in the past. They know instant replay when they hear it).

If you're been around the block as many times as we have, then you'll know about all of the dozens of things that come up to completely ruin meetings when financial plans are not done, have mistakes in them, you don't have all of the fresh client data needed (taking notes on a yellow pad and lack of using proper Fact Finders is usually the culprit here), or you don't know what the hey the plan is telling you (so you can't even explain it well to yourself yet), you just bought the needed personal finance software yesterday and haven't even read the directions yet, etc. This list of mundane life-ruining malfunctions here are too numerous to list.

If it wasn't for the severity of the consequences, it was comical to watch planners running around like a chicken with their heads cut off because of their inability to plan even their own schedules (and you want to charge me what to make a financial plan when you can't even plan your own day out right!?).

But it's not comical if you're a case writer in an office full of these kinds of planners. Your case writers hate you because of this, so this is your wake up call to change. You'll see much higher quality work from your staff, and much less tension and ill will, and less turnover, once you've started to behave yourself when it comes to appointment setting. This brings up an old saying, "Lack of preparation on your part does not constitute an emergency on my part." This is also a sign I used to have hanging on my wall when I was case writing in person. Doing it the bad way creates an environment of constant crisis. Just don’t do that anymore, period.

All of that "dead time" you fear is best used to review the plan, do more research, reading the financial software's directions (or do a better job shopping if you don't already have something), ensuring you don't need to ask the client if anymore data is needed, having a partner look the plan over to see if it's correct, reading and learning how to present the plan, looking over all of the details and preparing answers to questions and the usual objections, and then arranging all of the paperwork just in case the plan goes well and you have to engage / sell product on the spot.

Once you've done this a few times, you'll see that just the amount of this kind of work is probably enough to have to reschedule as it is (and then you haven't even done the work yet? And you haven't even bought the software tools to do the job yet, and you're just now surfing the web to find it too!?).

If you misbehave by scheduling the appointment before the work is done (or even worse, even before you have a clue about what financial software to buy to do the job), then you'll be spending 200% of this time scrambling just to have anything ready by the time they come in. Then the plan will probably suck because of all of this.

Even if the plan doesn't suck, all you have to do is appear to be fumbling when you present it to make someone want to "think about it" rather than executing. If you don't practice, then you're going to fumble. Then you'll lose the client, and all of the work, time, and money you put into it will be wasted. Screw up enough of these like this, and you'll be starved out of the biz forever - not kidding we've seen it dozens of times.

Usually, one's lack of preparation leads to working all night to get a report done before a meeting. Then the deal will be lost because you'll sound half asleep, and the clients may assume you're a broken alcoholic or something.  All it takes is one little thing like this, and the client will think you're incompetent and will not hire you. We've seen every cause and effect combination and permutation with this, so take this advice to heart.

We get calls and sales every week from planners scrambling to get a report done before meetings the next day. To make a very long story very short, just never do this. The way to never ever fall into this fatal trap is to just follow one simple rule: "*Never ever call to, or make an appointment with a client to come into the office to get their plan / report until AFTER* ***ALL*** *of the (computer software) work is done, and has been checked (preferably by someone else) more than once!*" Just post a sign over your desk if you have a hard time with any of this.

The correct way to do this is very simple: You collect the needed data in the meeting, and then you say that you'll call to schedule the appointment AFTER you've input the data into the financial software, and then looked it over to ensure it is correct. Once you're 100% sure it's all good to go, THEN you'll call to set up the appointment to present it. As you'll see, even then there are dozens of other snags that only diligent practice on your part will eliminate. Whoever said this business was easy was just lying to you, because it's not!

Even when things go the way they should like this, you'll find that most of the time, something will change enough to have to redo the plan again anyway. Usually this happens over what appears to be a minor detail - until you ask the client about it, and then it turns out you've just opened a whole new can of worms - making a plan redo necessary. So this rework will just be added to your 3AM scramble when you misbehave.

So after making the "first draft" of any kind of report, find a way to send it back to them for verification. More than half the time, they'll return it with the new data, and/or things THEY screwed up on. This will make you their hero for doing your jobs right (which will make you stand out well, compared to the competition).

Then after you're sure you have all of the right input data, and you input it right, then make your plan. Then when you're sure it's done, then call for the appointment. It's as simple as that.

It may seem like a bad or counter-intuitive thing to do at the moment, but following this one rule could literally save your life. Doing things the other way could lead to the one fatal mistake that could put a whole series of events into motion, eventually ending your career in the business.

So just say no to these kinds of sales managers that want to "train you" like this.

Keep in mind that if they were any good at what they were doing, and over 40 years old, then they should be rich and retired by now. They're not, so that should be a tip-off that The Peter Principle is in effect here big time). The bottom line from the client's point of view is always, "Where's yours and your other clients' yachts?"

Look at it like you're an auto mechanic: Mechanics don't call you to come in to pick up your vehicle until they're DONE working on it (and have the bill estimated). So just don't call people to come in to look at a report until it's done. It's that simple.

Here's our motto on this for *Star Trek* fans: Take Scotty. If a job takes an hour, he'll tell the Captain it will take two hours. Then, if there are no snags and it's done in an hour, then he's a miracle worker. If there's a snag, and it takes two hours to do it, then Kirk got just what he expected. On the other hand, and this is what most everyone does, if Scotty told the Captain it's only going to take 45 minutes, then there's only a small chance the job will actually be done on time, you'll earn the Wrath of Kirk for not delivering.

The motto is that it's much better to under-promise and over-deliver, than to over-promise and under-deliver. In this business, this goes double.

End of rant and this piece.