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IN the news

New look in planning: Not just value but values

Business approach incorporates the client's life philosophy

by **Charles Paikert**

NEW YORK — Chuck Hollander has a perfectly respectable financial planning office in Bala Cynwyd, Pa., on Philadelphia's tony Main Line, so there is nothing wrong with his seeing clients there.

But because he practices values-based planning, focusing on determining the core philosophical values of affluent clients through an elaborate — and intimate — interviewing process, he prefers to work in Scottsdale, Ariz.

Not only does Mr. Hollander have a second home and office there but so do many of his wealthy clients. "Values-based planning is all about gaining clarity," said the president of Applied Strategies and Counsel Inc., which has more than \$100 million under management.

Planning in paradise

"You want to try and create a relaxed environment. I just saw one of my clients in his vacation home in Scottsdale, and we were sitting in his living room, looking out a picture window at his swimming pool and cactus in the desert," Mr. Hollander said.

"He was in shorts, and his wife just came back from horseback riding," he added.

"They were so relaxed; they sang like birds."

This approach to financial planning is garnering both a higher profile in the industry and higher fees for planners and advisers.

Scott Fithian recommends that planners charge \$2,500 as an initial fee and then \$12,500 as an average fee for the discovery, or interviewing, stage of his Legacy Wealth Optimization System. He advises planners to charge double or triple that amount for the "creative solution" portion of the four-phase process and \$12,500 for the implementation phase.

The final "results management" phase fee, Mr. Fithian advises clients, should vary based on time and assets.

The founder, president and chief executive of Hingham, Mass.-based Legacy Advisory Associates and The Legacy Cos., teaches his version of values-based planning to more than 100 planners and advisers, as well as large outfits such as Milwaukee-based Northwestern Mutual Financial Network. Mr. Fithian will address his "discernment approach" to planning as a featured Super Session speaker at the Financial Planning Association's annual convention next week in Denver. The FPA is based there and in Atlanta.

"This is something that's becoming a key piece of planning," said Kathy Longo, principal of Accredited Investors Inc. in Edina, Minn., which has more than \$350 million under management. She also heads the convention's task force.

"You're going to be able to better understand your clients and their decision-making process when you understand their values. By interpreting a client's life experience and where they've been, you're able to come up with a holistic approach to understanding who they are and what they need," Ms. Longo said.

"It's an increasingly important issue in the industry," said Charles "Chip" Roame, managing principal of Tiburon (Calif.) Strategic Advisors, a research and advisory firm.

"Values-based planning, or life planning, is really holistic financial planning, and that's a good thing," he said. "It helps clients step back and think things through more clearly, especially what they want their legacy to be, and that's going to grow in importance as baby boomers get older."

Mr. Fithian's approach to values-based planning begins with what he calls "the discovery phase" — lengthy interviews, a questionnaire and a "goal profile." It culminates in a "moral biography" of the client that includes a history of their life, family and how they make decisions.

"It's really a way for the client to discover for themselves about themselves," Mr. Fithian said. "It's not for us to discern what the client needs but for the client themselves."

He offers planners subscriptions to his Legacy Wealth Coach Network, starting at a

base fee of \$10,000 for a year's worth of support, software, tools, coaching and workshops. Mr. Fithian encourages subscribers to take plenty of time in the discovery phase. Ideally, he recommends, planners should follow Mr. Hollander's example, and conduct the interviews in a relaxed, retreatlike setting, such as the client's vacation home.

Other planners and advisers who work with Mr. Fithian noted that the lengthy initial interviewing process can be challenging.

Richard Tanner, founder and president of Ownership Advisors Inc., a Cleveland wealth management firm, said: "You have to spend more time with people to find out what they want out of life and what they want their legacy to be." The firm, which recently became a member of the Portland, Ore.-based M Financial Group, has \$50 million under management.

Mr. Tanner also stressed that this type of fee-based planning practice is not only more labor intensive but also requires a staff that has "skill and sensitivity in the counseling side of the business. Many financial advisers are highly analytical and prefer focusing on numbers and facts rather than emotional issues; values-based approaches demand totally different skill sets."

Scott Lebin, president of Lebin Financial Planning in Geneva, Ill., which has \$30 million in assets under management, also warned that asking clients to answer questions about their values and philosophy, and complete their biography, can take up to three months.

However, that can be one of the most important benefits of values-based planning, he added.

"You have to allow clients to take the time to discover their own mission, vision, values and goals," Mr. Lebin said. "And you know you're helping them when they go through your questions and say, 'You know, I never knew what questions to ask myself.'"

Because values-based planning is aimed primarily at affluent clients, its practitioners contend that the approach is particularly valuable for couples who are doing estate planning and considering what their legacy will be for their children.

"These are people who can ask themselves questions like: 'How much do we really need?' 'How much do [our] children really need?' and 'How much is too much?'" Mr. Tanner said.

"They fear the impact that money can have on their children," he added. "They're asking themselves, 'Will my daughter become Paris Hilton?'"

Examining charity

As a result, planners said, values-based planning often leads to extensive charitable planning, which requires additional time, expertise and software.

"Thinking clearly about charitable giving is one of the primary benefits of the values-based approach," said Tim Belber, a financial adviser and president of Family Wealth Services Group LLC in Denver, which has about \$50 million in assets under management. "People with a high net worth worry about the corrosive effects of money within the family."

Even veteran planners who have embraced the values-based approach said they are struck by the amount of useful information derived from Mr. Fithian's interviewing process.

"It's been my experience that no one has asked them these kind of questions that aren't just financially based," said Michael I. Silverberg, the principal of an eponymous financial consulting firm in Essex, Conn.

Mr. Roame noted that planners employing a values-based approach "are almost becoming a psychologist to clients."

In fact, Mr. Silverberg said, who has been a consultant and life insurance underwriter since 1960, "after one interview with a couple, the wife said I ought to charge as a therapist as well as a planner."

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