

## **Planning Process**

*“A goal without a plan is just a wish.”*

— Antoine de Saint-Exupéry

### **First Meeting (‘Approach Talk’)**

Spend the large majority of the time asking you questions to help identify what is important to you and identify if we have a good fit to work together and if so in what capacity. Once we have a good understanding of your financial situation and goals, we explain the services we offer which may be beneficial for you and the value you may realize, as well as what is unique about our practice

- We do not try and sell you any products or services in this meeting; we do not ask or expect you to commit to anything in this meeting
- There is no charge for this initial consultation

The meeting will go 1 of 2 ways:

- 1) through our discussion we identify that we do NOT have a good fit to work together; in this event we do our best to provide you with actionable value and part-ways as friends and the understanding that if things change we can reconnect at a future date.
- 2) through our discussion we identify that we may have a good fit to work together; after we finish gathering the data we need in the meeting, we then schedule a second meeting in which we will go through a proposal which will detail the scope of our work, quantify the potential benefits, and the financial investment (cost) on your part

### **Second Meeting (‘Engagement Proposal’)**

In this meeting we will be focused on:

1. Reviewing your high-level goals and objectives for financial planning and prioritizing them.

2. Discussing in more depth how our planning services may help you achieve these goals
3. Demonstrating examples of financial planning we have done with other clients, including a demonstration of our financial planning software
4. More depth on what is unique about our practice including the breadth and depth of our resources and connections, our financial planning process, our target client profile, our team, etc.
5. The financial investment on your part

After going through the proposal, many people are able to determine immediately whether they are interested in moving forward with the planning process. Others prefer to take time to think it over before making a decision, in which case we schedule a follow-up call to help answer any questions that may come-up between the meeting and that call to help you make your decision.

## **Data Gathering / Get Organized**

You have now hired us to take you through our financial planning process

- Between the last meeting and now, we have sent you a list of documents and data that we need to create your financial model such as: *recent tax-returns, investment account statements, insurance statements such as life, disability and long-term care, pension estimates and options, social security statements, real-estate information, a listing of your expenses, benefits available through work or your business, additional info if you own a business, and anything else unique to your financial situation.* We will guide you through this process by helping determine exactly what we need from you. Also by helping you get organized and with finding information that you may not have readily available.
- Our clients often find that this exercise alone in putting together the information for this process is valuable for them as the organization helps in taking control of their financial lives

## **Third Meeting ('Data Discussion')**

The primary goals of this meeting are the following:

1. Review the data you have provided to us so far and identify if / what we are missing and how to best go about collecting it
2. Have an in-depth discussion to identify, quantify, and prioritize your goals for the future.

We have a questionnaire we go through with you with questions to help bring out these goals such as:

- If we were meeting here 3 years from today – and you were to look back over those 3 years to today – what has to have happened during that period both personally and professionally, for you to feel happy about your progress? Prioritize this.
- How about 5-years from now? 10-years? 20-years?
- Describe for me in detail the most highly fulfilling vision of life you can imagine (including the financial, time management and environmental attributes of that life) both now and in the future. Move? Vacations? Gifting? Kids / Grand kids? Time working? New Career? Start a business? Sell a business? etc. Prioritize this.
- If you had complete financial security, how would you spend your time?
- Why do you want to 'retire'? How do you define retirement?
- What are the dangers, opportunities, strengths, weaknesses, you have to reach your goals?
- What's important about money to you? Goals? Values?
- We have had many of these discussions with our clients, so we are proficient in helping you identify, quantify, and prioritize your goals. This allows us to build out a fully customized plan based on what is truly important to you
- *\*Link to 'How to do financial planning like a Tech CEO' article*

## **Fourth Meeting ('Data verification /modeling')**

By this meeting, we have gathered the large majority of the data necessary to build out a first 'draft' of your personalized financial model.

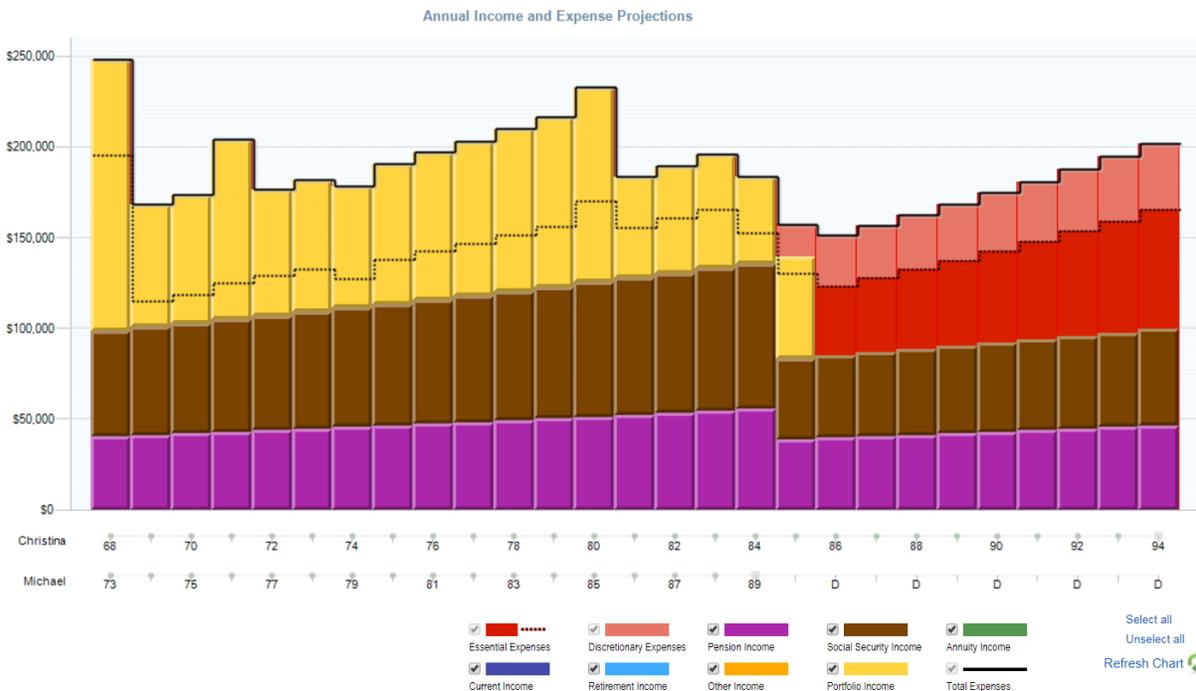
- We have multiple team-members review the data and work on your plan including a para-planner and multiple financial advisors. This team approach allows for multiple people to contribute ideas and make sure nothing is missed.
- The financial model will incorporate and project into the future all your assets, liabilities, taxes, future cash-flow and expenses.
- By utilizing this model, we can glimpse 5,10, 20+ years into the future and have a good sense of your financial future depending on how you manage your finances going forward
- Any model providing projections such as this are reliant on certain assumptions including the rate of inflation, growth rate of assets and investments, growth rate of income, future tax-rates, etc. We have significant expertise in understanding each of these assumptions and guiding you in selecting them for the financial model.
- Hence we provide customized inflation assumptions based on your expenses and scenario.
  - For example, with the rate of inflation, many people assume we should just use the rate of the Core CPI (Consumer Price Index), which has increased by 1.7% over the last 12-months. However, there are a number of issues with the Core CPI which cause us to avoid using it for long-term projections.
  - Instead of using the Core CPI, we customize the inflation expectations for certain expenses based on their historical rate of increase including healthcare and long-term care (5%/yr), property taxes (2%/yr), college education expenses (7%/yr), and we use a standard rate of 3.5%/yr for everything else. This allows us to be much more realistic in our long-term planning, and hopefully a little conservative as we'd rather our clients have more financial options in the future, rather than having to cut-back. Of course if the client wants to see different rates of inflation we can customize the model based on their preference.

- To put things into perspective, assuming a rate of 2%/yr for inflation versus 3.5%/yr for inflation is dramatic over the long-run. For example, if your expenses are currently \$60k/yr, at a 2%/yr rate of inflation the cost of living the same lifestyle will increase to about **\$89k** in 20-years. At a rate of 3.5%/yr inflation, the cost of living the same lifestyle would increase to about **\$119k/yr** in 20-years. This is a difference of **\$30k/yr** just due to higher inflation. Said another way, if you planned on your expense only inflating at 2%/yr and instead they inflated at 3.5%/yr, you could run out of money in retirement.

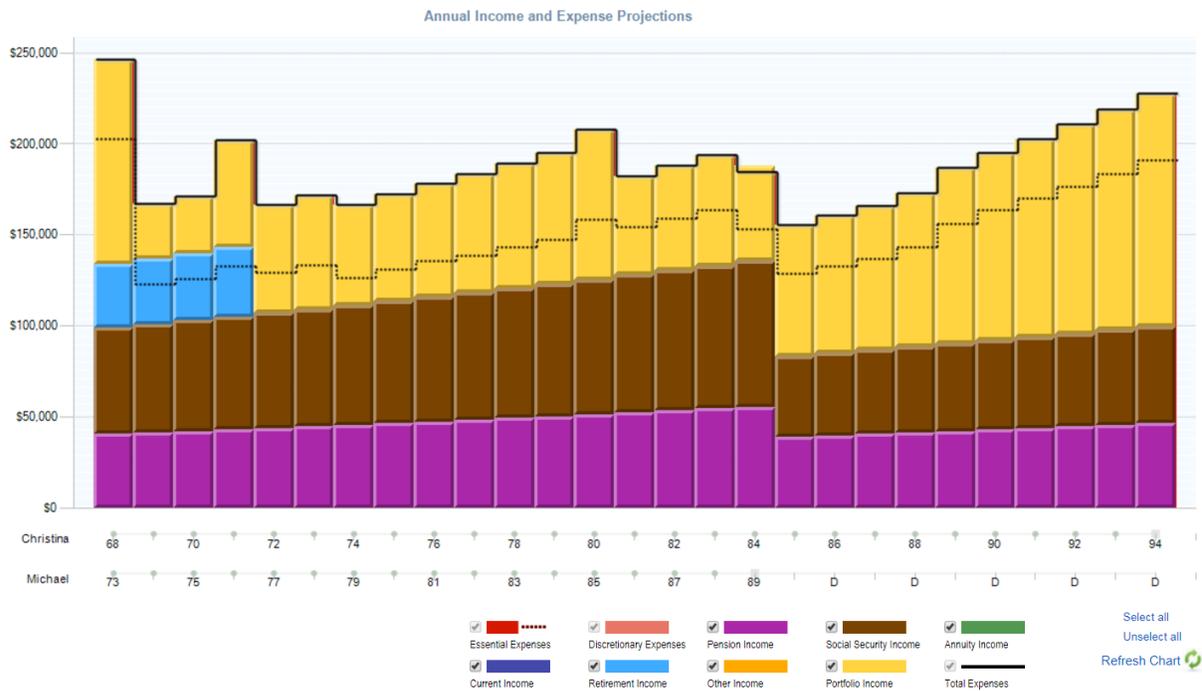
Once the financial model is built out, we start with showing the projection of your financial situation based on what you are currently doing (ie. how much you are currently saving and spending, how you are currently investing, when you are currently planning on retiring, etc.). Upon looking at this initial model, many clients realize they are not on track for their goals and objectives without making modifications. Essentially their current financial habits and situation are not in-line with their goals and objectives.

Below is a visual example of one client's initial financial model, *Michael and Christina Sample*. Their annual expense amounts are listed on the vertical (Y) axis and the clients ages are listed on the horizontal (X) axis.

- The **purple** color accounts for their pension income, the **brown** is social security, and the **yellow** is income drawn from the 'portfolio' (liquid investment accounts such as 401ks, IRA's, bank accounts, non-qualified accounts, etc.).
- The **red** color starting in Christina's age 86 means that they were on track to run out of funds based on their current arrangements.



- After reviewing their initial model, we take all the discussions we had in the prior meetings on goals and objectives, how much they cost, and the priorities, and model out 'what-if' / alternative scenarios which are designed to help achieve those goals. The adjustments may include things like: changing spending habits (more or less), changing investments, changing date of retirement, etc.
- We will review these 'what-if' scenarios with you and help you determine which scenario is most preferable.
- Rather than just telling you what we think you should do, by modeling different scenarios out and explaining the pros and cons of each, we provide you with the education and information necessary to make you an informed decision maker.
- In fact, you may choose a scenario that is different than what we may have chosen and that's ok, as long as you understand the pros and cons and long-term ramifications of this.
- In Michael and Christina's example, we mutually determined that a combination of changes including: 1) investing a significant amount of cash that was at the bank in a moderate-risk portfolio 2) reducing expenses and 3) working part-time in retirement would prevent them from running out of money in the future.



- We will also model out things like the financial impact of a pre-mature death, disability, long-term care event, etc. The first step in creating a plan to protect against these risks is to understand their impact.

## Fifth Meeting ('Plan delivery')

After the data verification / modeling meeting, we have an excellent understanding of both your goals and objectives, as well as your financial realities and options. By melding these together, we are able to develop a list of recommendations and a plan of action to achieving your most important goals that are feasible.

We then create a written and fully customized financial plan and go through it with you in the plan delivery meeting.

- The written plan has a summary of the goals and objectives of the plan, the assumptions used in the scenarios we ran with your financial model, and a listing of recommendations.

- As we go one-by-one through each recommendation, you let us know either 1) you understand the recommendation and are ready to move forward 2) you would like more information on the recommendation 3) you understand the recommendation but disagree with it and don't want to move forward.
- Of the recommendations that you either 1) understand and are ready to move forward with or 2) would like more information on, we then help to prioritize the order of implementation and schedule future implementation meetings to keep the process moving.

We then enter the implementation phase of the planning process.

### **Sixth Meeting + as many as necessary ('Implementation Phase')**

We often say that one of the most important reasons people hire us is to be a '**catalyst for getting things done**'. We've all been in the position where we know something is important and will benefit us long-term (like exercising for example), but procrastinate on it or perhaps not do it at all.

- In the implementation phase, we act as accountability partners to make sure we help you make the necessary steps to progress towards your goals. Along with accountability, we also help by providing the information necessary to make excellent decisions, and make moving forward as easy and painless as possible.
- The implementation items are based on the recommendations from the planning process. These items could include a wide variety of items such as: setting-up a system to manage your future cash-flow ([\\*http://www.odysseywealthdesign.com/blog/how-to-maximize-cash-flow-pursue-your-goals-without-the-hassle-of-budgeti](http://www.odysseywealthdesign.com/blog/how-to-maximize-cash-flow-pursue-your-goals-without-the-hassle-of-budgeti)), setting-up an investment strategy that fits your goals, creating or modifying your estate plan, beneficiaries, titling, etc., evaluating strategies to protect against the 'what-ifs' in life such as a pre-mature death, disability, or long-term care event, identifying which accounts to draw income from in retirement and how to optimize this from an investment and tax-perspective, and many other important items.

## **After the Planning Process**

After we have completed this initial planning process, we then establish our on-going business arrangement together.

- This often includes reviewing the financial plan together to help assure that we are still on track, and occasionally updating the plan if / when necessary.
- If you determine that we are the right fit to manage your investments or other financial concerns, we will also review and update these together.

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