

MITCH ANTHONY | PAUL ARMSON

LIFE CENTERED FINANCIAL PLANNING

HOW TO DELIVER VALUE THAT
WILL NEVER BE UNDERVALUED



WILEY

Life-Centered Financial Planning

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*How to Deliver Value That Will
Never Be Undervalued*

Mitch Anthony
Paul Armson

WILEY

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Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

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Library of Congress Cataloging-in-Publication Data

Names: Anthony, Mitch, author.

Title: Life-centered financial planning : how to deliver value that will never be undervalued / Mitch Anthony.

Description: Hoboken, New Jersey : John Wiley & Sons, Inc., [2021] | Includes index.

Identifiers: LCCN 2020023649 (print) | LCCN 2020023650 (ebook) | ISBN 9781119709091 (hardback) | ISBN 9781119709114 (adobe pdf) | ISBN 9781119709107 (epub)

Subjects: LCSH: Financial planners. | Financial services industry. | Finance, Personal.

Classification: LCC HG179.5 .A578 2021 (print) | LCC HG179.5 (ebook) | DDC 332.024—dc23

LC record available at <https://lccn.loc.gov/2020023649>

LC ebook record available at <https://lccn.loc.gov/2020023650>

Cover Design: Wiley

Cover Image: Mountaineer's mountain © Brad Jackson/Getty Images

Printed in the United States of America.

10 9 8 7 6 5 4 3 2 1

*To the memory of Dick Wagner, a true fiscal philosopher,
who always challenged me to think from multitudinous
perspectives about how money impacts all of us
individually, as a society, and as a world.
Your voice is missed.*

—Mitch Anthony

*This is dedicated to the rebels—financial advisers with
spirit—the ones who put their clients' lives first and money
second; the ones with the courage and conviction to stand
up and be counted. Your time has come!*

—Paul Armson

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Preface

It's time to redefine what the chief *asset under management* really is. It's plain to see what gets the attention from the financial industry at large—the money.

Compensation is tied to the assets under management, and a company's values are tied to the numbers in aggregate. In the money-focused advisory world, lip service is given to building relationships, but the money is what matters most. Now is the time to turn that notion on its head.

The principles driving life-centered financial planning are:

A: Aligning means with meaning

U: Understanding what makes clients unique

M: Monitoring all life changes and transitions

Yes, these principles do form the acronym AUM (Mitch does admit to being an acronymaniac). How many times have we overheard advisers telling stories prefaced with, “I've got this \$5 million client ...” and wondered to ourselves what would that client think if he or she were standing here listening to that prefacing

characterization of the relationship. It's difficult to see who clients *are* when our eyes are so pragmatically tuned to seeing what they *have*.

Every client has a story, and it is our responsibility to discover that story and build a financial plan around that story. We might say that the true sum of this business is made up of *stories under management*. Advisers are like the financial director in the movie of their clients' lives. Financial directors need to know where their clients want to go, the settings that the next scenes will play out in, who the supporting actors are, and ultimately, how they want this story to end. Money is tied to this story, whether it be the story of the past, the present, or the future.

In this book we're attempting to paint a portrait in three sections that characterizes:

- How the financial profession at large and the advisory value proposition individually are undergoing rapid metamorphosis;
- How you can make the shift to a life-centered financial planning approach; and
- What some of the dialogues of the future will look like.

Change Isn't Coming—It's Here

The world has begun to get a taste for a transcendent form of financial planning that merges what matters most with the assets being managed. It's about discovering the intention and purpose of the person and applying the assets at hand to those intentions. Life planning, financial life planning, lifestyle planning, and life-centered financial planning are all descriptors being used to identify a planning process that is anchored to purpose and not just the purse.

We're living in a day when the world of financial services is either embracing this truth or scrambling to understand it because their preexisting value propositions have proven hollow and are no longer valued as they once were. Being a successful

practitioner of life-centered financial planning hinges on nothing less than showing up as the best person one can possibly be and showing up for nothing more than a desire to serve a client's best interests. This new approach requires a new skill set—and a new dialogue. The conversations are not tied to transactions but instead to transformation—to the adviser/client relationship, as well as the profession at large.

We have been laboring on both sides of the Atlantic for the last decade or two to raise awareness around the need for a planning process that places life at the center. After meeting a few short years ago, we decided to yoke our efforts in the interest of accelerating the change that needs to take place. This book is one of the results of this partnership. We hope you find direction, clarity, and empowerment within these pages and become a beacon of purpose-driven planning in your community. One thing we know from experience is this: once you have tasted the fruit of the life-centered planning dialogue, you won't ever go back to the business-as-usual conversations that this industry has been tethered to.

One of the great rewards we have experienced in our lives is the feedback from financial professionals telling us *how much fun* they are having now—how meaningful, rewarding, and energizing the conversations with clients have become. Nothing could make us happier than to hear this from you as well.

There's a very practical side to all this envisioning of a better profession and raising the sights of the advisory world: the more you know your client's story, the deeper the connection you have, and the more your business is ultimately worth. One adviser recently told Mitch he had been buying practices from retiring advisers and had an epiphany that if those advisers had built life-centered planning practices, he would know everything he needed to know about each client. Instead, he's being handed only numbers and facts and faint sketches of insight into the individuals he'll be serving. When this adviser goes to sell his business someday, he will hand the acquiring party all the keys to success—a story of

numbers along with a number of stories, deeply personalized for each client. There is appreciative value to be found in this approach.

Thank you for choosing to read this book. It is our hope that you find this to be a valuable resource—and that the values described herein grow in you both personally and in your practice. Nothing less than client outcomes are on the line.

Acknowledgments

I would like to acknowledge the “circle of life” for my literary career that includes this book as well. This circle begins and ends with Cindy Zigmund—both an insightful agent and a top-rank publisher. In between Cindy’s work is that of my dutiful and devoted wife, Debbie, who scrubs and shines every sentence I’ve written. So far, this circle has brought 17 books to life in financial services. I’m deeply indebted.

I would also like to acknowledge my coauthor Paul Armson, who has demonstrated a refreshing esprit de corps since our first meeting. I’m grateful to be in the yoke with him.

Finally, I would like to acknowledge all the wonderful life-centered financial planners I’ve met around the globe who wake up every day with the singular goal of doing what is right for their clients and placing their well-being at the center. You’re all helping to change the world.

—Mitch Anthony

Part I

The End of Financial Services as We Know It

Chapter 1

The Masquerade Party Is Over

I intend to live forever ... so far, so good.

—Steven Wright

It's easy to get comfortable with the way you're doing things, but it's dangerous. Imagine the feelings that horse traders had 110 years ago upon hearing about the "horseless" carriage. Their sentiments had to range from incredulity ("How can you pull a carriage without a horse?"), to cynicism ("Who's going to take a chance on this unproven contraption?"), to utter disdain ebbing into panic as they saw their once established trade go by the wayside.

Imagine further the horse traders' agitation and confusion as the new technology measured its capacity and effectiveness in terms of horsepower—and yet, no horses were involved: "How can a mechanical motor the size of a big dog have the propelling power of 100 horses?" We need not elaborate any further; we all know what happened. Smug in their role of providing a commodity (the horse), horse traders failed to realize that customers were more interested in progress itself than the means by which that progress appeared.

People will do what they must to expedite progress in their lives.

Presently we are deep in the labor pangs of a similar revolution in the financial advice business, but this one is going in a reverse direction—away from technologically driven results to the more

organic version of progress. We are entering an age of advice where the chief algorithm is emotions-driven and the result clients are looking for transcends a number.

This phenomenon has been building for some time on the periphery of the financial services industry. In 2001, Mitch first introduced the term *financial life planning* in his book *Your Clients for Life*. He had reservations about the public coming to financial advice offices for “life planning” services—they were coming for financial advice. Adding the term *financial to life planning* did, in fact, make it more palatable, but we admit that after almost two decades of effort from us and a few others, the concept of financial life planning appears to remain on the periphery of the profession.

This slow transmutation is about to accelerate in a big way. What was on the periphery is moving toward the center, and what was in the center is being pushed irrevocably to the perimeter. Investments and investment guidance have been the nucleus of the financial advice business since inception. The center is now in flux. We describe the arc of the business as moving from the boiler room to the living room—from a sales-driven industry to service-oriented profession.

The financial services realm was founded by investment managers who simply wanted to peddle their products. The business was then reengineered by advice and planning processes that put the investment products themselves in a secondary or tertiary position in importance. We are now in the throes of the final stage of evolution for the industry—life-centered financial planning—where the context of how the money will be used in the life of the client can no longer be ignored or quarantined as a “soft-side” issue. Up until this point, the question driving the advice industry has been, “Do you have enough money?” This will now be the secondary question. The primary one will be, “Are you managing your money in a way that improves your life?”

To properly help clients answer this question necessitates a different skill set than what was required in the past. Just being a clever capitalist or student of markets is no longer enough. To be successful going forward means being both a service-minded professional and

a student of financial behavior. Scripts for selling are being replaced by candid truth-telling. Relative investment performance reviews are being replaced by financial accountability dialogues. If being genuinely interested in others' stories and building authentic relationships is important, then the future is yours—and it will be far more welcoming for those who have a bigger heart for service than they do an ego for selling.

As of this writing, there are two very promising examples of this move toward life-centered financial planning. First, the XY Planning Network (named for its focus on younger generations), founded by Michael Kitces and Alan Moore in 2014, has grown at such an accelerated pace that it even caught its founders off guard. While attending their conference, we met young and middle-aged planners alike sharing some destiny denominators: a focus on serving, not selling; compensation for advice, not products; and a desire to learn how to be better financial coaches.

While many of the young planners attending were just beginning their businesses, others had established practices in their markets. The group shares a life-centered focus, and the majority of planners are off-loading investment advice as they recognize that this piece has been commoditized. The future of the profession is moving toward their ideology—and the average age is 37. You do the math.

The next example is the BACK2Y Conference (founded by Paul) where close to 500 advice professionals from 12 different countries attend, and where the atmosphere is electric with enthusiasm for the next stage of the advice profession. Mitch sees his coauthor as a visionary rebel who has refused to abide by business-as-usual in flogging products and calling it “advice” or “planning.” The title of BACK2Y pretty much sums up the maypole around which these vibrant and energetic advisers rotate—going back to “Why?” by asking, “Why are we in this business?” and “Why do people need the money?”

Time with these two groups and others that are emerging have affirmed our suspicions that the ROL™ (Return on Life) revolution is clearly under way—and it's not going back to the days of horse