

Financial Planning is Defined in Many Ways - Transcript

Tom Mullooly: In episode 242, we cover how financial planning is defined in many ways.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly. And this is episode number 242, 242. We're going to talk about how financial planning is defined in a lot of different ways. There's no straight answer for what does a financial planner do? So let's walk through some examples. On the homepage of our website is the phrase, "We manage investments and build financial plans for individuals and families." That is what we do. So we manage investments, and we build financial plans. And right above that phrase is another phrase that says two words, "Be sure." The reason why we put that on our website is because we polled our audience, we talked to our clients, and over and over, the phrase that we heard in response was, "Why do we work with Mullooly Asset Management? We just want to be sure that we're on track with our investments and with our financial plan." So why not put "Be sure" out there? That's what everybody's looking for.

So there's several types of financial planners that are out there. And when you're looking for a financial planner to work with, you need to know that not everybody goes about this business of financial planning the same way. So here's an example. There's a planner who just does financial planning in our community, local firm. They build plans with tons and tons and tons of details, I mean, a lot of depth. Their fee starts at \$4,000, and it goes up pretty quickly. A year later, if you want to update your plan, guess what? You got to start all over again with another fee. So this becomes really, really expensive.

The second type of financial planner you may run into is someone who's an hourly financial planner. When I think of hourly financial planners, it's kind of like the Charlie Brown comic strip, where Lucy would sit in that booth that says, "The psychiatrist is in, 5 cents." So hourly financial planners will charge you based on the number of hours that they work on your plan. There's usually no investment management when you're working with an hourly financial planner. You got to do that part yourself. So one of the side effects or one of the impacts of this is if you do implement the suggestions that you get from Lucy, you have to keep going back and paying an hourly fee over and over and over. So these one-off financial plans, this isn't something that we do. It's not much more than a snapshot in time where you are today. It doesn't really help you put together an ongoing plan.

So we've talked about the big fee planners. We've talked about hourly financial planners. The next kind of financial planner, I'm using quotes, is the insurance and annuity folks that promote themselves as financial planners. I often wonder how much planning do they actually do for their clients. They really are selling insurance and annuity products. Not that there's anything wrong with that. You just need to know what you're getting mixed up in. People need insurance, and a few people need annuities, but my opinion, and it's just my opinion, they wrap themselves in the financial planning flag, and that's not always accurate. They're not really building financial plans for folks.

So we've talked about these other types of financial planners. Then there are firms like Mullooly Asset Management. We do financial planning. We tell our clients, "We do financial planning

upfront because we need to know your situation. We need to know what's going on in your world." So we've got an obligation to know what's happening before we actually begin making investments on your behalf. And we need to know what will be happening in the future. Getting a plan built, you need to understand this, getting a financial plan together is not a one-time event. It's a process, and it's ongoing. It does not end. And we want your investments to match your needs and also your wants, where you want your plan to be going. So we've got an obligation to know your situation.

That's why we begin with our clients, we always say, "We lead with planning because we need to know your situation. That's going to drive what kind of investments you're going to have, how much risk you need to take." So that obligation is called being a fiduciary. And just a word of advice, being a fiduciary, that should be the first question folks who are talking to financial planners, this would be the first question you should ask them, "Are you a fiduciary?" These people who are helping you plan for your future need to have that same obligation. They need to treat your investments and your financial plan as if it were their own. It's a very important distinction that's out there. Not everybody in our industry is a fiduciary. You should ask. That's the message for episode 242. Thanks again for tuning in.