
Introduction to the Financial Planning Process at The Davis Financial Group, LLC

Our clients engage in the planning process with us for many different reasons, but very often at a time when they are facing such questions as:

- When will I be able to retire, and what can I expect in retirement financially? What is the maximum I will be able to spend in retirement (monthly, annually) and not run out of money?
- What can I expect from the financial markets? How best can I mitigate the overall portfolio risks of continued volatility, decline, and/or stagnation, and position myself for growth opportunities?
- Is my family protected should something happen to key members of the household?
- How can I gain greater understanding and control of my financial life?
- As a business owner, how can I pass my business on to my children, or to key employees, in a way that takes care of them and the business, and also provides for my own retirement and my family?
- What will my estate taxes be in different scenarios, and how can I potentially reduce them or provide liquidity for my heirs to pay them in order to leave more to future generations or to charitable organizations?

In our experience, most people approach these questions with anxiety, and at best venture educated guesses (though often without the education). Many obsess in darkness. Others flip a coin. But most procrastinate because they don't have a rational basis for making decisions, and as time passes, these questions and decisions become paralyzing, options seem to decline, and anxiety increases.



“What is” to “What if” — Creating a Starting Point

That’s where we come in. Working closely with our clients, we construct a powerful “decision support model” that is based on WHAT IS — clients’ “base facts”. This model provides a basis for as many WHAT IF scenarios as we choose to consider. The web based tool we use — eMoney — is dynamic, updating to real values daily, and is constantly upgraded with current developments with regard to taxes, federal and state specific. In order for the “base facts” to be accurate, we require extensive gathering of information:

Objective information

- Income sources
- Living expenses
- Brokerage and bank account statements
- Insurance policies
- Wills/trusts
- Tax returns, etc.
- Real estate information
- Pension and Social Security information
- Potential inheritances, other one-time income flows

Subjective realities

- Which is more important: legacy planning or enjoyment during retirement?
- Are there charitable intentions? What steps can be taken now to structure planned giving?
- What is our clients’ risk tolerance?
- What kind of life is imagined in retirement?
- What does “retirement” mean?
- Are there family members with Special Needs who need to be protected?
- Are there issues of “equalization” regarding gifting to family members?
- What is keeping our clients up at night? What worries them the most about their financial lives?

We spend considerable time and effort making sure that the data is accurate and current during the fact-finding process (“garbage in, garbage out” applies potently in the planning process as it does in most others!) There are factors we need to agree upon:

- An assumed inflation rate
- Will there changes in income? If so, at what percentages and time frames?
- What contributions will be made to retirement plans going forward?
- Which rates of return will we project into the future per asset class? This is of course the most difficult to project. We have access to historical averages per asset class and individual asset, but we all know that history provides no guarantee or necessarily guidance concerning future performance. So we create hundreds of simulations that take into account best and worst case scenarios to indicate the probabilities of a broad range of outcomes as they diverge from the mean.

Guiding You Through the Decision-Making Process

We gently guide our clients through all of these judgments and decisions. We take our role as educators very seriously, and for clients who are interested, we give them the tools they need to become more actively involved in their own planning and financial management. For those interested in a more “hands-off” approach, we can do that also, though this process requires a degree of participation and collaboration that is not consistent with a completely hands-off process. We ask our clients:

- When was the last time your stock broker, investment professional or insurance agent spoke with your attorney? Or your accountant?
- What about both of them at the same time?
- Do your professional advisers have access to your current information so that they can be proactive in protecting you and your family?

The answer to all of these questions is almost always “never”. So much of our society’s world of professional advisors is “silo-ed”, with moats isolating one source of information and advice from the others. Perhaps the most important thing we do is to build a team of professionals who are up to date and on the same page, and dedicated to supporting and advancing our clients’ interests.

One thing we feel especially strongly about — once this process is established and the “decision support model” is built, there will almost never be a future circumstance which has a financial consequence we can’t use the model to help us navigate as circumstances change throughout life.

What if our plans to work in retirement are thwarted by illness or disability? What impact would the need to self-fund long term care have on the longevity of our assets and therefore our income in retirement or what we will be in a position to leave to our heirs? “What if” the market goes into a swoon, and values fall by 30-50% (as we all now know, this is NOT a hypothetical question). Many experts are saying that we could now be in one that could last another ten years or more. During the near panic of 2008-2009, we went back many times and recalculated to make sure our clients were still on track with their plans, and looked at what in-course corrections might be required.

Once we have the model built, we have the ability to incorporate changes — almost in real time — to provide the kind of objective, rational guidance to which most of us rarely have access.



Allen Davis is a Registered Representative of and offers securities, investment advisory and fee-based financial planning services through MML Investors Services, LLC. Member SIPC. 330 Whitney Avenue, Suite 600, Holyoke, MA 01040, Tel: 413-539-2000. The Davis Financial Group is not an affiliate or subsidiary of MML Investors Services, LLC or its affiliated companies. CRN201303-