

## ***The Importance of a Sound Financial Planning and Wealth Management Program at the Bank***

By Dr. Linda Eagle

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In response to the current global economic environment, individuals are becoming more serious about personal financial planning and wealth management. Financial planning is all about generating greater Return on Assets (ROA), growing market share, and solving foreseeable problems for banks and their clients. Wealth management is a wide-ranging service designed to manage, protect and enhance the financial goals of an individual. Together, these services help individuals to protect their finances from changes in the economy and secure their financial futures. Every bank customer, regardless of his/her financial standing, can substantially benefit from having a sound financial plan and wealth management system in place.

For most individuals, planning their financial futures can be a daunting task. This is why it is vital for a bank's wealth managers to have the appropriate knowledge and tools at their fingertips to help their customers feel comfortable with their financial decisions. It is no longer sufficient to simply have "good" wealth managers at the bank. Today's wealth managers need to be superior relationship managers who can put customers at ease and assist them with their unique financial journeys.

Many banks wonder how they can transform their wealth managers from good to superior. The answer is simple: training. A credible staff of well-trained wealth managers will retain existing customers and secure new customers while increasing profitability for these customers, as well as for the bank itself.

### **The Benefits of Financial Planning**

Clients have an endless array of needs when it comes to financial planning. For the wealth manager, there is no common client since there are infinite reasons for clients to engage in financial planning.

Financial planning forces clients to identify their goals and priorities and make educated and well-informed decisions about their money. It also requires clients to look at where their money is going and begin to direct it in the appropriate direction, rather than wondering what happens to it each week. Being prepared financially can help ease the stress of unforeseen expenses and help clients plan for the future, which will lessen some of their financial woes. It does not matter how much money a client makes; everyone can find themselves in a financial struggle.

Financial planning helps to eliminate unnecessary spending and allows for better monitoring of cash flow. For most customers, a specific event or need, such as receiving an inheritance, losing a job or having a new baby, triggers the desire for professional financial planning guidance. However, clients should be advised not to wait until such a situation occurs; instead, they should seek financial planning services before an unexpected event or catastrophe affects their financial position. It is crucial that wealth managers receive proper training early on in order to understand how to fully assist clients in these situations. A comprehensive training program that includes hands-on exercises and real-life examples will provide wealth managers with all of the vital knowledge and skills they need to walk clients through each step of the financial planning process. With this education, wealth managers will feel confident in their abilities to assist clients in creating an overall financial plan.

By creating an overall financial plan, clients will be able to focus on and control the many financial components that can benefit them and their families long-term, such as:

- Savings and investment plans.
- College and retirement planning.
- Tax management.
- Estate and insurance planning.<sup>1</sup>

### **The Foundation of Financial Planning**

The foundation of financial planning is budget creation. Though many individuals are familiar with the term, most do not understand the basics of budgeting. Simply put, a budget is a financial document used to project future income and expenses. There are several steps to establishing a budget:

1. Clients must understand that the first step to creating a budget is to determine how much income is taken in from their primary jobs.
2. Next, fixed expenses must be identified and accounted for. This includes having the client list all predictable expenses, such as rent or mortgage payments.
3. The final step in budget creation is determining variable expenses, which generally change in amount and cannot be completely predicted.

A wealth manager is responsible for not only identifying a client's budget, but establishing special precautions, such as for variable expenses, which are a major building block of financial planning that are often overlooked. With other more noteworthy expenses, clients usually neglect to think about the expenses they acquire on a typical day. Wealth managers must inform their clients that these expenses are an extremely vital component of wealth management and financial planning. They are ultimately subtracted from a client's income to calculate his/her net income. Wealth managers are responsible for documenting their clients' spending in order to determine any monetary leaks, construct an accurate budget, and help clients to reach their long-and short-term financial goals.

A training program that addresses these important aspects of wealth management will ensure that all wealth managers are well versed in budget creation and expenses. In turn, this will lead to increased levels of client confidence, secure in their belief that their finances are being adequately planned for by the bank, now and far into the future.

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<sup>1</sup> Nissenbaum, Martin, Raasch, Barbara J. and Ratner, Charles L. *Ernst & Young's Personal Financial Planning Guide*. (Hoboken, NJ: Ernst & Young LLP, 2004), pg. 7.

## Why People Fail to Plan

People fail to plan financially for a number of reasons. They often feel that they do not have sufficient assets or income to warrant planning or that their affairs are already in good order. However, both of these assumptions are usually wrong.<sup>2</sup> Regardless of the amount of income or assets that a client has, s/he should be advised to start a financial plan as soon as possible. It is essential that wealth managers are fully capable of providing sound guidance for each client's individual concerns and financial needs.

Sometimes it takes a lot of effort for a client to walk into the bank and seek financial planning assistance. The client may feel very reluctant to discuss his/her financial background with a stranger and wary of sharing such personal details. If a client is not immediately reassured by a friendly and caring wealth manager, s/he may dismiss the idea of financial planning entirely. This is where training on how to handle all types of customers and their emotions plays a huge role. Clients can easily pick up on wealth managers who are simply reaching out to them in order to make a profit rather than actually caring enough to assist them in planning their finances for the future. Properly trained wealth managers will be able to better serve the needs of all clients and remain in tune with each person's individual needs and requirements.

## Who Needs Wealth Management?

Almost everyone is in need of wealth management. Individuals have numerous personal and financial goals they strive to achieve for themselves, their families and their futures. Even though individuals have varying degrees of unique financial planning needs, financial planning and wealth management are beneficial for everyone, from the common person to the High Net-Worth Individual (HNWI), who makes more than \$1 million per year.

Wealth managers must be trained on how to best advise both HNWIs and their standard customers to ensure that they are making the best decisions for their current and future lifestyles. HNWIs require all-encompassing financial planning with a controlled base for managing their cash. These individuals are usually more willing to seek the help of a wealth manager and can more easily detect a wealth manager who has not been appropriately trained in his/her duties.

All people, regardless of income, status or class, want to know that their money is in safe hands and want to feel completely assured that the wealth manager assisting them is the very best. It is very obvious to customers when a wealth manager is uneasy in his/her position, which can be red flag for these individuals to seek other options for financial planning services providers. To avoid losing customers to competing banks, wealth managers must receive continuous training that will enhance their confidence in their position, which will translate well to confident clients who continue to patronize the bank.

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<sup>2</sup> Hallman, Victor G. and Rosenbloom, Jerry S. *Personal Financial Planning*. (New York, NY: McGraw-Hill, 2003), pg. 5.

## Understanding Client Goals

Successful management of wealth depends on an in-depth understanding of clients' goals. The overt characteristics of those goals will establish the correct strategies, return requirements and risk levels that the client should follow. Understanding client goals is the most important step of the wealth manager's relationship with his/her clients, as it will establish the entire customer-bank relationship.

The financial planning process involves the translation of personal objectives into specific plans and finally into financial arrangements to execute those plans. A well-organized cash management system must be developed that is able to project net cash flows for at least the next two or three years. This will identify the amount of excess cash flows or deficits, as well as their timing and their causes.<sup>3</sup> By looking forward, wealth managers can help clients plan for the use of funds in years with a cash flow excess while also minimizing the cost of raising cash in any deficit years. Meeting lifetime goals is a constant process, and goals will inescapably change as time goes on. Therefore, it is vital for wealth managers to be continuously kept up-to-date on the latest industry trends and practices in wealth management.

## Characteristics of an Ideal Wealth Manager

Wealth managers must always remember that they are giving clients more than investment and financial planning options; they are providing them with peace of mind and soundness now and into the future. The ideal wealth manager possesses the following characteristics:

- A positive and energetic attitude.
- Great communication skills.
- Problem-solving and analytical skills.
- The ability to be persuasive, reassuring and discrete.
- An ethical approach.

Each of these characteristics must be present for a wealth manager to be considered excellent rather than just good. A consistent training program will enable wealth managers and financial planners to further develop these skills and acquire additional ones that will increase their ability to help clients, which in return will boost the bank's profits and reputation.

## Training

There are two things that banks should always remember when it comes to training: training is never finished and they can never over-train. Banks often make the mistake of believing that their wealth managers have already been trained adequately or that their wealth managers do not require much training because they are already great employees. However, to keep motivation high, customers happy, and maintain the success of the bank, new training and tune-up training sessions must be instituted. Even the most successful wealth managers can greatly benefit from a refresher training program that introduces them to new industry knowledge, best practices and financial planning trends.

Training is the only surefire way to transform your good wealth managers into superior, knowledgeable, responsible, ethical and energetic wealth managers – just the type of individuals that clients are looking to do business with! Bank profits will soar as existing clients become increasingly satisfied with the service they are receiving from the bank's wealth managers, and when they begin to recommend the bank to their family and friends as a result.

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<sup>3</sup> Rattiner, Jeffrey H. *Getting Started as a Financial Planner*. (New York, NY: Bloomberg Press, 2005), pg. 94.

## **Final Word**

With today's unsteady job market and financial turmoil being felt throughout the world, now is the time for banks to evaluate their current wealth management and financial planning systems in order to entice existing customers, draw in new customers and ultimately increase overall bank profits. More and more individuals from all financial backgrounds are seeking out institutions with sound and established wealth management systems in place in order to properly plan for the future and manage their current assets and income. Therefore, training is not just beneficial to the bank, it is necessary to achieving continuous success and upholding the bank's reputation as a sound financial institution with educated and supportive wealth managers who can help clients plan today, save for the future and be assured that their money is working for them.



*Dr. Linda Eagle is Founder & President of The Edcomm Group Banker's Academy—a 23-year-old education and consulting firm dedicated to serving Banks, Credit Unions, Money Services Businesses (MSBs) and all areas of the Global Financial Community with thousands of generic and customized training programs in areas such as BSA/AML, Regulatory Compliance, Teller Training, Systems Training, Sales and Service Training, and many more.*

*The Edcomm Group Banker's Academy is headquartered in New York, NY. For more information, email [linda.eagle@edcomm.com](mailto:linda.eagle@edcomm.com) or call +1.212.631.9400.*