



S for Service

Advisors look to nontraditional services for differentiation

As advisors increasingly move away from practices focused on product, they are now defining—and hoping to differentiate—their practices based on the services they offer. There is certainly no lack of possible service offerings. Practices are now built around the old standbys of asset management, insurance, and estate and retirement planning, as well as new, focused offerings such as health care and charitable giving, and comprehensive offerings such as life planning and integral finance. The dilemma for the majority of

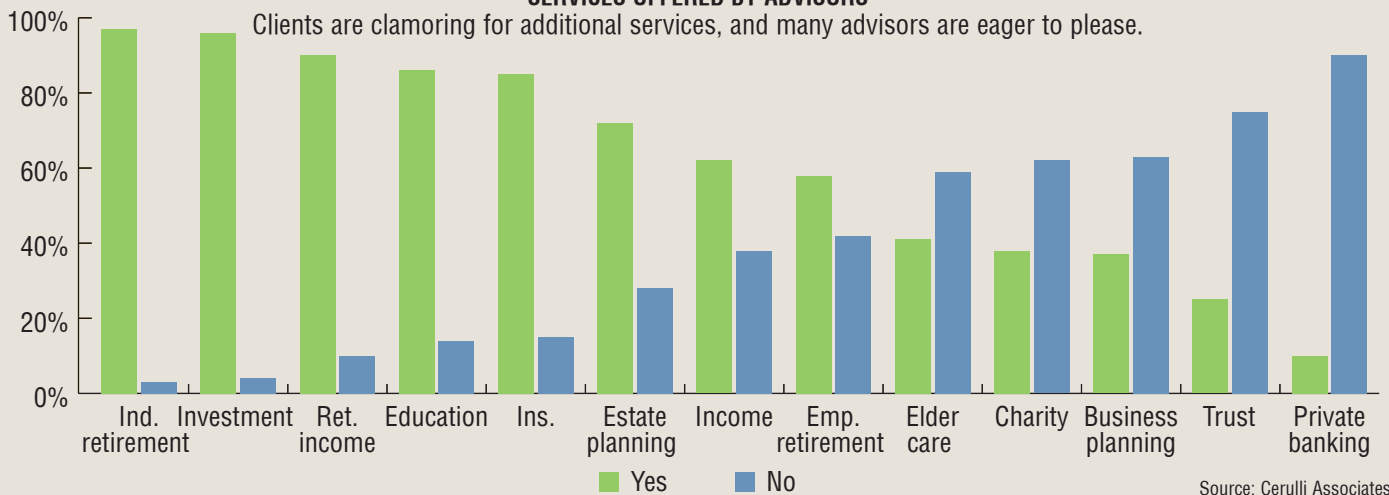
advisors is determining which services—and how many—to offer.

Best-practice advisors begin with a thorough evaluation of their practices to develop a solid understanding of their books of business. They ascertain their best or most profitable clients, uncover common attributes of these clients, and choose new target clients.

This understanding enables advisors to review the services they are currently offering and determine which services need to be added and how to best deliver them.

SERVICES OFFERED BY ADVISORS

Clients are clamoring for additional services, and many advisors are eager to please.



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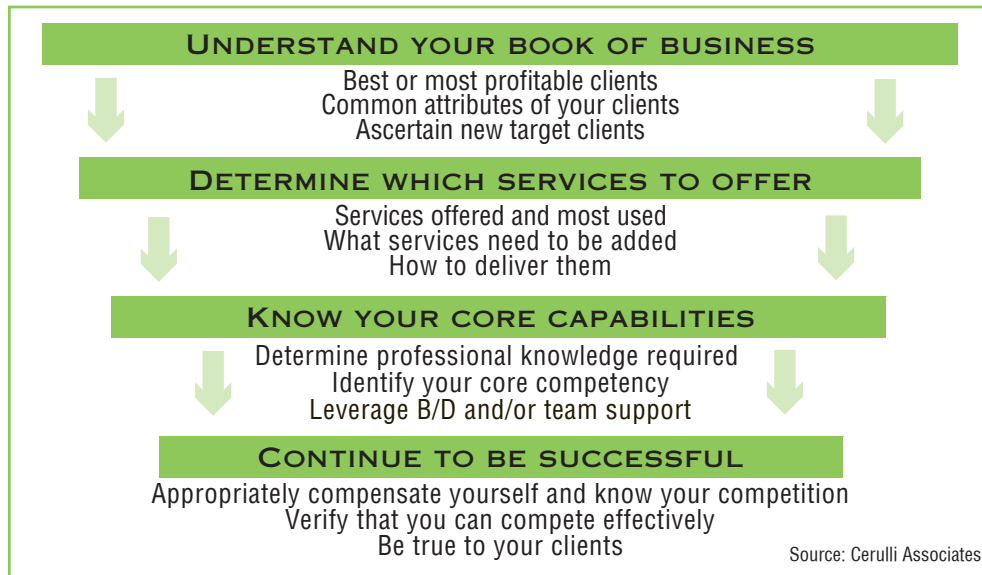
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Simultaneously, these advisors work to develop a solid understanding of their core capabilities. By identifying their core competencies and determining any additional professional knowledge required, they can then leverage their firm or create a team of professionals (either internally or externally through referrals) to ensure that they are truly offering all services necessary for their existing and target clients.

This type of self-assessment is central to the development of a successful service-based practice. It is crucial for advisors to be realistic about areas of expansion and have an understanding of where they are willing to give up control.

At this point, appropriate staffing becomes a significant success factor. Advisors working in teams must be sure to clearly define roles and responsibilities, matching skills with functions. And, they must be willing to narrow their focus to no

more than three areas, delegating or outsourcing the rest.

In this issue of *The Cerulli Edge—Advisor Edition*, we examine two targeted nontraditional services that are beginning to garner advisor attention: health care and charitable giving. Our research shows that while the advent of HSAs has given advisors the opportunity to provide clients with tax-sheltered accounts, meager balances and an uncertain future have dissuaded many advisors from pursuing this type of service. Our analysis of charitable giving practices reveals that these are a small but growing segment of nontraditional service offerings that may be worth considering.

We also investigate the practices of advisors who offer holistic services through life planning. We consider a relatively new type of life planning service—integral finance—that combines cognitive data with clients' emotional relationships to money. ♦

The Cerulli Edge—Advisor Edition is a research-based quarterly publication. Each issue is dedicated to a specific theme of interest for readership among financial advisors (including wirehouse, regional, bank, independent contractor, insurer, and RIA reps), in addition to financial industry senior management. Content for each issue is generated by Cerulli Associates' proprietary database and research engine. Cerulli Associates conducts original and independent research that is never sponsored by any company or industry group.

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Healthy. Wealthy. And Wise?

HSA's are gaining investors, but are they an opportunity for advisors?

Health Savings Accounts (HSAs), signed into law by President Bush in December 2003, have the potential to become an important asset accumulation vehicle for investors and a new area of financial planning for advisors. If set up and used properly, HSAs facilitate tax-deductible deposits that accumulate free of federal—and in some cases state—income taxation and can then be used tax free to pay health care expenses. Currently, however, meager balances and an uncertain future have dissuaded many advisors from offering HSAs.

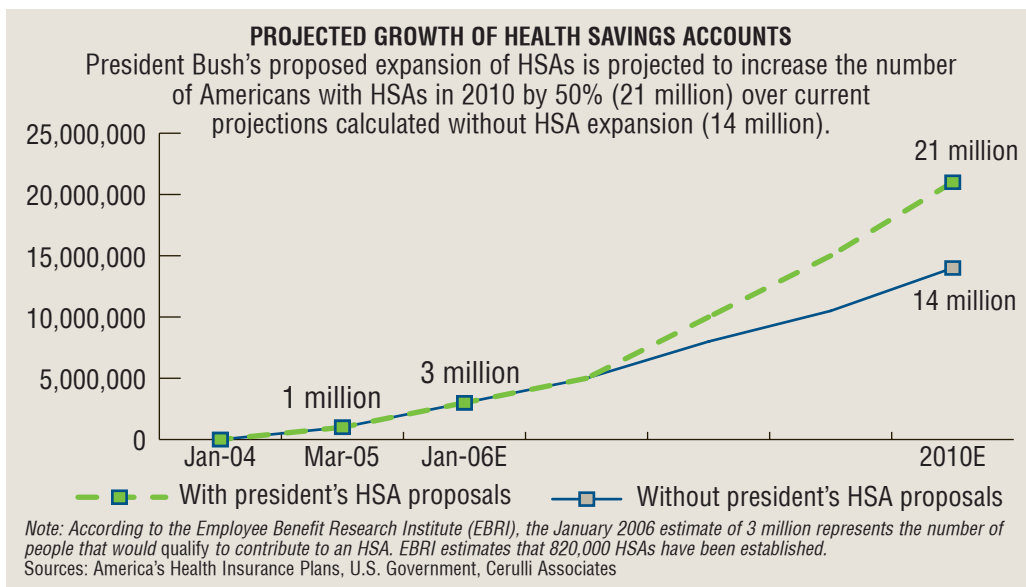
Defining HSAs

HSAs are tax-sheltered accounts that can only be established in conjunction with a high-deductible health plan (HDHP). They are intended for use either by individuals or by businesses for their employees. The starting HDHP deductible for 2006 is set at \$1,050 for individual coverage and \$2,100 for two or more individuals. Deductibles can reach as high as the maxi-

mum out-of-pocket limit (\$5,250 for an individual and \$10,500 for two or more in 2006). When the deductible is met, an insurance company can use various co-payment schedules in the plan design, but it cannot exceed the out-of-pocket expense limit, which is annually indexed to inflation.

Once the HDHP is in place, the HSA can be opened. Contributions to the HSA are the lesser of an annually indexed amount (a maximum in 2006 of \$2,700 per individual and \$5,450 per two or more individuals) or the deductible of the HDHP. Catch-up contributions for individuals 55 years or older are \$700 for 2006.

Employees and employers may make contributions to the HSA in any combination of employee and employer funds, as long as maximums are not exceeded and as long as employer contributions do not favor individuals (*e.g.*, if an employer match is offered to managers, it must also be offered to staff). Employer contributions may be either fixed dollar amounts or made



on a match against employee contributions. Employer contributions are excludible from income, and employee contributions are an “above the line” deduction (this is a deduction that is taken on the first page of a tax return, above the line for adjusted gross income, *e.g.*, IRA contributions).

Qualifying withdrawals—including interest earned—are tax free for a variety of qualified medical expenses, including health insurance deductible and coinsurance amounts; payments for the diagnosis, cure, mitigation, treatment, or prevention of disease not reimbursed by the qualified health plan; dental and vision care; long-term-care services and long-term-care insurance; and retiree health insurance premiums including Medicare, but not Medicare supplement (Medigap) premiums. (Medicare beneficiaries are ineligible to open an HSA. However, HSA contributions may be used to pay Medicare premiums in the future.) Funds withdrawn for nonqualifying purposes are included in the account holder’s gross income, however, and taxed accordingly. Penalties may also apply.

Importantly though, investors are not required to use the money in their HSAs—unlike previous medical savings accounts, the money is not forfeited if it is not used. Investors can let funds continue to accumulate for years while paying for their medical expenses with post-tax dollars. And upon turning 65 years of age, HSA account holders can use HSA funds to pay for things other than medical expenses—although the amounts withdrawn for these types of expenditures are taxable as ordinary income. This makes HSAs federally approved, tax-sheltered vehicles to save for retirement. And, there is no lifetime contribution maximum.

HSAs can also be incorporated into an effective estate plan. There is no penalty on withdrawals due to death or disability prior to age 65, though these withdrawals are

subject to federal and state income tax. Accounts transferred to a spouse due to death or divorce are not subject to federal income taxes (transfers to beneficiaries other than a spouse are treated as taxable).

Investing in HSAs

A portion of the money in an HSA needs to be available to cover health care costs. Therefore, the best way to initially structure an HSA is through a qualified checking account or money market fund that contains an amount equal to the HDHP total out-of-pocket expenses for at least one year. Once the balance in the HSA exceeds the out-of-pocket maximums, more aggressive investment strategies may be put in place.

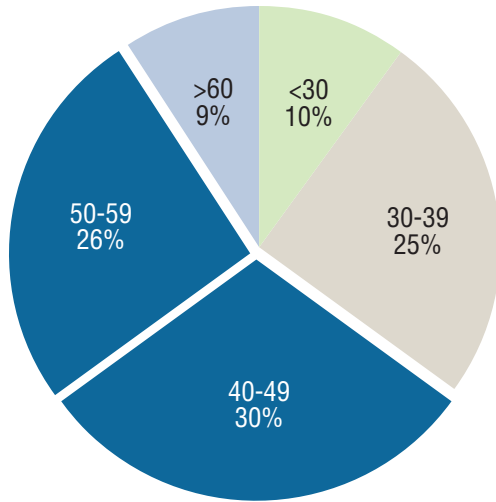
This, however, represents the current challenge for advisors. Years from now, balances may well be large enough to make managing these accounts profitable, but currently, small balances (remember that annual contribution caps are \$2,700 for individuals and \$5,450 for families, and investors may well need to dip into these funds to cover current medical costs) don’t leave much in the way of earnings. The average balance in HSAs at the beginning of 2006 was only \$1,500, according to HSAfinder.com, an independent HSA consumer information website.

HSA business potential

Despite these less-than-thrilling figures, the long-term potential for HSAs to become a substantial asset for clients may be too great to be ignored. Some liken HSAs to IRAs which, while slow to attract assets when they were introduced in 1974, now hold in excess of \$3 trillion in assets and have become rewarding vehicles for many advisors. IRAs are owned by 40% of American households, and 79% of these households obtain their IRAs through a financial advisor, according to the Investment Company Institute.

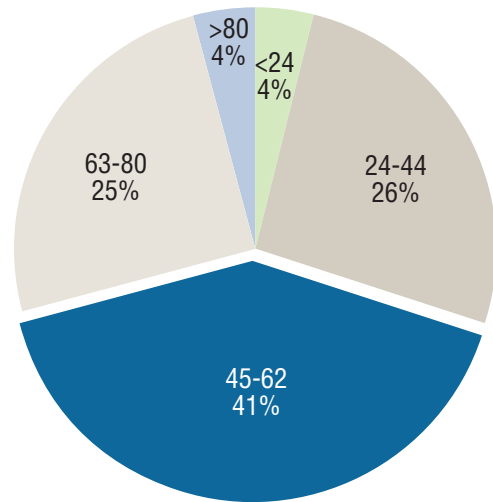
COMPARISON OF AGES OF HSA OWNERS AND ADVISOR CLIENTS
 Among HSA owners, 56% are between the ages of 40 and 60—the age group that comprises the largest percentage of the average advisor’s book.

HSA OWNER AGE DEMOGRAPHICS



Sources: Information Strategies, Inc., *The Small Business Guide to HSAs*

ADVISORS’ BOOK OF BUSINESS: CLIENT AGE DEMOGRAPHICS



Source: Cerulli Associates

HSAs were only first available to consumers and employers in January 2004. By January 2006, about 3 million Americans had opened accounts, and the Bush administration estimates 21 million Americans will open accounts by 2010 if the administration’s tax break proposals are passed (even without the tax breaks, the administration estimates that 14 million Americans will have HSAs by 2010). Bush also wants to expand contribution limits—possibly doubling them—which would help assets in the increased number of accounts grow at a decidedly more rapid pace.

Consumers and employers are becoming more familiar with HSAs as the media expounds upon them; politicians add them to their agendas; and large corporations such as Wal-Mart and DaimlerChrysler have begun offering them to employees.

Even so, it will take many more years for HSAs to provide an adequate revenue stream for the average advisor. In addition, the White House’s expansion proposals, while compelling, face some challenges (*e.g.*, opponents cite the fact that offering more tax deductions and credits will cost the U.S. Treasury \$59 billion over five years).

In general, these accounts are best for young advisors who plan on being in the business for 30 years or more. Advisors with shorter timelines will likely retire from the business before assets in their clients’ HSA accounts accumulate to the point of any significant profitability.

With current HSA balances so low, and advisors still learning about HSAs and benefit consulting complexities, some advisors are referring clients to local financial institutions (*e.g.*, credit unions or banks) to hold the HSA balances. Others are referring clients to web-based businesses such as HSAInsider.com, an insurance industry site where consumers can set up high-deductible insurance policies and HSA accounts. In 10 to 15 years, if the accounts have grown, clients will be looking for investments that provide more than money market returns. Whether they choose to do so with their financial advisors is the big money question.

The HSA client

At this point, the ideal HSA clients are younger, healthy employees; the self-employed; and small businesses.

Among those who have HSAs, 56% are

between 40 and 60 years old, according to Information Strategies, Inc. While a recent Cerulli survey cut age data slightly differently than the insurance audit data, it does show that this is the age group that most advisors serve: across channels, advisors report that the majority of their clients (an average of 41%) are between ages 45 and 61 (see chart on page 5).

For the self-employed, health insurance has become an extreme expense for which there is little perceived value relative to the high premiums that must be paid. In worst-case scenarios, the self-employed have chosen to forgo insurance, leaving themselves and their families vulnerable to complete financial ruin. This type of client would be well served to obtain catastrophic coverage and an HSA through which to save for future health care costs and retirement.

Small businesses can also benefit from HSAs. Currently, more than one-third of businesses employing fewer than 100 employees (38% of all workers) do not offer any health care coverage, according to the Henry J. Kaiser Family Foundation, a nonprofit research and communication organization focused on the nation's major health care issues. However, it appears that some of these employers are looking for guidance in the development of an affordable health plan. Some 73% of small businesses are interested in HSA accounts, according to the Employee Benefits Research Institute (EBRI).

The HSA business model

HSAs are best suited for the true “Mom and Pop” shop, according to Roller Consulting Company, an employee benefits consulting firm in Pennsylvania. This may be of particular interest to advisors, since it is exactly the kind of business they typically service. Even a small group of 20 employees can contribute as much as \$100,000 per year.

But Roller Consulting also warns that

adding an HSA to a small business' benefits plan is complex. Without careful consideration, for instance, a business trying to cut costs by offering an HSA along with a comprehensive benefit plan may find that all the young, single, healthy employees join the HSA, and the employees who are older, have families, or who are in poor health choose the comprehensive plan—thus significantly raising the company's health care bill. In another scenario, a business that dismantles its comprehensive plan in favor of an HSA may lose talented employees who become disgruntled, believing that the company is no longer supporting its health care needs.

Other complexities include finding the best time to fund HSAs to avoid excess contributions, determining company contribution amounts and types (*e.g.*, matching funds or fixed-dollar amounts), ensuring that individuals within a class of employees are not favored, and properly communicating to and educating employees on HSAs. Before endeavoring to offer HSA services, it is also important to consider that while the law does not currently require an advisor to verify the proper HDHP/HSA relationship or to authorize eligible HSA transactions, it may only be a matter of time before the government enacts stricter controls on HSA accounts to prevent abuse.

To ensure that they are offering proper advice, some advisors are forming alliances with employee benefit consultants or group health brokers. Others are moving from their current comprehensive health care plans to HDHPs with HSAs in order to experience first-hand the benefits and pitfalls of an HSA. Still others are obtaining licenses from their state commissioners to sell insurance. This will enable them not only to eventually profit from the management of HSA assets, but also to immediately obtain a nice stream of income on the monthly insurance commissions.

Advisors tell Cerulli that obtaining such

a license is generally easier than getting a Series 7. However, the license (which in most states covers the sale of life, health, and disability insurance) requires the completion of 50 to 60 hours of class work and passing a state-licensing exam. Once the license is obtained, advisors are required to take the continuing education courses required by their state.

No matter the method of entry, Cerulli Associates analysts believe that the industry will likely see an increasing number of advisors incorporating health care services into their practices. In many cases, it will

be a tool that enables them to gain greater walletshare of their clients' assets. In other circumstances, they will need to answer the needs of retiring Baby Boomers, for whom the unpredictable cost of illness and health care is by far the greatest retirement and financial concern. Boomers are three times more worried about a major illness (48%), their ability to pay for health care (53%), or winding up in a nursing home (48%) than about dying (17%) according to "The New Retirement Survey" from Merrill Lynch. And many will turn to their financial advisors for answers. ♦

CHARITABLE GIVING

Compassionate, Careful Altruism

Clients use their hearts and minds to give wisely

A small but growing number of advisors are positioning themselves as charitable planners specializing in planned giving. Charitable planning offers invaluable opportunities to attract the attention of the sought-after high-net-worth (HNW)

client. While most of these investors are aware of the opportunities to make charitable donations after their deaths via estate planning, studies show that most are unaware of the breadth of philanthropic planning opportunities that could enable

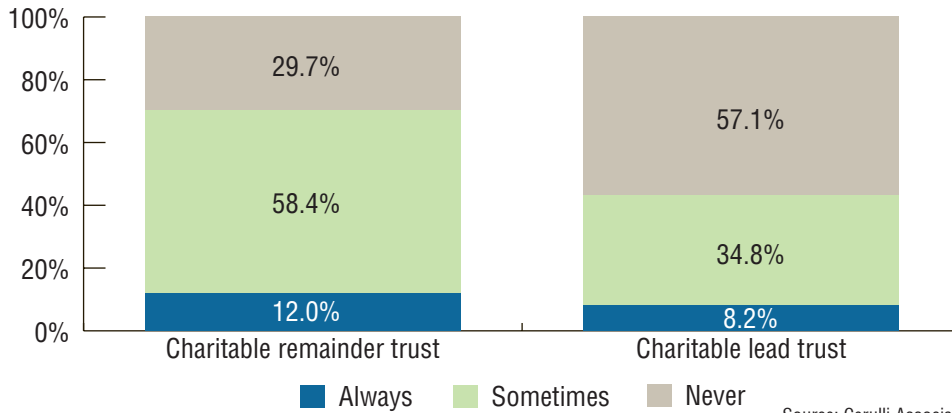
COMMON CHARITABLE GIVING VEHICLES

Wrapper	Description	Use	Target Clients
CRTs	Trust created that pays income to grantor and the remainder is left to a charity	Used if the grantor has assets that have appreciated and they want to make a charitable donation	Mid- to higher-net-worth
CLTs	Trust created that pays income to a charity and the remainder is left to a beneficiary named by the grantor	Used if the grantor has assets they anticipate will appreciate and they want to make a charitable donation	Mid- to higher-net-worth
Private foundations	Created to promote philanthropic causes	Used by very wealthy individuals who want to encourage philanthropy by many younger generations	High-net-worth
Donor-advised funds	Fund that accepts assets, giving the donor an immediate tax deduction, and then uses investment professionals to facilitate asset growth and ultimate donation to charities	Used by relatively lower-net-worth clients who wish to make charitable donations greater than they could make on their own	Lower-net-worth
Gift annuities	Annuity backed by a charitable organization—the donor gives assets to the charity and receives an immediate charitable deduction, and the charity pays the donor an income stream for a set period of time with the remaining assets kept by the charity	Used by individuals who want to make a charitable donation and receive the tax benefits of it, but also need some lifetime income from the assets	Lower-net-worth

Source: Cerulli Associates

ADVISOR CHARITABLE TRUST USAGE

While many individuals simply write checks to their organization of choice, others prefer to work with their advisor to develop something more structured—either to maximize the donation amount or formalize the process.



Source: Cerulli Associates

them to optimize both charitable contributions and cash flow during their lifetimes.

Charitable planning is a complicated practice area, however, and relatively few advisors take the time to become expert in the sophisticated techniques of this discipline. Of the approximately 300,000 practicing financial advisors, for example, only 150 are members of The International Association for Advisors in Philanthropy. Cerulli believes, however, that current giving trends combined with pending demographic changes, may well make this non-traditional service one worth considering.

Everybody's a philanthropist

It is estimated that charitable giving increased 5% in 2004, rising to nearly \$250 billion—a new record for philanthropic giving in the United States—according to the American Association of Fundraising Council. The council also reports that individual giving, the single largest source, rose by an estimated 4.1% in 2004 to reach \$187.92 billion.

It looks as though 2005 will be a banner year for charitable giving as well, according to *The Chronicle of Philanthropy*. The publication's recent survey found that despite fears of "donor fatigue," individuals, foundations, and corporations that contributed

to disaster-relief funds did so in addition to their regular donations to non-disaster charities. The survey also reveals that many of the nation's largest charities are raising as much or more than they did in the late 1990s when a hot stock market and booming economy increased charitable donations by 50% (from 1996 to 2000).

There are two major drivers of the recent focus on charitable giving by both investors and advisors: the aging of the Baby Boomer generation and the current environment. Regardless of generation, most individuals typically make the largest amount of charitable donations in the decade or so before they retire, which is usually between the ages of 50 and 65. It is at this age when many investors believe that if they do not actively donate now, while they are still working, they may be unable to give as generously later, when they have retired and are depleting—instead of accumulating—assets.

Thus, the pending retirement of the Baby Boomer generation alone would, by historical measures, increase the impending charitable giving occurrences. Promisingly, though, Baby Boomers appear to have carried over their less-than-frugal spending habits to their donating habits—relative to other generations, the Baby Boomers are

big donors. They now contribute more to charities and causes than the World War II generation, and one-third of them plan to increase their contributions in the next five years, according to a study conducted in July 2005 by the Donor Trends Project, a research effort sponsored by Craver, Mathews, Smith & Company, a fundraising company in Virginia, and the Prime Group, a research and consulting firm in Washington. Therefore, the number of donations and total assets donated should experience an uptick due to *inter vivo* (the period of time during which the donor is still alive) giving.

In addition to donations made during their lives, it is anticipated that Baby Boomers will also be generous in their wills. The Donor Trends Project survey also found that 40% of Baby Boomers plan to leave money to charity in their wills, compared with 23% of their elders.

The second driver of giving is the current environment: the war in Iraq, the fighting in Afghanistan, ongoing worldwide terrorist attacks, and numerous devastating natural disasters. These events have brought attention to many worthy causes to which individuals can donate. Thus, in addition to the hyper-giving of the Baby Boomers, other generations are increasing their amount of giving as well, leading to an overall increase in the number of individuals participating in charitable giving activities.

Financial perks add to the joy of giving

As with anything that involves money, there are some issues surrounding charitable giving that should be considered. For some individuals, giving is enough—they do not need to experience any financial gain from so doing. In a recent survey by the National Committee on Planned Giving, an association for professionals in the charitable gift planning field, 97% of respondents cited “a desire to support the

charity” as a reason for making their bequest. Just over one-third, however, also flagged “a desire to reduce taxes” as a key factor. For these philanthropists, the financial perks associated with charitable donations are part of the joy they receive from their giving.

Thus, investors need to be aware of the two significant limitations imposed on their tax deductible by Uncle Sam. First, they should understand that the amount of charitable giving that is tax deductible is limited by their adjusted gross income. Additionally, many investors believe that if an organization is tax-exempt, it must also be considered a charity. However, not all tax-exempt organizations are eligible for charity status. Thus, donations made to certain organizations may not be deductible because of their charitable nature—though they may be deductible under other provisions of the tax code.

Another concern for individuals wishing to donate assets to a charity may be their beneficiaries. To avoid family politics or relationship fall-outs, many donors do not want their *inter vivo* gifts or bequests to charities revealed to their beneficiaries before the gifting occurs—and in some instances, even after it happens. Thus, in many instances, conversations regarding charitable giving should initially be undertaken with the donor alone, including other family members only as directed.

Getting it done

The most popular method employed for charitable giving, in terms of the sheer number of individuals who employ it, is direct annual contributions to a charity (as opposed to donating via a formal product). Many individuals write checks to their favorite charities each year, and supplement this amount with direct donations to other causes they believe to be worthy that arise throughout the year.

There are others, however, who prefer

something more structured: either to maximize the amount donated or to make the process more formalized so that assets are earmarked annually solely for this giving. In terms of formal product options, some of the more common vehicles are charitable remainder trusts, charitable lead trusts, and private foundations. However, given some of the new attention paid to charita-

ble giving, newer vehicles are cropping up, such as commercial donor-advised funds and gift annuities (see chart on page 7).

Best-practice advisors need to thoroughly understand their clients' financial (and many times personal) situations in order to provide the most accurate advice and recommend the most advantageous giving scenarios and vehicles. ♦

LIFE PLANNING SERVICES

Providing Yin and Yang

Advisors offer holistic services to attract and retain clients

The yin and the yang represent interdependence: one cannot exist without the other. Likewise, an increasing number of financial advisors are running their practices by the belief that an investor's financial health and personal well-being are not

separate entities to be dealt with in different terms, but are so interrelated that one cannot be addressed without addressing the other.

Investors have increasingly been turning to their advisors for more than just finan-

Ken Wilber's Integral Theory of Consciousness

Ken Wilber's philosophy, built on extensive data culled from various types of developmental and evolutionary sequences, is based on a four-quadrant model of consciousness and its development. Each of the four quadrants (intentional, behavioral, cultural, and social) has a dozen or more major levels. While the model is not set in stone, the conclusion Wilber draws is that, an "all-quadrant, all-level" approach is the minimum degree of sophistication that humans need in order to secure anything resembling a genuinely integral theory of consciousness.

George Kinder and Richard Wagner, believing that effective financial advice has to include more than just collecting and disseminating cognitive information and solutions, have applied this theory to financial planning.

	Interior Left-hand paths		Exterior Right-hand paths
Individual	Intentional Subjective ♦ truthfulness ♦ sincerity ♦ integrity ♦ trustworthiness	I	Behavioral Objective ♦ truth ♦ correspondence ♦ representation ♦ propositional
	Cultural Intersubjective ♦ justness ♦ mutual understanding ♦ rightness	we	Social Interobjective ♦ functional fit ♦ social or socioeconomic ♦ structural-functionalism
		it	its

Source: Ken Wilber, *A Theory of Everything*

Beyond the Cognitive

The following questions are from a George Kinder workshop on integral finance. They are intended to help financial planners obtain information about their clients that goes beyond the cognitive and explores the personal characteristics that influence financial choices (*e.g.*, fears, dreams, family circumstances, work-life balance, and values).

Most advisors view financial planning from the standpoint of serving the goals outlined in the answers to the first two questions, but life planning targets the answers offered to the third question.

Question 1: What would you do if you had all the money you would ever need?

Answers are often materialistic: new house, cars, boats, vacations, art, etc.

Question 2: What would you do if your doctor told you had five years left to live?

Answers are still often materialistic: see and do the things I've always planned

Question 3: What would you do if your doctor told you had only 24 hours to live?

Answers are often emotional or relationship-based: spend more time with friends and family

Source: Kinder Institute of Life Planning

cial advice. Typically they are looking for banking services, mortgages, lending, debt refinancing, and various forms of insurance. Eager to attract and keep clients—and earn a greater walletshare of their clients' assets—financial advisors are more than happy to add these services and offer comprehensive advice.

Some advisors, however, are taking the idea of comprehensive financial planning to the next level. They are offering their clients a completely holistic financial plan, taking into account not just their clients' financial goals, but also their spiritual and emotional aspirations. These advisors consider clients' family, creativity, spirit, service, and place in the world. The end result is not just a financial plan fulfilling a client's monetary goals, but a financial framework designed to enable the client to live their most meaningful, rewarding life.

The concept of life planning is not entirely new, and in the end, clients receive many of the same financial products and services they would be offered through a more traditional advisory practice. The primary difference is that these practices employ an underlying philosophy that directs the interactions of the advisors with their clients.

Integral finance: The advisor turned philosopher

One relatively new type of life planning is known as integral finance. This specific approach was created by Richard Wagner after studying Ken Wilber's integral theory of consciousness (see box on page 10). Wagner—whose Denver-based firm, called WorthLiving LLC—believing that effective financial advice had to include more than just collecting and disseminating cognitive information and solutions, applied Wilber's theory to financial planning. He reasoned that financial planning needed to integrate both cognitive data with clients' emotional relationships to money.

To put his theory into practice, he cofounded the Nazrudin Project with George Kinder, CFP. Nazrudin was a spiritual teacher of Sufism (a system of esoteric philosophy associated with Islam, the central concept of which is love) in the Middle East where many stories involve money. The two men chose the name together and began working to expand the techniques used by planners to determine their clients' goals and objectives through an intensive discovery process (including an understanding a client's subconscious beliefs about money) and applying that to a finan-

Defining Exterior and Interior Finance

Exterior Finance: Financial information you can see and touch. Examples include the daily news, budgets, checking accounts, and financial statements. This type of cognitive information is already gathered by traditional financial advisors before they develop a plan for their clients.

Interior Finance: Aspects of individual and social relationships with money, including the fact that money even exists. This includes clients' relationships with money, their belief systems, how they think and feel about money, and how all this causes them to act. Proponents of integral finance believe that to develop a truly effective financial plan this type of exploration of clients' right-brain, emotional relationships is necessary.

cial plan. Kinder then established the Kinder Institute of Life Planning, a training organization offering workshops and intensive training to financial professionals.

Multiple levels of training for advisors include a two-day workshop and more in-depth training on a life-centered approach to financial planning. Advisors completing a lengthy training program from the institute become Registered Life Planners, a sort of next-generation CFP designation. Of course, a designation is not required to offer life planning services to clients. For the public, the Institute provides directories of life planners who have completed its training.

Life planners: A profile

Whether offering integral finance or another form of life planning, advisors with this type of practice go beyond advice delivery to become part counselor, part philosopher. They encourage clients to explore the purpose of their money,

acknowledge the limits of what it can achieve, and decide how much is enough.

Advisors offering financial life planning tell Cerulli analysts that there is no formalized way to become a financial life planner. Those willing to offer the in-depth counseling and advice necessary for financial life planning are often self-selecting and provide that level of service regardless of any formalized training or licensing process.

Advisors that do pursue training often acquire coaching or counseling skills. Others work in collaboration with therapists in order to assist clients in making otherwise difficult financial decisions while working to change self-defeating behaviors.

The majority of life planning advisors choose fee-based compensation, typically finding it difficult to execute the ideas behind life planning while working under a transaction-oriented, commission-based compensation model.

Whether charging asset-based fees, annual fees, hourly fees, or fees for plans, advisors offering life planning services work closely with their clients—often putting in more hours for a lower payout. These advisors often tell Cerulli analysts that offering financial life planning may not be as lucrative as other business models. However, much of the payoff for these advisors is derived from providing a style of financial advice they believe enhances their own lives as well as those of their clients. It is generally the client relationship itself that these advisors enjoy and value—and that differentiates them from other financial advisors. ♦

**NEW
REPORT**

NAVIGATING THE EMERGING AFFLUENT MARKETPLACE

This report sizes the opportunity that the emerging affluent and affluent populations (defined as \$500,000 to \$2.5 million in investable assets, and \$2.5 million to \$10 million in investable assets, respectively) represent to financial services firms, and offers strategies on how to successfully navigate these groups. Cerulli isolates disparate investor segments, profiles the emerging affluent and affluent advisor, and analyzes the role of the broker/dealer in targeting these segments. Price: US\$10,000

For more information about this recent report and others, including a sample section and table of contents, please contact Rachael Malatesta at 617.437.1098 x119 or rmalatesta@cerulli.com, or visit our website at www.cerulli.com.