

Financial Life Planning: Death of the Assumption

by Roy Diliberto, CFP, and Mitch Anthony

Not too long ago, Roy accompanied a client and his wife to their attorney's office for a revision of their estate plan. While it was the first time Roy met the attorney, his clients had used his services before and were satisfied with his work. Moreover, the attorney's credentials indicated to Roy that he was extremely competent, which he demonstrated early in the interview. This was not a complex situation, and required the normal unified credit trust, powers of attorney, health care powers, and so forth.

What concerned Roy was that their attorney—without asking any probing questions about how his clients felt about anything—proceeded to tell them that they needed a Q-TIP (qualified terminable interest property) trust ("You want to have ultimate control over who eventually gets your assets"), a corporate trustee ("Family members make poor trustees"), and even told them how they should provide income for their children ("The last thing you want to do is provide any income to your children until they are 25"). Rather than a simple durable power of attorney, the one he was to draft would have required the signatures of two doctors before it became effective ("You certainly don't want your spouse to have unfettered access to your money"). He justified all of these "recommendations"—which were more like directives—by informing them that his personal estate plan had the same provisions! This practitioner was following what we might call the Fool's Golden Rule: Do unto others assuming they are just like you.

Roy's clients left that day with the attorney's estate plan—and their names on the documents. Several days later, Roy met with his clients, discussed their estate planning, and the plan was revised to reflect their desires. When he asked them why they didn't speak up at the meeting, they told him that their attorney was the expert and they were just going along with his recommendations.

The Danger of Assumptions

Behind the services or products we provide are underlying assumptions about why our clients would want the service, what features would most appeal to them and how they would want it administered. Assumptions—even if true 90 percent of the time—are dangerous because they allow us to think we can do the thinking and feeling for our clients. Often these assumptions are the culprits that hinder us from connecting with clients and prospective clients.

Mitch received a phone call from a planner who told him that he needed to start thinking about preparing for retirement. Mitch's response was, "Let me ask you a question. This morning I got up and read for a while, wrote for an hour or two, then got on the phone with clients whom I genuinely like, played nine holes of golf during my lunch hour, and then made a few more calls. All this was sandwiched between taking my kids to and from school. My question is, 'What exactly do you want me to retire *from*?'"

This planner either assumed that Mitch didn't like his work and wanted to quit, or that he had bigger, more important plans that he wasn't pursuing. He didn't know how to deal with the fact that he was talking to someone who was already living his passion and had no plans for quitting.

Every aspect of financial planning has the potential for built-in assumptive baggage. We have all met estate planning attorneys who approach every relationship with the assumption that saving taxes is every client's number one priority. Sadly, not very many ask thought-provoking questions such as, "How do you want to be remembered?" Or CPAs who recommend that clients increase their mortgage debt or even purchase a second home to save income taxes. How about asking them, "How do you feel about debt?" Roy even met an accountant who suggests that his business owner clients purchase SUVs that weigh more than 6,000 pounds to obtain a greater tax deduction.

Roy recently got a call from a client to ask his opinion on whether he should implement a recommendation he received from his banker to refinance his 7 percent, \$72,000 mortgage (with 6 years remaining) with a 6.25

percent, \$220,000, 15-year mortgage. His advice was to use the extra money to pay for his children's educations. The banker never bothered to discover that this client had already set aside the money needed to pay his children's tuition and that he was looking forward to being debt free.

Failing to Probe Deeply

Unfortunately, we planners also find ourselves making assumptions without probing deeply enough to discover our clients' real life goals. How many of our questionnaires ask the question, "When do you plan to retire?" What does that assume? Or "What will your children's college expenses be?" without asking the follow-up question, "How much, if any, do you plan to pay?" There are planners who recommend survivorship insurance in all cases where estate taxes will be due at death. How often do we recommend a profit-sharing plan that provides the lion's share of the benefit (such as 80 percent) to business owners without asking them how they feel about providing benefits for their employees? And how many of our clients' portfolio allocations look exactly like ours?

Our profession brings with it a terrific weight of responsibility. Just as Roy's clients were willing to defer their own intentions and feelings to the "expertise" of the attorney, so many other clients act in tacit obsequiousness to our ideas—whether they fit or not. This process is not about our ideas as much as it is about the life of the client and how some of our ideas might fit that life. Assumptions, no matter how many times you have seen them affirmed, are thin ice for serving clients and building relationships.

An advisor came to see Mitch and his wife about their life insurance needs. This individual, seeing children in the home, worked on the assumption that they would also want and need a savings vehicle for the tuition costs they would face down the road. He suggested a particular product that he thought would help in this area. There was just one problem with his approach—he never asked Mitch and his wife how they felt about providing for their children's college costs.

Had he asked, they would have promptly informed him of how they both had paid their own way through school and felt they learned valuable lessons about work ethic and the pursuit of goals in the process. They had both taken note of classmates who went through school on what Mitch calls the "Budweiser scholarship." Consequently, they had come up with a matching-dollar plan where they would match every dollar their children earned toward college. This way, they could reinforce the work ethic they hold dear (Mitch's oldest son just started college this fall and has three years' worth of college expenses in the bank).

Mitch and his wife declined to work with this advisor because of his assumptive approach. "I don't want anybody telling me what I need or why I need it," says Mitch. "Just because it's right for 99 percent of the people you meet doesn't mean it's right for me." No matter how smart, well trained or experienced we are, it doesn't give us the right to think for others or, more important, to assume how others might feel.

The next person with whom the Anthonys visited didn't have assumptions—he simply had questions. He asked biographical questions about how they met and what they were doing before they met. During the conversation, the story came out about Mrs. Anthony's first husband dying of cancer at 21 years of age.

Adding hardship to grief was the fact that, in the course of dying, her husband had forgotten to change the beneficiary on his life insurance policy to his new wife. This meant the benefit went to his parents. You would assume that they would know their deceased son would want to take care of his new bride, wouldn't you? Well, guess again. They left her both bereaved and broke. Consequently, Mitch's wife had great insecurity about life insurance and proper administration should such a tragedy ever strike again.

This new advisor was able to meet a very real emotional need for the Anthonys. The contrast between the two individuals who talked to Mitch and his wife is simple but portends the future of our profession: One came with assumptions, the other came with questions and curiosity.

We need to assume nothing. We must probe beyond the superficial and let our clients tell us what they want, what they need, and how they want it to happen. Even if we feel absolutely certain as to what they need and why

they need it, we must ask anyway. If they are ambiguous, they will ask for our opinion. Then we can offer our opinion with an epilogue stating, "Just because it feels right for me doesn't necessarily mean it will feel right for you."

Like a seed that must first die to bring forth the beautiful blossom, so the self-regarding assumption must first die to bring forth the blossoming of the relationship between advisor and client, and begin the process of melding life goals with financial strategies.

Roy Diliberto, CFP, is founder and chairman of RTD Financial Advisors Inc. in Philadelphia, Pennsylvania, and specializes in financial life planning. He can be reached at roy@rtdfinancial.com.

Mitch Anthony is the co-founder of MoneyQuotient Inc., a firm specializing in financial life training and processes. He is the author of [The New Retirementality](#) and [Your Clients for Life](#). He can be reached at Mitch@Moneyquotient.com.