

Three questions that can transform your financial life

A new approach called life planning can help you prioritise the use of both your time and money

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Travelling around the world or playing a guitar in a band might not be the things you would expect to discuss with your financial planner. But, pursuing dreams that you thought are impossible to fulfil, or can only be pursued in later years, is at the core of a new financial planning approach called life planning, which a growing number in India have started pursuing.

While traditional financial planners focus primarily on goals such as buying a house, children's education and marriage, and saving for retirement, financial life planning aims to transform your relationship with money. It intends to help you pursue a life that you always desired, be it a career change, spending more time with your children or doing community work. "Through financial life planning, we gradually help the client transition to what he really wants to do with his life, instead of sacrificing his dreams at the altar of survival," says Rajesh Dilip Dossa of Life Strategies Financial Life Planners.

The results can at times be life-altering. When a client in his mid-30s approached Niraj Nanal, a registered life planner, to help him with his finances, Nanal realised that the client wanted to be a wildlife photographer. The client thought this was not possible until retirement owing to his

family commitments. Nanal helped him pursue the dream by starting small and then slowly increasing the time and resources dedicated to wildlife photography. For this, he even advised the client to postpone the purchase of a house and stay in a rented accommodation.

A different approach

To discover how a client wishes to live his life, financial life planning focuses on three questions. First, the client is asked, imagine you have enough money to satisfy all your needs—now and in the future. Would you change your life and if so, how? Two, assume your financial situation is the same as it is now. Your doctor tells you that you only have 10 years to live, but that you will feel fine until the end. Would you change your life, and if so, how? Three, your doctor tells you that you have just one day to live. You look back at your life: What did you miss out on? Who did you not get to be? What did you fail to do? Answers to these questions help an advisor understand an individual's intrinsic motivations—the way he wants to live but is not able to.

Typically, an advisor following the life planning method holds four-five meetings. In the first, he listens to all that client has to say about his current financial situation and what he wants to achieve in the future. Then, the advisor gives the three questions to the client and asks him to think deeply about them and answer them in the next meeting. In the second meeting, the advisor shows the client that pursuing his dreams is possible. Then he works out a financial plan to help him achieve his dream life. “Overall, this approach helps you achieve better work-life balance,” says Rohit Shah, chief executive officer, Getting You Rich.

Is it a fad?

Financial life planning is a more comprehensive approach as it goes beyond mere numbers. But not all clients might be receptive to it because of the time and costs involved. Shalini Dhawan, co-founder and director of Plan Ahead Wealth Advisors and Suresh Sadagopan, founder of Ladder7 Financial Advisories, both incorporate this approach when they make a financial plan for their clients. “We tried to do it as a standalone method but only a few clients were willing to give the desired time and answer the three questions openly and in detail,” says Sadagopan.

While life planning is more fulfilling, the costs to clients are higher. Those who practise life planning full time have to work with fewer clients as its more time consuming. Also, the planner has to bear the cost of certification. He also needs to pay an annual licence fee to the institute from which he has obtained the licence. The cost of all this could run into lakhs. The annual fee of the advisor, therefore, is higher if a client opts for life planning. A life planner could charge you around Rs 1.5-2 lakh a year.

Most planners feel that only clients with a decent-sized portfolio and those above 40 are receptive to this approach. “In our practice, we have been using it mostly with clients in the 40-60 age bracket. They have found the results to be more satisfactory,” says Dhawan.