

Just financial planning is not enough. Align your life goals, too

Financial planning for the future should not just include templated goals, such as retirement, and children's education. It should also listen to your heart's desire. A new technique called life planning takes care of that.

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Over the last 19+ years of running our financial planning practice, there's been a significant increase in awareness around investing with a clear set of objectives. Whilst many investors are still content with investing with a well-defined time frame of a certain number of years, another set of more evolved investor families use financial goals as the basis for their investing strategy, by saving in different buckets for specific goals like retirement, children's education, vacations, etc.

As we reflected on our years of experience of doing financial planning using a goal-based approach, we found that whilst it was a far superior method to building your investments rather than only using a time horizon-based approach, we found that investor families very often felt there was something still missing.

Planning for something special

As we spoke to a number of these families, we realised that the missing link was actually that they did not truly connect with their financial goals. A lot of goals that they planned for, were not those that came from the bottom of their heart, but were must haves as everyone around them, in their professional as well as social environment, were planning for similar goals.

For example, having a luxury car became an important goal for many, even though they actually felt uncomfortable being seen getting out of a luxury car, as that aspect of their lifestyle did not necessarily connect with their values. Becoming an entrepreneur became a goal, because it was considered 'cool', and also a great escape route from the routine. Once they became entrepreneurs, the family quickly realised that the absence of a monthly pay cheque was very difficult for them to adapt to, and the routine was actually a great thing to have, even though they had enough money as start-up capital.

Life, not just financial planning...not quite the same

Our search for helping families connect with goals that have true meaning, made us discover life planning, as it helps investors understand what is really important for them, and then plan their finances to achieve those goals that truly realised their potential and made them happy and content with their money. The fact that having money and being wealthy is not an end in itself, but that money and wealth are actually a means to an end that could possibly enable better outcomes for them, their family and things that they care about became much clearer as families embarked on financial life planning.

It may be best to use the example of a family that had worked with us for many years, and moved from a phase where they initially started working with us on investing with a well-defined time frame, to saving for specific financial goals. The husband (let's call him Dr Kumar) came to us saying that whilst his medical practice was doing well, it was time to expand and build a nursing home/small hospital to meet his professional aspirations. Whilst this was great news, he was a little concerned about taking on too much debt as he had stayed away from debt for most of his career, and felt very comfortable not having to deal with the pressure of an equated monthly instalment (EMI). In fact, he had been fine with the purchase of a smaller home earlier, so that he did not need to take on a loan and could self-support the home purchase using money from his own investments.

We ran through his financials. While this was probably a great career move and the debt was not too much, his family may not be very happy as they loved long family holidays, and running a hospital may have meant that the holidays were significantly shorter than what they were used to. We encouraged both Dr Kumar and Mrs Kumar to go through a structured life planning process with us, and on the basis of that exercise, concluded that in the trade-off between professional growth and missing family holidays for a few years, they were likely to be much happier continuing with the practise in the way that it was, rather than giving up on what they truly love. The sense of joy that they get when they plan for holidays, and then actually go for them and reflect on those experiences later, was far greater than the additional income from the hospital and professional growth.

Why is life planning so crucial?

Ultimately, financial life planning, through a structured process, can make families take better money decisions that align with what is most important to them, and thus make them both happier and more satisfied with what it can do for them.

There are specific programs and licenses available overseas that enable life planning to be done in a structured manner, using a series of questions and surveys that can enable your money to align with your values.

Ultimately, it's this combination of money and values that makes you truly value what really matters.

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