Historically the update of a financial plan has been a somewhat arduous process, as new data are gathered manually from the client, entered into financial-planning software, analyzed for problems or opportunities, and an update is finally delivered to the client. Perhaps even more challenging is the fact that it’s never quite clear when or how often to do the plan update; annual updates are proactive but often produce a lot of work when nothing has actually changed, yet waiting for the client to request an update can be too reactive. In the digital age, though, monitoring a financial plan will be very different. As integrated technology allows plan details to be updated automatically and continuously, we will reach the point where you won’t notify the client that it’s time for a plan update—the planning software will notify you.

No More Data Gathering
The first major change to anticipate in the digital age is the elimination of most data gathering for the update process. Historically, updating a plan required the client to collect current values for all accounts, a somewhat tedious task. This was often problematic because it was literally work for the client and because the client’s effort often was rewarded by a plan update that had no material changes or recommendations.

As a result, many planners have opted for a multi-year update process or simply to wait until the client expresses interest in an update or reports a change in life circumstances. That means several years could pass where the client is off-track before an update reveals that a material adjustment of savings or spending is in fact required. It also means that the planner doesn’t know whether the client is saving and spending according to an earlier version of the plan.

In the digital age, updating a plan is not a client-driven data-gathering process. It’s a technology-driven data-gathering process. Updated account values are aggregated automatically through the client’s financial dashboard software (e.g., Mint.com or ByAllAccounts) and pulled into the advisor’s financial-planning software. As a result, only the actual goals need to change with the client’s input, which can be done live and interactively with the client on the spot.

In fact, in a world where technology allows for a client’s plan to be continuously up-to-date—at least with respect to financial information—any client meeting immediately can turn into a plan-update meeting because the only thing required is to turn on the planning software and show the client’s current financial position including a balance sheet and where the client stands on the path to completing goals.

Proactive Plan Monitoring
The real value of a technology-driven plan-monitoring process in the digital age, however, goes beyond the ability to share updated financial projections with the client on-the-spot. The real value is the ability to configure the financial-planning software to monitor key metrics and to notify the planner (and/or the client directly) when something relevant to the plan has occurred.

For instance, if the client has committed to save at least $100,000/year into an investment account, the software automatically would notify the planner if the net inflows to the account at the end of the year did not reach $100,000; the software might even be configured to provide a “warning” if $75,000 of contributions haven’t been made by the end of the third quarter. Another possibility would be planning software that monitors current interest rates and generates a notification to the planner for any client that would potentially benefit by refinancing; thus, if rates dip another 0.25 percent, the planner is automatically notified about the three, six, or 10 clients who should be contacted about a potential refinance.

An ongoing technology-driven process also could generate proactive actions by helping the planner monitor the financial plan for risks. For instance, if the plan is continuously updated with a nightly download the way that portfolio investment statements are updated, then the software automatically could run nightly updated projections and notify the planner if the probability of success had declined below 80 percent, 90 percent, or some other threshold. Thus, instead of periodically running a plan update manually to “check” and see if a client’s plan is in trouble, the software would notify the planner automatically, which in turn could prompt a meeting or phone call with the client to discuss whether any action should be taken.

Technology, Now and in the Future
Some parts of this digital-age monitoring process are available now. Advisors and/or their clients can aggregate account information using systems such as Mint.com or ByAllAccounts. Financial-planning software programs such as eMoney Advisor and MoneyGuidePro have some capabilities...
Kitces
Continued from page 55

to import data from outside providers (although not necessarily comprehensively or fully automated—at least not yet). Some proactive financial-plan monitoring tools have been built into the new (and free) software platform inStream.

But ultimately, expect far more integration than even what these tools have achieved so far, which in turn will make many aspects of the financial-planning process easier. Imagine if financial-plan updates could be done in minutes, live in a client meeting instead of via a multi-day back-and-forth data-gathering process followed by data input to the planning software and an “updated plan presentation” meeting.

So what do you think? Is your firm an early adopter of the new technologies that will dominate plan monitoring and updating in the future? Do you or your clients use account aggregation software? Imports to your financial planning software? Have you tried inStream? Are you concerned that this automation will impact or change your value proposition with clients?

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