

Study Group

February 2020 Listening Guide

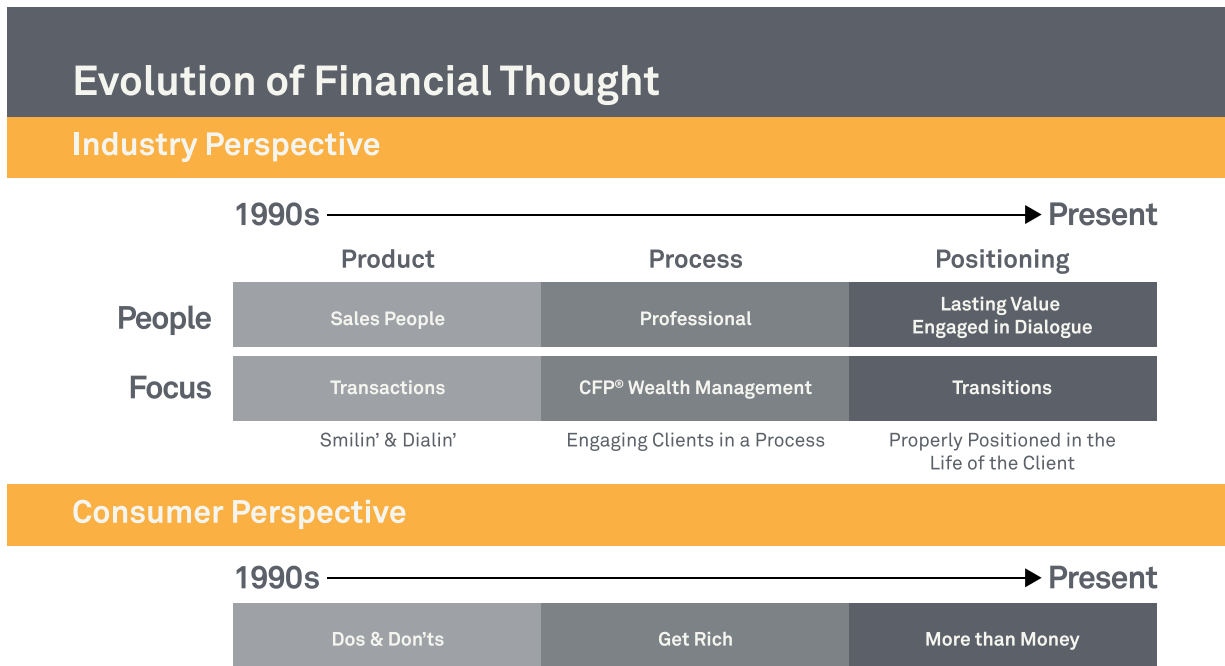


If we're honest with ourselves, we know that risk permeates any person's life – and threatens multiple areas of life. But the traditional approach to risk management in financial advising has focused mainly on investment risk. To responsibly address the risks that our clients face, it's time to take a wider look at those threats in diverse areas of their lives and help them plan to avoid unnecessary risk.

Our Limited View of Risk

We have made the discussion isolated and finite, focusing on investment risk tolerance.

Evolution of Financial Thought



A Quantum Leap Forward

The product realm has been commoditized. Now the process is becoming commoditized. Advisors need to find a new positioning in the life of their clients.

Life-Centered Planning Focus

We now deal with issues that we haven't dealt with in the past.

Hippocratic Oath of Life-Centered Financial Planning

First, do no harm by obviating all potential harms.

Definition of *obviate*

: to anticipate and prevent something, such as a situation.

Looking at all things that could cause harm.

Five Realms of Risk

- 1. **Spiritual Risk:** We don't want the material to harm us spiritually.
- 2. **Catastrophic Risk:** We need to provide for our family in case of tragedy.
- 3. **Management Risk:** We don't want to create greater risk with our spending choices.
- 4. **Investment Risk:** Market risk
- 5. **Event Risk:** Planning for life's big changes

1. Spiritual Risk

This involves deceit and distraction from the Kingdom, the love of this world, the love of things, and the cares and anxiety that come with it.

Matthew 13:1-23 — The parable of the sower and the seed.

Matthew 6:25-34 — Anxiety risk around money. Do we trust in the material or in our heavenly father?

Matthew 6:19-24 and Luke 12:22-34 — Idolatry risk of looking to the material as our provider.

For what will it profit a man if he gains the whole world, and loses his own soul?

Mark 8:36 (NKJV)

2. Catastrophic Risk

Death and disability risk/family risk.

Do not boast about tomorrow, for you do not know what a day may bring forth.

Proverbs 27:1 (NASB)

About 25% of the people who retire this year will do so because they have become disabled. We need to address death and disability early in holistic risk planning.

Advisors have often left this to the insurance people because they don't want to talk about life insurance.

Life Insurance

Four-question path for discussing life insurance with people who are resistant:

1. Would I be correct in presuming that you don't think you need life insurance now?
2. Would I be correct in presuming that you will need it later, down the road?
3. Would I be correct in presuming that it will be more expensive when you buy it later than it is today?
4. Would I be correct in presuming that it might make good business sense to start now, while it's less expensive?

The goal is not to sell life insurance, but to protect families.

Disability Insurance

It's more accurately called "income replacement insurance."

3. Management Risk

Spending and debt. Too few advisors run their clients through cash flow analysis. If the boat is sinking, there must be a leak.

People need accountability in spending because it's too easy to overspend and end up with nothing.

When you set your eyes on it, it is gone. For wealth certainly makes itself wings like an eagle that flies toward the heavens.

Proverbs 23:5 (NASB)

4. Investment Risk

Most financial advisors are equipped for the market/investment risk conversation. When clients fill out their investment risk assessments, they should consider their spouse and those who depend on them (family). An overly simplistic approach to market risk management is naïve.

5. Event Risk

Events encompass all of the changes and transitions that take place in our lives that can threaten our situation financially. Money goes in motion when life goes in transition.

A prudent person foresees danger and takes precautions. Proverbs 22:3a (NLT)

Financial Lifeline

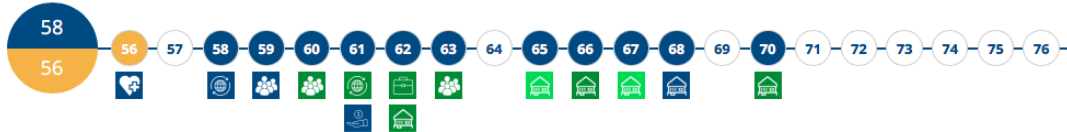
Am I Financially Prepared for Life's Big Transitions?

SELECT A CATEGORY BELOW AND START PLANNING...



YOUR \$LIFELINE created on 11/18/2017 03:04 PM. (History)

Michael Andersen | Jackie Andersen



When you customize the lifeline for the client and for the spouse, they can predict life transitions to come. It's better to prepare than it is to repair.

Transition Examples

- Caring for aging parents
• Marriage of a child

Three horizontal lines for writing notes.

Every year the financial advisor should revisit event risk.

One horizontal line for writing notes.

Annual Previews with Clients

Has anything changed in your life since I last met with you?

Two horizontal lines for writing notes.

For a life-centered planner, everything revolves around the life of the client. The money issues are only there to support the life, not the reverse.

Five horizontal lines for writing notes.

Discussion Questions

1. Mitch Anthony introduced the concept of life-centered risk tolerance. How would you define the concept in your own words?
2. Do you agree that, as advisors, we have generally constricted our view of risk to investment risk and/or catastrophic risk? How could we expand client conversations to the five risks Mitch identified?
3. If spiritual risk is the number one risk, how am I integrating faith-based statements and diagnostic questions into client conversations? What could I do to improve?

Personal Reflection

1. Have we considered the five life-centered risk management areas in our family? Which areas need additional prayer and conversation?
2. Who is holding us accountable in this area?
3. Within the next month, which clients do I need to have a conversation with regarding life-centered risk management?

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This Month's Focus

Client Engagement

Effective client engagement isn't a single skill, learned once and used in every situation. To work with clients most effectively, advisors must constantly study and adapt their approach to reflect the shifting economy, clients' life stages, changes in culture, and developments in technology. In February, Kingdom Advisors looks at engaging clients with a life-centered risk management focus.

Member Tools and Resources

Becoming a "Return on Life" Advisor (video)

Create a compelling value proposition that meshes thoroughly with Life-Centered Risk Management. Founded on the Apostle Paul's encouragement to demonstrate humility and to value others above yourself, this video teaching by Mitch Anthony defines five components that connect means to meaning in a client's life.

Monthly Focus Resources Available at: kingdomadvisors.com/members

Join us for our March 2020 Study Group