Reprinted from the
Lexington Minuteman

COROMANDEL WEALTH MANAGEMENT

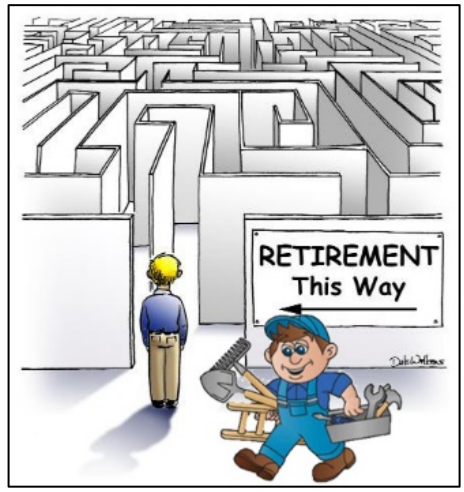
September 2018

In financial planning, it's all about the tools

"In radio, you have two tools: sound and silence."

– *Ira Glass, Radio host and producer of "This American Life" (1959 -)*

Navigating the Retirement Maze



Every profession has tools that facilitate the ability of the professional to do his or her job. Try picturing a plumber showing up at your door minus his tool box. The ability to fix your problem is rather limited. Or envision a baseball player not wearing a glove or cleats. They're not of much use to the rest of his team, lacking the necessary accessories for that position.

This is also true of financial advisors. While I tell my clients that my greatest value to them is above my shoulders, I also rely upon a suite of financial software tools that help me come up with answers to their financial questions. The field now known as "FinTech" has hundreds of companies competing for different aspects of financial services. Most of these companies have realized that their solutions have added value when integrated with complementary FinTech software products, which makes my job easier.

Some of these tools are generic to managing a business – customer relationship management (CRM), accounting, digital documents/signatures – and are not unique to financial planning. However, most of the software that I use is specific to the functions performed by a financial advisor, and these are help differentiate my firm from other financial firms. Before addressing the specific tools, it's worth discussing the overall financial planning process.

The elements of financial planning

The question that I get from most first-time clients who come to me is that they want to make sure that their retirement assets and income last longer than they do. To answer this involves both quantitative and qualitative data collection from the client, an analytic engine to assessing portfolio performance into the future, inclusion of other income sources (pensions, Social Security, annuities), and drawdown of assets versus expected retirement expenses. It also requires the ability to change parameters such as retirement age, Social Security claiming ages, spending amounts and prioritization, which allow the client and me to try out different "what if" scenarios.

These functionalities are included in Financial Planning software, used by nearly all planners today. There are over a dozen providers of this software, and new entrants and enhancements continue to appear on a regular basis. Although each differs slightly in their methodologies, they can all produce usable results if the financial planner is experienced with the features of the software that they use.

The best recent developments in planning software are client portals and integration with complementary products. When I work with a client on a plan, the first thing I do is walk them through how to use their portal, which allows them to enter data and later go back to the model we created and try out various "what if" scenarios. Often, they will continue to use this portal long after we have finished the project. Software integration with other financial software products, primarily those that address specific aspects of planning, adds functionality to the core planning software and expands its capabilities into areas where it may have only basic functionality. Examples include Social Security claiming strategies, account aggregation (pulling a client's financial holdings with different custodians into the plan), and client risk tolerance. Some of these have only appeared in the last several years, but each new release or enhancement makes for a more comprehensive overall plan. It is worth reviewing some of these, as few people outside the profession realize what is now possible by planners.

Specialty tools of the planner

"To a man with a hammer, every problem is a nail." At one time, the financial planning software used by planning firms was their hammer. Nowadays, planners can choose from a range of new functionalities, many of which integrate with their planning software. Here are some of the more relevant ones:

- **Medicare enrollment** – Medical costs are one of the main expenses of retirement, and enrolling in the proper Medicare supplementary plan at initial signup is crucial. Yet the rules for the options for Medicare can make one's eyes glaze over. I use software ("I65 Medicare Mapper") that walks a client through their particular situation and needs and creates a "Medicare roadmap" for simplifying their decision process.
- **Social Security claiming** – The age at which you and your spouse decide to begin taking Social Security, and the sequence and way in which you do it can mean a difference of tens of thousands of dollars in your lifetime SS income. Available products contain the over 700 different rules that pertain to Social Security and can analyze the various alternatives and recommend strategies that maximize your SS payments.
- **Risk tolerance and portfolio suitability** – Is your portfolio too risky for you? You've been pleased seeing nine years of market gains increase your portfolio value, but is your blend of assets vulnerable to a market downturn, from which it could take five to ten years to return to its present value? Risk tolerance products ask a series of questions to give a quantitative answer to a client's risk tolerance level, and several will also analyze portfolios for risk to see whether there is a significant discrepancy between the two.
- **Estate planning and document management** – This often "left until too late" planning exercise helps motivate clients to act sooner by helping them collect and securely archive online the information that an executor would need to settle your estate, including copies of your key estate planning documents. It includes a client portal for uploading new versions of documents and decisions, templates for ensuring that all the needed data is there, and automatically sends a notice to the executor(s) when it is needed by them.
- **Retirement income planning** – Where is the best place from which to draw assets as needed during retirement? Considerations include required minimum distributions (RMDs) from retirement accounts, asset types in taxable or tax-advantages accounts, and personal tax situation. Various studies have shown that proper location of different asset classes, as well as from where and when they are drawn, can reduce future tax bills and stretch retirement assets by many years.

Better tools, better results

The venture capital and private equity investors have been pouring a lot of money into what are being called "FinTech" products for the past several years. Many products being funded are intended for use by consumers, targeting a much broader audience with the intent of giving Web-savvy individuals the ability to access some of these capabilities directly. My excitement is in the growing capabilities of planners like myself who can now access affordable Web-based planning tools that previously were only affordable by the larger financial firms. Giving clients access to their own portals to continue planning and revising their lifetime finances is another thing that should increase over time. As so-called "RoboAdvisors" move to claim larger portions of investment management, I'm reassured that available financial planning tools plus my know-how will keep me from being replaced by a computer any time soon.

George Gagliardi is a financial advisor with Coromandel Wealth Management in Lexington, where he helps clients develop and implement investment and retirement strategies. He can be reached at (781) 728-9001 or george@CoromandelWM.com. George is affiliated with Trust Advisory Group, Ltd., a Registered Investment Advisor. *This article is intended for general information purposes only, and may not be appropriate for your specific circumstances. Investment advice is particular to each*