

Financial plan based on values

Do not depend merely on risk profile and numbers crunching, says money coach

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Having a financial plan drawn based on the things a person considers as most important may sound strange but after going through a "value cards" exercise, it makes sense in the implementation of a successful financial plan.

To demonstrate the values and issues an individual holds dear in life, the writer, in a recent interview with Wealth Street Sdn Bhd certified behaviour adviser and money coach K. Gunasegaran, was asked to pick 15 cards out of a deck of 50. This was subsequently narrowed down to the five most important things that the writer valued.

These range from safety, health, spirituality, money, challenges, integrity, meaningful work, wealth, honesty to stability, among others.

Calling it values-based financial decision, he says every individual has a set of values in life, and a financial plan should be designed to incorporate these. That plan, says Gunasegaran, should not solely be based on risk profile and mere numbers crunching.

By going through this "values exercise", the clients will discover the activities and events that give them the most happiness and fulfilment. They will then be able to design their financial plan to ensure enough resources to fund that lifestyle.

Periodical reviews are made to ensure these values do not differ too much from the original. The company, he adds, also extends its behavioural advisory processes to manage the client's emotions and to stay rational with their financial objectives.

"Many people buy a product or make financial decisions because they are driven by emotions and habits. It may not be something they need or can afford.

"Whenever people move away from

their values or become 'disconnected' from them, there is a high probability they will make a wrong financial decision and incur unnecessary financial burden which could have been avoided in the first place," he tells StarBizWeek.

For example, a person who has chosen health as something he values would naturally do what he could to remain fit and healthy so that he will be in a much better position should he decide to take up an insurance policy. In doing so, he does not have to incur more cost to his insurance proposals. He will not just be looking at his risk tolerance level when it comes to his investments, he stresses.

He should strive to lose weight and maintain a healthy lifestyle in order to reap his long-term investments, he says, adding that a typical financial planner does not dwell on this area.

Termed as "an inner compass", he says consumers should always refer to their core values whenever they are faced with challenges. This will help them to navigate their decision-making process.

The core values, Gunasegaran says, revolves around what he describes as the 4Rs - Recognise, Reflective, Reframe and Respond. The investor need to be able to recognize and identify the issues and values they hold dear.

He should then reflect on his past financial decisions and their outcome. The third step is to reframe their thoughts, feelings and actions so that they do not respond emotionally when confronted by a highly emotional situation such as volatile stock market performance or a decline in unit trust investment. This "reframing" process must be connected to their values and their financial objectives.

Lastly, he should respond in a way that aligns his core values with his long term goals.

Wealth Street, he says is the leading



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licensed financial planner in Malaysia which advocates values based on this methodology. Values-based decision originated from the United States and it is a proven research over the last 10 years. It is an approach which is adopted by reputable financial advisers in American Express, the FBI, professional sports coaches, American Bankers' Association, ING and leading commercial banks worldwide.

Gunasegaran says there is evidence to show that after the recent financial melt down, clients have shifted from just product-based advisory to behavioural advice centred-

relationship.

Asked on the main challenges of this methodology, he says: "For a start, I need to spend some time in describing a whole list of values and their meaning. This helps a client to decide which ones are closest to his heart. This takes a bit effort and time but it's a better and more effective approach.

"In fact, clients agree that no one has taken the time and effort to know them better and to help them to identify the more important things which they consider as important. This helps to build trust."