

The *Question* behind the Question

Relevant questions to ask if you are seeking a deeper understanding about the connection between life and the financial services industry.

By David Choo

Many years ago, I came across the “Book of Questions” and was won over to the importance of asking the right questions in life. This point was reiterated after I attended a conference for managers and the key subject was ‘the question behind the question’; a topic which set me thinking about not only the importance of asking questions, but also the crucial need to ask strategic and fundamental questions about oneself and one’s organisation.

After some 20 years running my own business in first a composite insurance brokerage (both life and general insurance), and now an independent financial adviser company, I have a few questions

about life and the financial services industry. Permit me to share some thoughts, but really the intention is to set us thinking more rather than to provide pat answers.

The first question is: does anyone really need a financial planner (FP) or financial adviser (FA)? In other words, can we do without a FP or FA? What real value does he or she bring to a client?

These are not no-brainer questions. There are many Singaporeans and expatriates here who really do not think that they need a FP or FA, including many in high positions of authority, business and even those in professional occupations. I have many successful friends who sincerely believe that they

do not need a FP or FA. They believe they can get on pretty well with their own life and finances, and just go for product solutions.

But yet I do see an increasing number of people who are coming round to finding that a good FP or FA can be useful. The challenge is for the serious FPs and FAs to make the value of their advice and solutions better known and appreciated. They would have to raise the image of FPs and FAs of not just being glorified insurance agents or ex-agents but that of a dedicated class of financially savvy, knowledgeable and experienced professionals able to add value to clients.

To achieve this, the quality of the



Breguet No. 3196 marine chronometer with twin going barrels.
Photo taken during the Breguet China Exhibition 2005 in Shanghai, China.

Common sense applied in time beats the wisdom of hindsight anytime

advice of FPs and FAs must improve. The FP and FA should not just guide clients through the process of financial planning, which is just a series of steps. A doctor does not just guide his patients to go through the process of diagnosis and arriving at what the patient thinks is the solution. The doctor uses his training, knowledge and experience to make the right diagnosis and apply the right prescription and obtain the cure. As a financial doctor, the FP and FA must do more than just guide a client through the process of financial planning. No wonder the successful FPs in the more advanced countries are in their fifties and not novices in their twenties or thirties.

But the real underlying reason for most educated and successful people not looking to the FPs or FAs for advice yet is that they think the whole thing is just common sense and they can do just as well with or without advice. How can FPs and FAs demonstrate that their business value proposition is much more than common sense?

This calls for in-depth knowledge of each subject and the ability to apply this knowledge to clients' particular needs. In other words, the FP and FA need to build up experience and good judgment on financial matters. This is a long journey.

The second question is related to the first. Does financial planning start with

the identification of financial objectives of the client, or does it start with asking the client the question behind the question? Why? For example, why do you want to:

- Buy a car, by say age 30?
- Provide overseas education for your children?
- Have an overseas holiday yearly?
- Start a business?

Most FPs and FAs believe that it is not their job or responsibility to ask their clients the question 'why?' They believe that theirs is not to question why but to merely help their clients go through the sums. They say that clients should know better what is good for

The point many of us fail to consider is that it should **always** be protection before investment. Too many Singaporeans rush into investment when they have not covered their basic risks of premature death, disability and high medical expenses.

them. But other FPs and FAs intuitively know that for the majority of clients who are not knowledgeable or not wise about financial matters, the important point is to advise clients what is good for their financial health. For example, should FPs and FAs advise their clients:

- To seriously consider whether they need a car, knowing that it is a major expense and a depreciating asset at best?
- To seriously consider whether they should have children or not to have too many children because they are not financially healthy?
- Whether it is really necessary to send their children abroad for tertiary studies?
- Whether they should seriously consider risking their CPF savings received at age 55 in a business venture?

Stories abound of how hard-earned and painstakingly built-up savings are channelled into children's overseas education, or are lost in just a few years in business or some investments. Shouldn't FPs and FAs consider how many people really have the financial acumen, the business savvy and the gumption to be an entrepreneur and advise their clients accordingly?

Having worked in the Beach Road area for years, I marvel at and fear for the many food operators who keep replacing those who had failed. Before I could say "another one bites the dust", another hopeful comes along. Talking to businessmen over the years, the conclusion is that it is not easy to make money; it is generally easier to earn income as an employee rather than make profits as a businessman.

Should an experienced FP or FA, knowing the risks of business, dissuade an obviously ill-prepared and ill-suited

client not to risk it? Isn't this the best valuable advice against prospective disasters? But the question may be asked whether it is within the FP's or FA's role and responsibility to advise on life issues and not just financial issues.

Shouldn't this be left to parents, uncles/aunts and other life advisers? It is a pity that there isn't any profession of a life coach to coach people on life's important decisions, just like an executive coach doing it for a career person. In the absence of life coaches, FPs and FAs are well-placed to perform this much needed role as they are familiar with the financial implications of various decisions.

Most parents are ill-equipped to advise their children if they do not keep up with the changes in society and if they are not well-schooled in financial matters. The book 'Rich Dad, Poor Dad' described contrasting parents. While I do not believe an employee father is in anyway inferior to a businessman father, the point is taken that some parents are better able to advise their children on financial matters than others.

The final question I would like to raise is on the principles behind the recommendation of FPs and FAs.

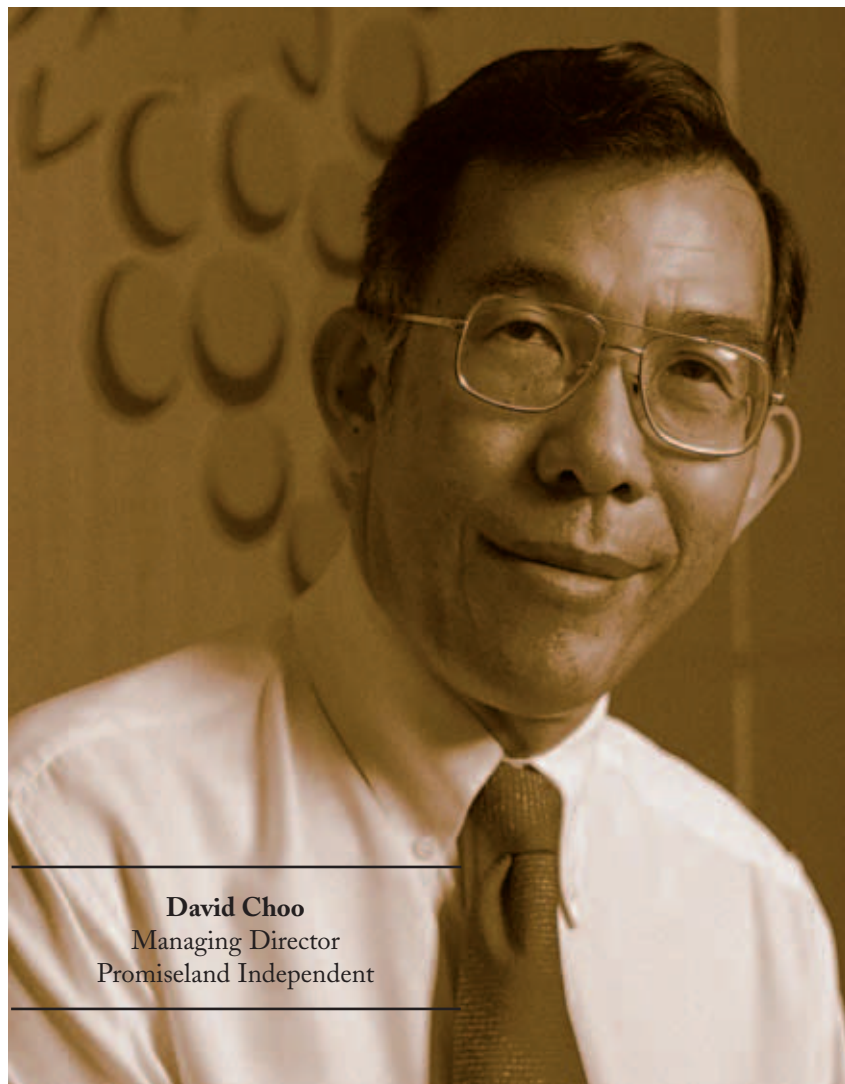
Firstly, the common underlying belief is that clients do not only need to save but also invest their savings. Given today's low savings interest rates, the reasons given are to avoid erosion of value due to inflation and to have the

Everyone needs to save but does everyone need to invest?

opportunity to make higher returns. The reality is that there are thousands who do not have much savings but are still persuaded to invest their savings in the hope of getting better returns but yet have lost much of their savings. Everyone needs to save but does everyone need to invest? Not if they cannot afford to lose their savings.

Secondly, many FPs and FAs recommend a client to invest even before he or she is adequately insured. This is not wise advice especially when the client is merely hoping to make a few bucks (which can be lost as well) and not considering the fact that bad investments can ruin the family financially. Too many Singaporeans rush into investment when they have not covered their basic risks of premature death, disability and high medical expenses. This may be due to the fact that investment is a more interesting or acceptable topic to clients. Insurance is still seen by most as a necessary evil at best; but the point is that the FP or FA must give the right advice and it should be protection before investment.

As Singapore progresses and the financial services industry matures, FPs and FAs should move from the process of financial planning and onto providing the principles and expert advice of value to clients. They must not depend on just the questions in their pre-printed fact-find forms, but ask important questions behind these questions. Some of the



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questions and the advice would look like common sense to clients after the whole exercise, but this does not make them

any less necessary or valuable. Common sense applied in time beats the wisdom of hindsight anytime.