



Survival of Financial Planners under the Global Economic Crisis: Optimal Operational Structure for the Financial Planners

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Expected to do

- Provide direction and purpose to personal financial decisions
- Understand mutual effect of each financial decisions
- Provide Versatility against the volatile economic and financial environment



What are the Personal Financial Decisions

- Determine an individual's financial goals
- Allocate Priorities of life style
- Profiling risk of the current life style
- Set up realistic plan for the future life



Scope of Financial Planning

- Cash-flow and liability management
 - Risk management and insurance plan
 - Investment and its plan
 - Tax reduction plan
- Education planning
- Retirement plan
- Estate plan
- Business succession planning
- Relationship management



Six –step Process of Financial Planning

- Set up goals for the client in terms of the client's life and finances
- Gather relevant information from the client
- Analyze the information and check availability of the resources
- Construct the financial plan
- Implement the strategies to achieve the goal
- Monitoring the strategies and reviewing the plan



Job functions of FP in relation to other financial institutions

- Comprehensive services
 - Whole aspects of personal finance
- Specialized service
 - Insurance planning or retirement planning
- Licensing, regulations and self-regulation
 - Abusive use of title should be banned
 - Professional and ethical services guaranteed



Future of Operational Feature of FP: Outsourcing vs. Non-outsourcing

- Feature Statistics of FP

- Provided For FPA by Cerulli Associates of Boston 2007
- Partial outsourcing is gaining popularity

	Never	rarely	sometime s	Most of time	Always
Outsourcing portfolio construction	%54	14.3	14.3	13.5	4.0



Benefit of Non-Outsourcing

- Better Performance than the third-party
- Saving of Fee results in higher return
- Cost-return-risk criteria favors non-outsourcing



Benefit of Outsourcing portfolio construction

- Saving time for FP to serve clients better
- Saving cost for the in-house operation
- Biased or emotional investment decision avoided
- Empowers the FP to serve clients better
 - Tapping high-quality resources at a reasonable cost
 - More competitive
 - Attracting more sophisticated clients
 - Winning bigger shares of assets under control



Alternatives: Partnership FP (FP Firm)

■ Pros

- Enjoy the Same benefit under outsourcing
- More Credible Signal to the clients than Outsourcing
 - Outsourcing with list of B/Ds under contract
- Less financial constraint for the FP

■ Cons

- Moral Hazard in Team (Holmstrom 1983)
- Unlimited liability for the General Partners