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How do we value add using Fact Find?

by Gregory Fok

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As financial practitioners we have a very important role in helping our clients navigate their financial planning needs. Just like a doctor who can identify certain conditions early and take preventive steps to give a patient a peace of mind, we do the same for our clients in their financial health. We must be able to diagnose and identify how we can value add to our clients through thorough fact finding.

The power of asking questions

It is in the power of questions that we learn what clients think and when we know how they think and feel, the better that we can help. One of the best questions I ask in the initial meeting is, "What has to happen by the end of today's meeting for you to feel that this is time well spent for you?" This opens up the biggest concerns that the client has in their mind. Everyone is concerned about money in some way; we just have to find a way to understand what is bothering them through the use of questioning.

The importance of fact find

Fact finding is not just for compliance purposes, but do we know why it is good for clients? Through a fact finding exercise I did with a client, I found out that he had many different bank accounts. I asked him if he knew what the bank accounts were, and if he were not around, would his family members know his bank account details?

He then decided to consolidate the whole list and found an "extra" bank account that he thought he had closed. It was an e-statement account which had neither letters nor statements sent to him, the client was very grateful for this exercise.

Hard facts

Hard facts are factual information such as how are the assets being held? Is it held in a single, a joint name of tenancy in common?

Different types of ownership allows for different powers in the way assets are distributed. For example, a joint tenancy property means the surviving partner gets full ownership when one of them is deceased. The client has no powers to distribute that to anyone else.

With the information of the hard facts, you can then determine the cashflow of an individual or a family. If the cashflow is weak or even negative, there may be room for the person to tweak the way expenses are made. If the cashflow is strong, there will be a need to invest the money well, to combat inflation.

It is also common for friends to pool resources together to purchase a property they would then have to take a joint loan and be liable as for it as well. This means that you only own part of the house but the loan amount is taken in full by you as an individual.

If anyone of your partners face liquidity problems and becomes insolvent, the remaining partners would have to bear the responsibility of paying the remaining loan amount.

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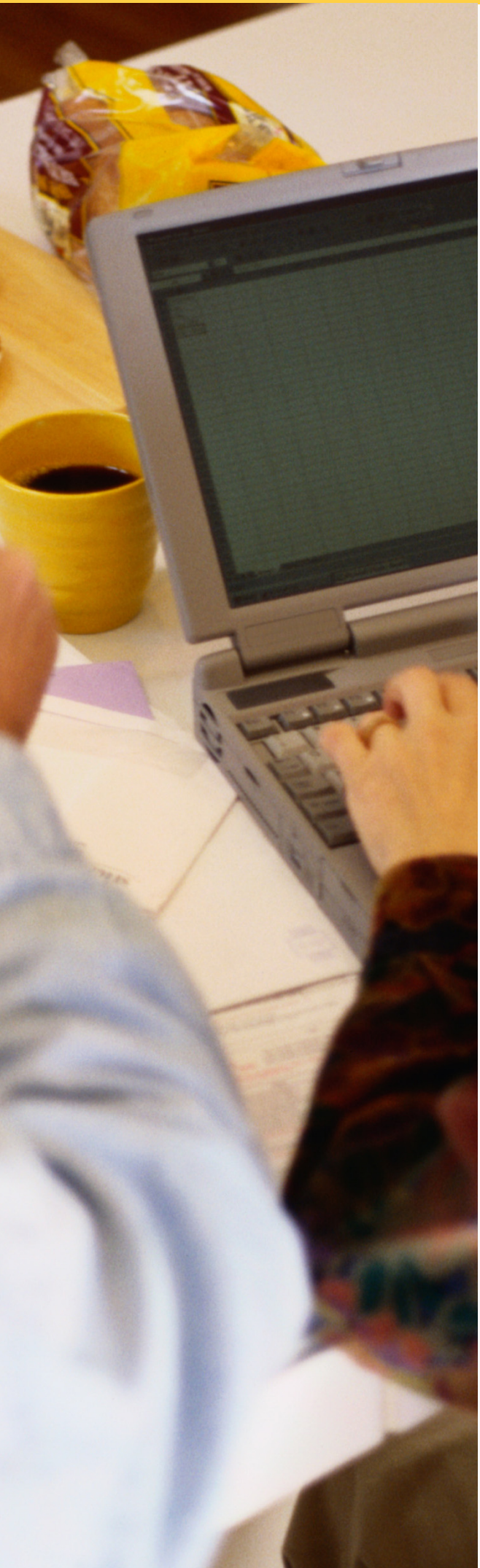

Soft Facts

The fact finding session with the client is the most crucial part to focus upon because this drives the way decisions are made. Unfortunately, the fact finder normally does not have these questions.

Here are a few pointers to look out for:

1) What is the relationship like among the family members?

2) What are the underlying concerns not brought up due to sensitive issues. Eg. Differing family member needs as some are more needy than others.

3) Do you have a "Money motto" when growing up?
E.g. I will not invest money because my parents were almost bankrupt due to investments.

4) Family owned business versus family run business.

Is the family business focused on maintaining healthy family relationships or keeping the business profitable as a priority? What is the succession plan? Is it well documented, funded and protected for shareholders?

5) Unspoken decisions of what to do with liquid assets like properties and businesses.

6) What has been your personal investment experience?

With a comprehensive fact finding done, you can professionally help your clients create clarity and avoid potential financial disasters. That also allows you to open up more cases as well as a financial advisor.