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Hong Kong Undergraduate Financial Planners
of the Year Award 2014

香港傑出大學生財務策劃師比賽

How to prepare an outstanding financial planning proposal?

By **Dr. Sidney SZE** (施德芝博士)

Founder President of Registered Financial Planners (HKRFP)

Date: September 20, 2014 (Sat)

Time: 2:30 pm – 4:00 pm

Venue: Theatre, Joint Professional Centre,
Unit 1, G/F, The Center,
99 Queen's Road Central, Hong Kong



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Dr. Sidney SZE

CFP,FHKRFP,CLU,CFE,CMA,CPA,ACMA,MSCPA,
ACS,ACIS,ACIS,MMS,PhD,Certified NLP Trainer

- Founder President of Society of Registered Financial Planners (HKRFP)
- Chairman of CAGI Think Tank
- Founding Chairman of Independent Financial Advisors Association
- The Founder CEO of Midland Financial Group.
- President of the Society of Management Accountants of Canada - Hong Kong Branch 2000/2002



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1. Establishing Client-Planner Relationship

- Concept of Comprehensive vs. specific financial planning
- Define responsibilities of both planner and client
- Compensation system of financial planner
- Client's expectation of service

2. Collecting client's data

- Fact-find sheet/planner worksheet



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3. Determining objectives and expectations

- Develop the financial mission: identify the client's purpose of the need for a financial plan, e.g. financial independence and avoid catastrophic financial occurrences (financial dependence)
- Understanding between client and planner on why plan is created and implemented. Needs and Wants often create conflicts
- Use of life stages as a basis for the generation of goals and objectives, strategies and alternatives



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Advantages of Life Stage approach:

- A template
- A structure
- Alert to issue which is of concern to client
- Set goals for client

Disadvantages of Life stage approach

- Changing need in different life stages
- Insufficient income to a regular plan
- Circumstances are not the same for different clients at the same life stage



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4. Determining the client's current financial status

Analysis of the following:-

- Needs, priority and objectives
- Shortfall in current funding objectives
- Improper asset allocation
- Inadequate insurance coverage

Analysis of client information:-

- Family Profile
- Property/asset ownership
- Investment analysis
- Liabilities analysis
- Income and Expenditure analysis
- Retirement Planning



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Prioritization of Needs

After the above analysis, it is likely to generate analysis of available resources to solve identified problems and objectives with the following action.

A cash budget:-

- to monitor regular expenses and to prepare for shortage in any emergency expenses
- To plan and spend properly
- Expenses driven budget
- Income driven budget

•Review on Investment



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Prioritization of Needs

- Review on Lifestyle
- Review on Debt: debt restructuring
- Review on Tax
- Review on Expenditure
- Review on Insurance: Life Insurance and Disability Insurance, Health Insurance
- Review on Emergency Cash
- Funding of Long Term Care Insurance



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5. Developing the financial plan

Process of financial Planning:-

- Fact-finding
- Identify clients goals and objectives
- Analysis of current financial status and prioritization of needs
- Developing a financial plan
- Presentation and implementation
- Monitor and Review



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• **Fact-finding:**

- gathering client data and identify the current situation
- Net Worth statement: any asset can be invested or realized?
- Cash Flow Statement: extra cash is available or not

• **Identify client's goal and objectives (Financial and non-financial)**

- Goals must be specific, measurable, realistic, attainable and time bound
- Goals are subject to change if it is impossible to achieve



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Analysis of current financial status and prioritization of needs

- Problem must be identified
- Needs must be prioritized

•Creation of a financial Plan

- A flexible plan, allowing for change
- Three components of a financial plan:-
 1. Personal/Family Profile
 2. Overview of financial scenario
 3. Financial goals and objectives



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Creation of a financial Plan

A series of tactical strategies to achieve financial goals:-

- Financial safety net: to determine the amount or to finance with insurance policy
- Emergency Fund: 3-6 months is usually recommended
- Reduce discretionary expenses
- Risk Management and Insurance Planning:
 - to dispose of insurance policy which is inappropriate
 - to change insurance coverage level
 - Life insurance must be adequate
 - Disability insurance to replace loss of income
 - Health insurance to finance catastrophic illness
 - Property and Liability insurance: to avoid over- insurance or under- insurance



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Creation of a financial Plan

Once a sound insurance program is in place and financial safety net is determined, surplus from the cash budget can be available for achievement of financial goals:

Wealth Accumulation planning: Saving and Investment

- Saving for short term: bank or CD or liquid investment
- Long term wealth accumulation: reallocation of existing asset allocation based on client's risk tolerance level
- Research indicated that asset allocation determine 90% of the return and 10% is determined by selection of particular investments



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Creation of a financial Plan

- Mix assets in portfolio according to planning horizon
- Diversification: well protected with low correlation among different asset classes

Major considerations of a suitable investment portfolio in a financial plan

- Financial Profile: planning horizon, risk tolerance, Investment goals and objectives



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Types of investment products:

- Should meet goals of different planning horizons

Short-term goals: e.g. cash, bank deposit, bonds

Long-term goals: e.g. shares, investment funds, property

- Asset allocation: to achieve the best return given the level of risk
- Time value of Money
- Economic Benefit: Capital growth or income
- Management of investment risks
- Evaluation of investment performance/portfolio



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Retirement Planning

- Planning based on the goals of retirement, e.g. planning horizon, standard of living, economic self-sufficiency
- use either expense or income replacement method to determine the amount after retirement
- Determine the current value of retirement assets
- Determine source of retirement income, e.g. government, employer and own savings
- Determine funding for long-term care



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Creation of a financial Plan

- Retirement Planning
 - determine saving goal
 - determine retirement products
 - decide on investment strategies



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Estate Planning

- Existing estate plan is to be reviewed
- People Planning and Asset Planning
- Disposal of Business at death
- Estate Planning Tools: Will, trust, durable power of attorney, ownership of asset under joint tenants with right of survivorship, life insurance
- Life insurance is to provide financial security for the family and for final expenses
- Life insurance also funds arrangement for disposal of business interest at death



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6. Implementing and monitoring the financial plan

- Financial Planner can improve the probability of successful implementation by ensuring the client has a detailed understanding of the current situation and strategy
- A retainer letter has to be signed if the client agrees to the implementation
- Monitor progress toward attainment of objectives
- The plan is subject to change as necessary through periodic review



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Report Writing

1. Purpose:

- set out the current position of the client
- Set out the client's objectives
- Make recommendation about how changes have to be made or to include sale and purchase of financial products

2. Effective Report

1. Introduction
2. The current Position: Assets/liabilities/current income/estate planning/future income and capital position/contingency-death or disability



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3. The client's needs and objectives

- Mortgage/protection/retirement income/investment/estate planning

4. Recommendation:

- backed up by product details/brochures
- other recommendations unrelated to product
- Generic description of the product
- A specific description of the particular product recommended

5. Review Procedures



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Financial Planners = Friends?





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Success Ingredients



- Responsibility - 責任心
- Fiduciary - 誠信受託 (以客為先)
- Professional Knowledge - 專業知識



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For Candidates to the
Undergraduate Financial Planner Award Competition

TIPS TO THE REAL WORLD



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"Man cannot discover new oceans unless he has the courage to lose sight of the shore."

Andre Gide

- Think for a moment what the special areas in this case are –
 - Income
 - Education and life experience
 - Potential for growth
 - Independency



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"Forget about all the reasons why something may not work. You only need to find one good reason why it will." Dr. Robert Anthony

- You will graduate into a new era. Whether you are in finance, banking, or commerce, the clients you will be in touch are elites, old hands in investment, and highbrows with stubborn viewpoints. Think about how you will persuade these people that you are professional, like in this case that you work on –
 - Macroeconomics
 - Laws and tax regulations
 - Political trend
 - Financial products



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*"Imagination is more important than
knowledge." Albert Einstein*

- You cannot know everything, nor learn everything. At times you have to make assumptions. All the best economists and scientists do, and that is why they are the best. But don't mix up assumption is similar to pure imagination –
 - Logic
 - Reasoning
 - Research



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"Pleasure in the job puts perfection in the work." Aristotle

- Everyone has their own hobby, and each individual makes an expert in that interest out by his / her own. It is not because you want to have better score in your transcript or to please your parents, the only reason is that you LIKE it, the feel of accomplishment, the taste of real joy. Take this experience as a virtual IFP and enjoy it –
 - Structure
 - Presentation
 - Heart



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Important Dates

August 12 – September 17	Registration period
September 20 (Sat)	Financial Planning Workshop
September 26 (Fri) 23:59	Deadline for Round One
October 10 (Fri)	Round One results announced (12 teams)
October 22 (Wed) 18:00	Deadline for Round Two
November 5 (Wed)	Round Two results announced (4 teams)
November 12 (Wed) 18:00	Deadline to submit presentation file for Final Round (4 teams)
November 15 (Sat) AM	Final round and Award Presentation Ceremony



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Round One

Each participating team is required to submit a detailed financial proposal.

The proposal must be written in English and no more than **15 single-sided, single-spaced pages, with 12-point Times Roman font size, (one space need) including cover pages and appendices).**

The **top 12 teams** will move on to the second round. We will inform this round result to top 12 teams by email notice on **October 10, 2014 (Fri).**



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Your team's written financial planning proposal must be submitted to HKRFP on or before **23:59**

September 26, 2014 by email to info@hkrfp.org

or by post to HKRFP office at “**Room 504, Blissful Building, 243-7 Des Voeux Road Central, HK**” (please state “**Hong Kong Undergraduate Financial Planners of the Year Award 2014**” with your team name on the envelope).



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Round One – Criteria (Maximum: 100 marks)

Criterion	Assessment
1. Effective use of client's information (15 marks)	Make use of all the information provided in the case to assess the current financial conditions of the client.
2. Formulation of financial goals (10 marks)	Help the client establish realistic financial goals given his/her constraints
3. Formulation of a comprehensive financial proposal (40 marks)	Devise and defend a comprehensive financial proposal that is most suitable for the client to achieve his/her financial goals.
4. Risk analysis (15 marks)	Identify risks that may arise in the financial proposal and suggest safeguards to mitigate these risks
5. Presentation (20 marks)	Clarity, organization, conciseness, grammar.



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Round Two - Video oral presentation

Each team is required to submit the following to HKRFP by email to info@hkrfp.org before **October 22, 2014 (Wed) 18:00**

- (1) a 10 minutes video oral presentation of their written case in Round One in English and
- (2) a set of Powerpoint slides of the presentation

The top 4 teams in combined score from Round One and Round Two based on the formula - $0.5 \times \text{Round One score} + 0.5 \times \text{Round Two}$, to enter the final round We will inform this round result to top 4 teams by email notice on **November 5, 2014 (Wed)**



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Round Two – Criteria (Maximum: 100 marks)

Criterion	Assessment
1. Communication skills (45 marks)	Present ideas clearly, systematically, effectively, and forcefully
2. Content delivery (35 marks)	Present the most essential elements of the financial proposal within the time constraint provided
3. PPT (15 marks)	Quality of PPT
4. Other (5 marks)	Charisma and team spirit



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Final Round - Presentation on a topical issue

A topical issue related to financial planning is provided. Each team is required to send the powerpoint slides of their presentation **before November 12, 2014(Wed) 18:00** by email to info@hkrfp.org

Each team has 10 minutes to present in English in front of a panel of judges followed by 10 minutes of questions and answers from the judges in this round at **November 15, 2014 (Sat)**.

Teams are ranked according the following formula:

$0.15 \times \text{Round One score} + 0.15 \times \text{Round Two score} + 0.7 \times \text{Final Round score}$



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Final Round – Criteria (Maximum: 100 marks)

Criterion	Score
Knowledge of the topic	20marks
Logical thinking	20marks
Presentation skills	20marks
Innovations, independent thinking	40marks
Total	100marks



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Enquiry

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Questions?