Partnering for a Successful Retirement Plan

Why a financial planner typically helps people generate more savings than those who plan alone

When it comes to developing, managing and updating a retirement plan, the temptation to do it alone can run deep. But that instinct can be costly; recent Financial Planning Association research found that individuals who developed a comprehensive plan with a financial planner generated over 50 percent more savings than those who opted for an individual route.[1]

Providing a foundation for the life you want to live

“A financial plan gives you confidence, and, most importantly, a purpose as to why you're doing what you do on a daily or monthly basis with your finances,” says Jennifer Ritorto, CFP®, a financial advisor with SunTrust Investment Services. “It's almost like life planning in that it helps you prioritize what truly matters to you.”

Recently, one of Ritorto's clients—a couple in their late 50s—had relocated for the wife's new job. Their plan was for the husband to find a new job, too, but when that didn't pan out, the couple felt increasing financial stress. The husband was considering taking his Social Security benefits at the earliest opportunity, so Ritorto helped them examine their options.

The couple reevaluated their needs in the new locale and discussed potential changes. As it turned out, with a few adjustments—one being going from a two-car to a one-car family—they could live comfortably on the wife's salary. It was strange for them at first, but they quickly adapted. Now the husband plans to wait until his full retirement age to begin taking Social Security, and it will be at a much higher level than if he'd begun drawing it at age 62. With a few other simple modifications, the couple remains on track for their long-term goals and has renewed financial confidence in the life they are making in their new town.

Reevaluation and prioritization, according to Missouri State University's *Creating a Personal Financial Plan*, is critical to setting a direction for day-to-day behavior that can help guide your decisions toward long-term goals.[2]

In fact, comfort with your long-range plans can fuel near-term confidence in the choices you're making today. SunTrust research has found that such confidence eases financial anxiety—people with high financial confidence are 8 times less likely to have experienced financial stress, reports Amy VandeSand, director of consumer market research at SunTrust Bank.[3]

Taking the planning leap (and asking for help)

The largest impediment to developing a financial plan often has less to do with facts and numbers than it does with perception.

“One of the biggest objections I hear from people is that they're embarrassed—that they know that they should be in a different place financially,” Ritorto says. “They're also overwhelmed and may be nervous about all the steps they may have to take. Change is hard for people. People recognize that if they're not on track, some changes will have to be made, and [those changes] might be painful."

Tom L. Potts, Ph.D., CFP®, professor of Finance, Baylor University, adds that he's seen surveys that show many Americans generally think a financial plan sounds like a good idea, but far fewer actually follow through on the effort. He believes there are three key obstacles:

1. As people start to ponder their financial health and the future, they uncover numerous large issues and they **don't know where to start**.
2. With so much information available for free on the internet (albeit of uncertain validity or accuracy), many balk at **the potential cost** of developing a comprehensive plan with an advisor.
3. It's not the most urgent item on a to-do list, so **it's easy to put it** off until tomorrow (or next month or next year).

Admittedly, developing a comprehensive financial plan is not easy and does require commitment on your part, but a good financial advisor can help you get over the hump.

Once you've resolved to push forward, you'll find that the creation process consists of a handful of conversations, some incorporating data and others simply opening your mind to the possibilities. For example, the initial step is to determine your current financial situation. That means breaking down what you earn, what you spend, what you own and what you owe, with some deeper questions around choices that have shaped your journey to your current situation.

Second, you'll look to the future and ponder the possibilities. What type of life do you envision 5, 10 or 20 years out? How do you plan to support your children at various stages of their lives? What does retirement look like? Once these questions come up, Ritorto frequently feels the mood in the room lifting.

"I see clients really get excited when they start thinking about what their future may be," Ritorto says. "It's fun for them to talk about what truly matters most in their lives, and to see steps toward realistic goals."

With goals and objectives in hand, you then identify ways to achieve those goals, assess the different tactics that will help you get there and develop your road map. Execution starts shortly thereafter and is subject to modifications, as warranted by regular reviews of the entire plan.

"We may put this perfect plan together on Day 1, however, we all know that life is going to happen," Ritorto says. "Curveballs are going to be thrown at us, and we're going to get thrown off our plan. So it's important that we continue to get together to determine how that's changed our overall strategy and what tweaks we need to make now so that moving forward, you're still going in the right direction."

Expert advice can be invaluable

There's a time in everyone's life when a financial plan is fairly simple. More specifically, through the early years of adulthood, focus is on budgeting for expenses, effectively managing debt and starting some core savings habits to build an emergency fund and start retirement savings.

"As life gets more complex, so does your financial plan," Potts says. "Even for very intelligent people who are comfortable handling some part of their financial affairs, the outside opinion from an objective expert is very valuable."

Potts adds that the checks and balances provided by a planner reduce the stress that can easily build up around financial matters—a point echoed by Ritorto, who says that she views her relationship with clients as resting upon four pillars:

1. Help hold the client accountable
2. Educate the client to help them make good financial decisions moving forward
3. Ensure that suggested behaviors and tactics match the client's personality
4. Occasionally initiate hard conversations about what's realistic

SunTrust research underscores the accountability factor, as it shows that many individuals know what they should do and develop a plan to achieve their goals, but they struggle to stick to their plan. And that can deteriorate financial confidence as much as not having a plan at all.

Along with such relationship-level objectives, research firm Morningstar has determined that advisors can positively affect clients' investment returns. Most notably, the company's Alpha, Beta and Now Gamma report said that an advisor can be most beneficial in:[4]

- Optimizing tax efficiency in allocating assets and strategizing withdrawals
- Ensuring your financial profile encompasses future potential savings and the ability to assume risk, as well as your risk preferences

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- Effectively utilizing annuities within the context of your entire portfolio
- Developing a flexible retirement withdrawal plan that allows for variables in your portfolio and life expectancy
- Accounting for inflation and other market factors while creating your asset allocation plan

Given the depth of a wholistic financial plan, the Society of Actuaries cautions that a financial professional who focuses solely on asset management is not as effective at helping clients make better decisions and resolve the challenges they face.[5] "To be honest, none of us has the time to gain expertise in all of the areas of a financial plan that we would need to do the best possible job," notes Swarn Chatterjee, Associate Professor, University of Georgia's Financial Planning Program. That's why it's so important to draft the assistance of an advisor early in the planning process.

Three critical times to engage an advisor

In our internet-fueled world, many people take the do-it-yourself route to financial planning. Yet, the CFP Board suggests that even the savviest individual will likely benefit from a professional, detached perspective when faced with conditions such as:[6]

1. A major life crisis or transition
2. When one realizes "he doesn't know what he doesn't know"
3. The need for a complete review of one's financial circumstances

> **"Results show that estimating retirement needs and working with a planner increases retirement savings significantly more than the other strategies."**
>
> *—A Comparison of Retirement Strategies and Financial Planner Value, Financial Planning Association*

A trusted resource for all of your financial planning needs

At SunTrust, we understand that many individuals, couples and families may be intimidated by the thought of constructing a comprehensive financial plan. Yet we also know the peace of mind and heightened confidence that comes with knowing your lifelong goals are within reach.

The SunTrust team of financial advisors has extensive experience in helping clients across all levels of income. Furthermore, with tools such as SunTrust SummitView®, we streamline the planning process to emphasize the analysis needed to help ensure you're on the right track to achieving financial well-being throughout your life.

To find a SunTrust Advisor near you, visit suntrust.com/peoplefinder.

Jennifer Ritorto, Investment Advisor Representative, SunTrust Advisory Services, Inc.

[1] "A Comparison of Retirement Strategies and Financial Planner Value," 2014, Journal of Financial Planning 27: (11) 46-53.
[2] "Creating a Personal Financial Plan," Missouri State University
[3] "Insights Overview: Retirement, 401k, and Savings," November, 2016, SunTrust Bank
[4] "Alpha, Beta, and Now...Gamma," Aug. 28, 2013 Morningstar Investment Management
[5] "Understanding and Managing the Risks of Retirement," 2014, Society of Actuaries
[6] "12 for 12: An Approach to Financial Confidence," Jan. 23, 2012, Certified Financial Planner Board of Standards, Inc.

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