

# Monitoring Servicing

By David Choo

In this final article in the series on Financial Planning, the author reviews the last stage in the financial planning process, which is monitoring and servicing.

**THE TYPICAL SALESPERSON** is rather more enthusiastic to close a sale than to provide after sale service. There are several reasons for this – no commission for servicing, no kick in humdrum servicing work, and no time to do so as he chases other sales.

The financial planner is tempted to do likewise. Once the fees and commissions are earned, once the solutions and products are in place, the financial planner is often off to another prospect. After delivering the financial plan, it is often left in the drawer or cabinet of both client and planner.

To ensure that the financial planner does his review, one way is to incentivise him by agreeing on a review fee. Another way is to stagger the implementation of purchase of products. In the case of investments, agreeing on an annual wrap fee, instead of upfront fees only ensures that the financial planner stays interested.

## What Requires Monitoring and Review?

Just about everything which may change.

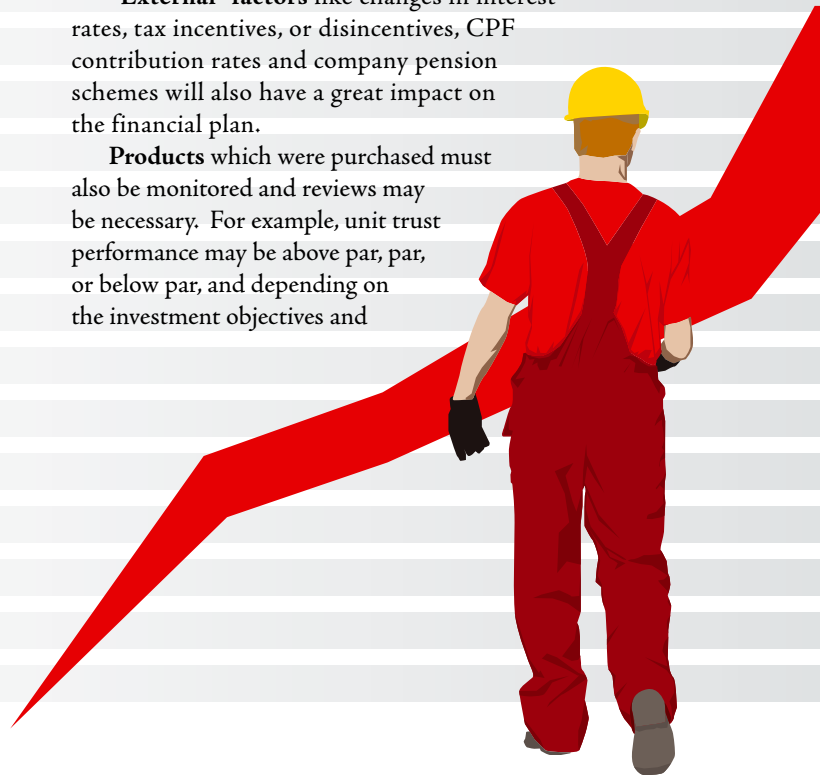
**Financial objectives** often change with change of circumstances – getting married or divorced, having children, getting employed or unemployed, migrating, buying or selling

property, getting an inheritance, etc.

The **prioritization** of financial objectives may change with changing circumstances as well. For example, marriage and the arrival of a child will doubtless cause life and priorities to change.

**“External” factors** like changes in interest rates, tax incentives, or disincentives, CPF contribution rates and company pension schemes will also have a great impact on the financial plan.

**Products** which were purchased must also be monitored and reviews may be necessary. For example, unit trust performance may be above par, par, or below par, and depending on the investment objectives and



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parameters, may require changes in funds or the fund mix in portfolios.

In the case of **insurance products**, there may be a need to review the sum insured, e.g. due to marriage, children, divorce, death, migration, etc. New products may need to be purchased if there are new needs, e.g. on employment, disability income insurance may be required. Certain products may need to be replaced, e.g. medical policies like Basic Medishield may be replaced by Enhanced Medishield products. Annuities may be required for those who retire.

Other **risk management strategies** may be required when certain policies have lapsed and the client is now uninsurable.

When a client starts a business, he may need cash and he may need to liquidate certain assets, or in the worst scenario, even certain insurance policies.

Starting a business also requires an entirely new financial and insurance programme and the financial planner must be able to arrange this.

### How Should Monitoring Be Done?

Each time an event takes place which has an impact on the five pillars of the financial plan – protection, investment, retirement, estate or tax – the financial plan needs to be reviewed. If no events are reported, the financial plan should still be reviewed at least annually. Even if there are no major events, the client's perception may have changed and this may affect his priorities. For example, a client may want to review the beneficiaries of his will. A client may want to put more into investment, or even be willing to take higher risks, than when he first started.

Monitoring can thus be triggered by the client or the financial planner. More often, it is the financial planner who has to keep track.

### Review of the Financial Plan


The financial planner and the client will review the parts, or the whole, of the financial plan which need to be changed. Care must be taken because a change in

one part will often affect the other parts of the financial plan. While there are five distinct areas in the financial plan, they are interdependent and affect each other. Given finite "investible funds", more funds being put into protection will mean a lesser amount for investment or retirement. A savings in tax will mean more funds to purchase insurance, or to invest, or to put aside for retirement. Prioritizing also affects the distribution of funds. The financial plan must thus be reviewed as a whole and not piece meal.

### Review of the Financial Planner or Adviser

Implicit in each review done by the Financial Planner of the financial plan is the review done by the client on the financial planner. Is he doing a thorough or perfunctory job? Is he giving sound advice or motivated to sell some more insurance or investment? Is he keeping up to date or getting out of touch?

While it is advisable to keep a good adviser, clients must always remember that a financial plan is only as good as the financial planner. And if the financial planner is not up to scratch, it is best to scratch him out and look for one who is more competent.

And this brings the client one full circle to the first step – picking a good financial planner and establishing the client-planner relationship. If you have forgotten how to go about this, and what the full financial planning is, you can view all the articles in our website [www.promiseland.com.sg](http://www.promiseland.com.sg). 

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