



October 2020

Why is it that some clients engage in financial planning yet fail to follow through and implement the advice provided? This is referred to as the “Implementation Gap” – the gap between the advice financial planners provide their clients and the action that clients take based on that advice.

The FP Canada Research Foundation™ funded a research initiative to better understand and recommend ways to overcome the Implementation Gap.

The research considered the financial planner- client journey starting with the initial meeting right through to discussing the recommendations and the financial plan and implementing the recommendations.

BEworks conducted interviews with a small group of CFP® professionals and then, developed and distributed a broad-based survey to CFP professionals across Canada and individuals holding the Pl. Fin. designation in Quebec. Another survey was distributed to Canadians who work with CFP professionals and Pl. Fins.

The responses make clear that there are fundamental differences in thinking between planners and clients as to the root of the problem:

Financial planners perceive that the problem centers on the client – specifically, their state of mind, motivations and understanding – things like:

- Client procrastination
- The plan is too complicated for the client
- A strong relationship with the client was not built
- Client doesn't understand the value of a financial plan

Clients agreed with planners about their tendencies toward procrastination. However, they also attributed a lack of implementation to:

- Differing expectations between themselves and planner, i.e., a mismatch between the advice delivered and what the client expected from the planner; and
- The licensing effect, that is, the feeling that the financial plan is an important end and important accomplishment, in and of itself, which impacts clients' impetus to move to implementation.

Additional survey findings

FP Canada Research Foundation examined the results of both the client and financial planner surveys in detail and surfaced the following additional findings:

- Despite the fact that almost half of clients surveyed rated their knowledge and confidence in financial matters between eight and ten out of ten, there is still confusion on what financial planning is and what a financial plan consists of 92% of clients survey said they had a "Financial Plan" but the majority indicated Retirement (80.3%) and Investment (76.5%) as the priority focus areas of their plan Further, when asked to define financial planning in their own words, almost 40% defined financial planning in the context of investment, retirement and/or wealth accumulation, whereas only 10% included other areas like financial management, tax and insurance in their definitions.
- The majority of clients surveyed identified retirement savings and investments as their main interest and motivator in seeking out a financial planner (64%). Financial Planners surveyed support this notion, indicating that most clients, when they first come, are specifically interested in just two or three areas of planning; however, those same financial planners said that on average most financial plans typically cover four to six financial planning areas.
- None of the financial planners surveyed indicated that asking questions to uncover prospective clients' aspirations and concerns was a typical way of engaging new clients; rather, they indicated focusing on explaining the financial planning process, the nature of their business, their qualifications and the benefits of working with them and their firm.
- Less than half of clients surveyed said that their financial planner took the time to understand their wants and needs and who they are as a person.
- Only 30% of financial planners surveyed said that financial planners always walk clients through the terms of the engagement, including the scope of services they're proposing to provide.
- Despite the fact that the majority of clients surveyed had been working with their planners for over five years, almost 40% indicated that they may not be fully truthful or forthcoming with their financial planner, despite their long-standing relationships.
- Only 39% of client surveyed agreed or strongly agreed that the plan was discussed with them in a way they understood, with just 38% agreeing or strongly agreeing that the level of detail in the plan was appropriate for their understanding.
- Only 18% of clients surveyed agreed or strongly agreed that following through with financial planning recommendations requires substantial work on their end. 68% indicated that it was valuable to have the support of their financial planner in implementing the recommendations.
- Only 26% of financial planners surveyed strongly agreed that they should play a role in helping their clients implement the action steps set out in the financial plan.
- Only 38% of financial planners agreed or strongly agreed that where implementation is part of the terms of the engagement, it is the financial planner's role to set up meetings and appointments with lawyers and other third parties (where appropriate) as part of the implementation process. Further, just 45% agreed or strongly agreed that where implementation is part of the terms of the engagement, it is the financial planner's role to sit in on meetings and appointments with lawyers and other third parties as part of the implementation process.

Want more information?

Additional materials on this topic and other research projects are available for you to download at:

www.fpcanadaresearchfoundation.ca

Research Paper

Practice Notes



fpcanadaresearchfoundation.ca

902-375 University Ave. Toronto, ON M5G 2J5 • info@fpcanada.ca • 416-593-8587 • Toll Free: 1-800-305-9886



CFP®, CERTIFIED FINANCIAL PLANNER® and CFP logo are trademarks owned by Financial Planning Standards Board Ltd. (FPSB) and used under license. QAFP™, QUALIFIED ASSOCIATE FINANCIAL PLANNER™, QAFP logo and all other trademarks are those of FP Canada™. © 2022 FP Canada™. All rights reserved.

June 2022