

A Humanistic Approach to Financial Planning

**Achieving financial success through
personalized holistic financial advising**

Introduction

It was a typical morning in the Twin Rivers Wealth Management office, when we received a distressed call from one of our clients. Her parents were struggling financially, living month to month and couldn't see an end in sight. They had already visited a large corporate financial advisory firm, only to be turned away for not having enough disposable income to invest. They were retirees in their 60s and troubled by the thought that it may be too late to improve their financial situation. While they had already been turned away by the corporate financial advisory firm they initially sought help from, we wanted to review their situation ourselves. Low and behold, we discovered that the couple was entitled to government benefits that they had been paying into during their working years. These benefits would increase their monthly income substantially and provide them with more financial freedom to enjoy their golden years. However, we didn't discover this oversight through reviewing their documents, but rather through listening to their story.

At Twin Rivers, we want to hear the stories of everyone who steps into our office. We believe that it is only through listening to personal stories that we gain a clearer picture of an individual's financial situation. We know from years of experience that financial statements can leave out vital information necessary to create a holistic financial plan. Our clients are not their cash flows or portfolios, but rather people, with stories and values. Therefore, at Twin Rivers, we not only take a holistic approach to financial planning, but a humanistic approach. In this paper, we will look at what holistic financial planning is and how we at Twin Rivers add a humanistic element to this approach. As investments are an important element of financial planning, we will also outline how our five investment strategies fit into the model of holistic planning and how this integrative approach helps clients achieve their financial visions.

Holistic Financial Planning

Financial planning is not only an exercise of portfolio management or tax planning, but rather a life audit. Finances affect nearly every aspect of your life - from family planning to career choices to retirement and estate management. They should not be viewed as an exterior element, but rather a core part in the attainment of life goals.

While financial planning plays such a central role in the trajectory of a person's life and the attainment of their goals, many shy away from extensive planning due to a lack of time, risk-aversion, or not having enough information about strategies. However, whether you fall into any of the above categories, this is where developing a partnership with a holistic financial advisor can be beneficial. But what exactly is holistic financial planning?

One way to envision how holistic financial planning operates is to imagine your finances as a symphony orchestra. Your taxes are the violin, investments are the organ and retirement is the cello. When each of these instruments is in accordance with the others, the product is a harmonious composition. However, without the conductor leading the orchestra, the tempo and dynamics of the music could very quickly become disharmonious. The conductor's role is to understand the composer's vision and ensure the various parts of the orchestra are in line with this vision. In financial planning, the client is the composer and the financial advisor is the conductor. Therefore, having a holistic financial advisor who understands your life goals and ultimate vision is crucial to financial success.



"Clients who work with a good financial advisor will receive on average a 3% increase in the value of their portfolios each year."

In other words, holistic financial planning is an approach that takes a birds eye view on all aspects of a client's finances. This type of financial planning includes cash flow analysis, tax management, risk management, investment management, retirement and estate planning. Through taking a holistic view of their client's finances, advisors ensure that all aspects are working together in concordance. With this approach, the financial advisor will also consequently play a larger and more in—depth role in their client's financial life. As opposed to hiring a service provider, clients that choose a holistic financial advisor are choosing a partner to help guide them through monumental and life-altering decisions. Instead of focusing on a single financial matter, holistic

advisors take a big-picture approach and frame financial decisions within the context of the client's short-term and long-term goals.

The Humanistic Approach

In addition to taking a holistic approach to financial planning, we also believe that a humanistic approach is imperative for a successful client-advisor partnership. Taking a humanistic approach to financial planning and wealth management means that financial decisions are considered through both a monetary lens as well as a personal lens. We believe finances are more than cash flows, bank statements, and tax documents. Wealth and financial plans are the determinant of how much time a parent has to spend with their family and the security a retiree has in their later years. Henry David Thoreau explained this point well

when he wrote that “wealth is the ability to fully experience life.” While there are various other aspects that contribute to the attainment of a fully experienced and enriching life, wealth is indeed a significant factor.

Studies have also consistently shown that there are numerous clear benefits to the human touch of a financial advisor. Some of these benefits are improved spending and saving habits, choosing tax-efficient investments, gaining expert financial advice and avoiding emotional or rash decision making. However, in addition to these benefits, clients who paid for financial advice are also more likely to stick to a long-term financial plan. A study by The Investment Funds Institute of Canada reported that those who use a financial advisor have a 1.5 times higher probability of sticking with their long-term financial plan than those who didn't.¹ However, clients who choose a humanistic financial advisor can be even more confident in their long-term financial plan.

A humanistic financial advisor is client-focused and assesses each client's

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unique situation to create a tailored plan. With this style of advising, a client is not only asked for their financial documents, but also asked questions to determine their goals and values. A humanistic financial advisor will want to learn about their clients' goals and values from the first consultation. For example, for all initial consultations at Twin Rivers, we ask our clients what the most important thing in the world is to them. Although it is a simple question, the answer will guide all financial decision-making. Humanistic financial planning starts with the client and all financial decisions work in accordance to achieve the client's goals.

Holistic Investing

Our philosophy of holistic and humanistic financial planning also includes taking an integrative approach to investment strategies. Depending on each client's unique financial situation and capacity for risk, it is vital to take a tailored approach to investments. A skilled holistic financial advisor will have the tools and knowledge to be able to employ various investment processes and approaches. At Twin Rivers, the five main strategies we utilize are **data driven decision-making, tax efficiency, tax-loss harvesting, fee-consciousness, momentum based investing, and alternative investments model**. These five strategies make up the cornerstone of the Twin Rivers Wealth Management integrative approach to investing. It is however important to keep in mind that these strategies may not be beneficial or necessary for all investors. We create a tailored investment plan using a mixture of these strategies to minimize client risk

and enhance their individual portfolios. We will now examine each of these strategies more in detail and how they benefit our clients:

- *With the technology available that allows us to capture huge amounts of data, we use this technology to extract information on market behavior, patterns and trends. Using data-driven decisions is a method of using a quantitative approach instead of instinct or intuition to inform investment decisions. Through a mixture of knowledge and expertise along with data insights, there are significant advantages to taking a quantitative approach to investing.*
- *Since it is the after-tax returns that matter more than the pre-tax returns, one of the core principles of investing should be tax efficiency. Holding less tax-efficient investments in tax-advantaged accounts while holding tax-efficient investments in taxable accounts is one approach to minimizing taxes and enabling the highest after-tax returns.*

- *Tax-loss harvesting is a strategy of selling a security at a loss in order to minimize taxes on capital gains. This strategy can be applied to taxable investment accounts to reduce tax liability at the end of the year and will have a positive impact on long-term investment performance.*
- *One of the most important determinants of investment performance is the amount of fees paid. Advisors who are diligently fee conscious will increase the amount of return received. These incremental savings can lead to large gains over the years.*
- *Momentum investing is a method that can lead to a high return on investment. This strategy capitalizes on existing trends in the market by overweighting stocks while they are going up and underweighting them in times of uncertainty. Long-term, this strategy has the potential to generate better than market-average returns.*
- *Prestigious universities are reputed for having large endowment funds that consistently yield high*

Investment Methodology

Aligning client portfolio to risk needed dictated by personal financial situation

DATA DRIVEN DECISIONS

Using large quantities of data rather than instinct or intuition to make investment decisions.

TAX EFFICIENCY

Investing in tax-advantage accounts to minimize taxes and maximize returns.

TAX-LOSS HARVESTING

A strategy to offset a capital gains liability by selling securities at a loss.

FEE CONSCIOUS

Improving performance through decreasing investment costs.

MOMENTUM BASED INVESTING

Capitalizing on existing trends in the market by investing in stocks on their way up and selling them as soon as they show signs of going down.

ALTERNATIVE INVESTMENT MODEL

Incorporating various non-traditional asset classes into a portfolio to generate high returns.

long-term returns. This alternative investment model of investing is however not exclusive for higher education institutions and this strategy is beneficial for individual investors as well. The alternative investments model is a strategy that includes allocations to asset classes that behave differently than the overall market, such as private equity, hedge funds, real estate, and natural resources. This diversification allows for the potential of higher risk-adjusted returns over the long term.

Conclusion

In our combined decades of helping our clients achieve financial clarity and security, we've learned the value of a holistic and humanistic approach to financial planning. We believe that the role of a financial advisor should be to motivate clients to make positive changes to their financial situation. A financial advisor should have expertise of financial planning and investment strategies in addition to



an understanding of their clients' values and goals. Choosing a holistic and client-focused financial advisor will not only increase return on investment, but will help fulfill both financial goals and life visions. Whether your goal is to spend less time crunching numbers and more time with your family, or to build a nest egg for retirement, it is vital to have a financial advisor who understands your unique story and values.

We believe this starts with a simple but telling question. The question is not about your cash flow or portfolio, but about you as a person. So, what is the most important thing in the world to you?



We want to help you achieve financial clarity and security so you can spend more time with the people you love, doing the things you value most. Let our team build a custom financial plan that will set you on the right path. Whether you are considering a major financial change or planning your future, our team has the experience and tools to formulate a personalized financial plan that works for you.

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