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Tips for Your Year-End Financial Planning Review

Make your annual review more efficient and productive to improve next year

When you work with a financial advisor, then you know how important the year-end review is to the financial planning process. And given that you should be scheduling your year-end review this month, let's review how you can best prepare.

Interestingly, it's easy to liken your annual financial planning review to what you already know really well: the annual employee performance review. Here is what you should do in order to make your annual financial planning review more efficient and productive.

Let's start with **The Golden Rule.**

The Golden Rule: There Should Be No Surprises

When your boss sits down with you to review your annual performance, there really shouldn't be any surprises, assuming your boss has done his/her job throughout the year. And if something your boss says surprises you, then you should be concerned.

The same is true for when you sit down with your financial advisor. Your advisor provides you with so much information – arguably more than you might want to read – that you should never be surprised. Ever.

So review your statements, verify your trade confirmations and read your advisor's market commentaries. And if your advisor ever breaks the Golden Rule? Find a new advisor.

Now let's get to the recommendations:

Be Prepared

Most employees don't walk into an annual performance review without at least thinking about the past year and what they accomplished. In a perfect world, what your boss thinks you accomplished and what you think you accomplished would match exactly. But sometimes, your boss forgets what was accomplished and they need a gentle reminder.

The same is true with your financial advisor: you need to be prepared before you schedule your annual review. Think about everything that your financial advisor accomplished on your behalf during the year. Did they help you establish a 529 account for your child, suggest you invest in a new mutual fund or recommend that you sell all your stocks when the price of of oil peaked at more than $120/barrel back in March?

Ideally, you have kept pretty good records and can review everything from your advisor in about an hour.

And if you have not kept great records, spend some time gathering information and reviewing it ahead of time.

Financial advisors provide so much information – and almost all of it is accessible online – that it is really easy to document what happened throughout the year and arrive at your annual review meeting prepared.

Ask Thoughtful Questions

If you don't ask your boss any questions during your review, then you will likely come across as disinterested or worse. The same is true with your financial advisor.

Now while you should know the answer to these questions because you did your homework ahead of time, ask your advisor anyway to see what they say. Thoughtful questions include:

- Overall, how did my portfolio perform, relative to an appropriate benchmark?
- Why did my portfolio outperform or underperform?
- What were my total all-in fees this year – including financial planning fees, mutual fund fees, and transaction fees – any fees deducted from my account?
- What do you wish you had done differently?
- How do this year's results impact the achievement of my goals?

Each question will naturally lead to additional questions and you will begin to have a better understanding of how the year turned out.

Be Open to Constructive Criticism

Newsflash: not all employees get great performance reviews. And sometimes, clients do things that their financial advisors recommend against.

During an employee performance review, constructive criticism is critical to improving and it can be a terrific career motivator – if an employee listens carefully and avoids getting defensive.

Author Dan Schawbel, in his book Promote Yourself and Me 2.0 was talking about employees when he wrote, "your focus should be on how to improve in the following year, rather than trying to spin the numbers."

So if your financial advisor suggests that you need to diversify or recommends a mutual fund not managed by your brother's college roommate, you should listen.

Establish Clear Goals

Now that the "Review" part of the meeting is over, you can move to the step that is often neglected by clients. And that is establishing goals going forward.

A good financial advisor will know how to help you reach your goals, but you need to determine your goals on your own. After all, they are your goals, no one else's.

Be specific too – a planned retirement in 10 years, paying for college in 4 years, or supporting an aging parent next year. Saying things like "I want to do better" or "I want to retire comfortably" are not specific enough.

Build A Plan Together

Once you have reviewed the past year, discussed how you can improve, and established your goals, it's time for your financial advisor to build you a customized financial plan for the coming year. And while your advisor likely has some ideas about your new plan – like increasing your allocation to international equities, for example – you will need to give them some time to create your new plan. This means at least another conversation and probably another meeting with your advisor.

If you follow the Golden Rule and these recommendations, you will greatly benefit from the financial planning process. And as you digest everything you and your advisor talk about during your annual review, ask yourself one final question when your review concludes: **would you hire this advisor again?**

Because that is the exact question that bosses always ask themselves when they conclude an employee performance review: would I hire this employee again?