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REVIEW OF SELECT LITERATURE ON FINANCIAL PLANNERS

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Abstract
A financial planner works with clients to help them manage their money and achieve their long-term financial goals. A financial planner needs a thorough understanding of personal finance, taxes, budgeting and investing. They may specialize in tax planning, asset allocation, risk management, retirement planning, or estate planning. Many draw their clients from a specific population, such as young professionals or retirees. Financial planners advise and assist clients on a variety of matters, from investing and saving for retirement to financing higher education or a new business while preserving wealth. Financial planners work with individuals, families and even corporations to help them effectively manage their current financial needs and long-term financial goals. Financial planning includes help with budgeting, investing, saving for retirement, tax planning, insurance coverage and more. This paper deals with selected literature related to financial planning.
Keywords: Financial planning, Financial planner, Personal finance, Financial goals

Introduction

A financial planner usually prepares financial plans for their clients. The types of services that financial planners offer can vary widely. Some financial planners review every aspect of your financial life—including savings, investments, insurance, taxes, retirement, and estate planning—and help you create a detailed strategy or financial plan to meet all of your financial goals. Other professionals call themselves financial planners, but they can only recommend that you invest in a narrow range of products, and sometimes products that are not securities. When hiring a financial planner, you should know what services you need, what services the planner can provide, and what restrictions they may recommend. In addition, you should know what services you are paying for, how much these services cost, and how the planner gets paid. Financial planners charge for their services in different ways: some charge either a flat fee or an hourly fee for the time it takes to create a financial plan, but do not sell investment products; some are paid commissions for the products they sell; and others use a combination of fees and commissions.

This paper deals with select literature related to financial planning.

Literature Review

Safari et al. (2017) document the gap between Generation X and Generation Y behavior when deciding to hire a professional financial planner in a developing country context. This research is based on a public survey in Malaysia on the influence of five main factors (namely awareness, acceptability, affordability, accessibility and certainty) on the decision to hire a professional financial planner. The study further shed light on the difference between

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the influential factors between Generation X and Y. Although awareness, acceptability, affordability and certainty have shown significant influence on decision-making in general, their impact varies between different age groups. The results of the moderation tests on the role of age indicate that only their acceptability of the financial planning service is the determining factor for Gen X. However, awareness, affordability, acceptability and certainty are critical factors for Gen Y respondents. Unlike Gen Y, Gen X respondents tend to be more aware of their financial planning needs; have gained enough experience to assess the planner's credibility and test their confidence; and have higher earnings to afford the services of a financial planner. The findings of this study are novel as they provide a first-hand picture of the emerging market in Southeast Asia. In addition, the study documents a generation gap in the financial decision-making process.

Luther et al. (2018) examine the differences in acceptance and perception of financial planners between different age groups. Data from a survey of more than 300 people across generations was used to determine whether decisions to hire financial planners or the types of services required of financial planners differed across age cohorts. While there are some similarities between the generations in terms of expectations of expertise, selflessness and trustworthiness of financial planners, there are differences in how financial planners are sought out and the areas in which different generations want advice. Millennials and Gen X prefer independent financial planners over affiliated planners, require more frequent communication with their planners, consider risk management advice as important as retirement planning, and want to stay more involved with their planners than older cohorts.

Waliszewski and Zieba-Szklarsa (2020) state that automatic financial advice (robo-advice) is a financial innovation in the field of personal financial planning and especially investment advice classified as fin-tech (financial technology). The main disadvantage of traditional investment advice is limited availability due to the required amount of assets and high management costs. These disadvantages are answered by robo-advice using artificial intelligence and algorithms without the participation of a physical advisor, thereby reducing or eliminating minimum assets and reducing costs. The purpose of the article is to analyze the strengths and weaknesses as well as the opportunities and threats of robo-advisors, especially compared to traditional financial advisors. This article is an analysis of the history, regulations, application, functionality and development of Robo-Advice. The concept of Robo-Advice has been critically analyzed with a presentation of current strengths and weaknesses as well as opportunities and threats. Our goal was to show that Robo-Advice should be innovative, take a new approach and transform current financial advice. However, there are still many opportunities and challenges waiting to be discovered in this area. The article uses the method of SWOT analysis, analysis of literature and reports. As it follows from the analysis, robo-advisors are not a threat to traditional financial advisors, but their complement, which makes the most likely hybrid model combining a physical advisor with the help of technological solutions (robo-advisor). This thesis is also confirmed by the small scale of activity of robo-advisors compared to traditional advisors measured by the market penetration rate (about 2% of assets under management in 2022).

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Lutz et al. (2019) examines gender differences in divorce status among personal financial planners. Data for this study was collected in 2018 via Kitces.com; websites that provide continuing education for financial planners. The dataset contains detailed information on the backgrounds and practices of 583 financial planners in the United States. Relationships between current divorce status and financial planner characteristics are estimated using a series of binomial logistic regressions. It found that female financial planners are currently divorced at a rate almost 270% higher than male financial planners. A Blinder–Oaxaca decomposition analysis suggests that 34% of this gender difference in divorce rates can be explained by the differences assessed in this analysis. For men, age and desire for work-life balance were found to be positively associated with current divorce status, while agreeableness, working within a team structure, and desire for lifestyle flexibility were negatively associated with current divorce status. For women, age and the desire for a stable salary were found to be positively related to current divorce status.

Asebedo (2018) offers an overview of personality and how it can be used to inform financial planning research and practice. The chapter covers basic personality models, theory, and research that provide evidence for the utility of incorporating personality into financial planning research and practice. Financial planners working with open clients will need to learn to manage the positive and negative emotional swings their open clients may experience. The association between conscientiousness and financial behavior is overwhelmingly positive. The trait of conscientiousness is associated with higher lifetime earnings, greater financial wealth, and higher net worth. It is important that financial planners help highly conscientious clients find a balance between saving and spending throughout their lives in a way that leads to a prosperous life. Overall, conscientious clients who are doing well financially can benefit from a positive psychological approach to financial planning that makes it easier to discover how to align their money with their well-being.

Lloyd (2017) states that workplace interactions are important for financial planners as they struggle to complete tasks and achieve goals during times of increased stress and reduced work performance. The theme of this study included the perception that an objective mediator used in other professions could influence collaboration in the financial services industry. The problem that existed was the scant empirical data on how emotional intelligence (EI) mediated the stress levels and job performance of financial planners as they functioned in their jobs. The purpose of the quantitative and correlational study was to evaluate the potential relationship between stress and job performance and to identify the unique contribution of emotional intelligence (EI) and its domains (self-esteem, social awareness, self-management, and relationship management).), as they related to the operational skills of financial planners in insurance and investment industry. A total of 338 financial planners received EI, stress, and job performance surveys to complete. The Wong and Law Emotional Intelligence Scale measured emotional intelligence, the Job Stress and Strain Survey measured stress, and the forced-choice salesperson behavioral style test measured job performance. Mediated multiple regression modeling was used to assess predictive associations while controlling for the effects of the potential confounding variables of sex, age, tenure, and education. Of the 140 planners who completed all three surveys, the findings

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revealed high stress specifically for 72.54% of men and 27.46% of women. Approximately 49.6% of responses were from Caucasians, of which 46.76% were aged 31–40 and had been employed in the field for 11–15 years. Admitted stress led to health problems such as headaches (7.9%), back pain (7.30%) and tension (7.25%). The result of the study found a relationship between stress, job performance and EI, which included both cognitive (intelligence) and non-cognitive (emotion) skills. The result of this study reveals the need for financial scheduling to help reduce stress and improve job performance by offering mentorship, setting clear rules, implementing EI training, and allowing schedulers to disconnect twice a month for better work-life balance.

Blanchett (2019) state that financial advisors can add significant value to clients, but the empirical evidence supporting this effect is mixed. This paper examines how household financial decision-making varies according to four sources of information: financial planners; transactional financial advisors; friends; or the internet. Five aspects of decision-making were explored: portfolio risk levels; saving habits; Life Insurance; balances on revolving credit cards; and emergency savings using the last six waves of the Survey of Consumer Finances (2001 to 2016). Households working with a financial planner were found to make the best financial decisions overall, followed by those using the Internet, while households working with a transaction advisor made the worst financial decisions. Selection bias is a potential problem with the results because the decision to work with a financial planner is a positive indicator of financial decision-making and potentially endogenous to the variables considered. However, these findings suggest that the potential value of financial advice may vary significantly depending on the nature of the financial engagement and that households are likely to engage better with an adviser who is more comprehensive (eg, a financial planner) than transactional in nature.

Fox and Bartholomae (2020) provides a brief summary and overview of the impact of the COVID-19 pandemic on household finances. Pandemic-related stressors are assessed as temporary or permanent shocks to both the financial planning practice and the client's financial affairs. Based on qualitative responses from practicing financial planners, changes in practice and client concerns as a result of the pandemic are outlined. Globally, respondents shared that the practice of financial planning has accelerated the adoption of communications technology, while clients are experiencing unprecedented levels of stress related to changes in the health, economic and political environment in the United States. Insights and insights from a sample of practicing financial planners serve as recommendations for practice.

Haman and Laker (2018) state that the psychological nature of the financial planner-client relationship has become an integral part of the value of financial advice. Over the past 30 years, behavioral finance has made dramatic contributions to understanding the cognitive and emotional biases that lead people to make financially destructive decisions when faced with risk. However, decision making under risk is not the only way financial planners should understand the psychological behavior of their clients. This article introduces psychologist Albert Bandura's self-efficacy and social learning theory to financial planners and offers an additional and complementary perspective on behavioral finance within client behavior and decision making. Self-efficacy theory is not part of the Certified Financial Planner® (CFP®)

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education, so the concept of self-efficacy is probably unfamiliar to most financial planners and there is very little research on financial planning self-efficacy. This background paper will explain the definition, effects and value of self-efficacy in financial planning and identify further areas of research needed. It is important to note that just as there are no systematic applications of behavioral finance for financial planners, this paper simply aims to introduce financial planners to the importance of understanding self-efficacy and offer suggestions for future research.

Sabri and Aw (2019) investigate consumer preferences in different sources of financial information and their impact on financial literacy. This study also aims to examine the effects of financial literacy on the amount of income allocated to investments as well as the hiring of a financial planner. Extensive research was conducted in Malaysia and a total of 2000 usable responses were collected. The results showed that (1) there is a negative effect of media, family and peer preferences as sources of financial information on financial literacy; (2) there is a positive effect of preferring financial planners as a source of financial information about finances literacy; (3) consumers who use the Internet as their primary source of financial information demonstrate higher financial literacy; (4) financial literacy positively affects the amount of income allocated to investments; and (5) financial literacy is negatively related to the likelihood of hiring a financial planner. This study provides an empirical evidence for practitioners to improve financial literacy by promoting the use of appropriate sources of financial information. This study also offers an understanding of consumer financial behavior that results from different levels of financial literacy.

Xiao and Porto (2019) state that present bias is an important concept in self-monitoring theory in behavioral finance. Empirical research has found that present bias is associated with undesirable spending, borrowing, and saving. Unlike previous research that focuses on one area of financial behavior, the purpose of this study is to examine the connections between the present bias and a set of financial behaviors in different areas: spending, borrowing, saving, and money management. Using data from a national urban sample in China, the results show that some behavioral patterns are consistent with theoretical predictions that current biased consumers are more likely to spend in the present and less likely to save for the future. The findings have implications for further research on the present bias and help researchers better understand this important concept. The results are also informative for financial planners to better serve their clients.

Conclusion

A financial planner or personal financial planner is a qualified financial advisor. Full-service personal finance practice advising clients on investments, insurance, taxes, retirement and estate planning. In general, the work of a financial planner can be integrated into a number of professional services (eg: lawyer, accountant); or integrate into the offer of a number of financial products and services (eg: financial advisor, insurance agent); or will not be integrated with other products or services and provide stand-alone financial planning. Financial planning should cover all areas of the client's financial needs and should lead to the achievement of each of the client's goals as needed. The scope of planning typically includes risk management and insurance planning: cash flow risk management through sound risk

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management and underwriting techniques; Investment and planning issues: planning, building and managing capital accumulation to generate future capital and cash flows for reinvestment and expenditure, including managing risk-adjusted returns and dealing with inflation.

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