



THE GLUCK REPORT, Part II: Planning Software Test Drives

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Taking Cygnus Software and Financial Profiles out for a spin

The independent financial advisor world has been fighting for years about fees and whether you can accept commissions and still be a professional. But the difference between financial advisors who say they are professionals and those who act like professionals is not about fees as much as it is about financial plans.

Most financial advisors are advising people without making financial plans. It always amazes me that when I speak at conferences for broker/dealers and ask how many advisors in the room use financial planning software that only few hands go up.

The truth is that most registered reps and many RIAs don't do financial planning. They are selling mutual funds and insurance and other products or their investment advice without using any professional software for assessing a client's needs and preparing a strategic financial plan for them. They are thus often making investment recommendations in a vacuum.

Since plans take time and expertise to create and you can't get people to pay for them, advisors have been giving advice without them. But that's changing. Plans are now much easier to create thanks to a few new software products and over the next couple of years, a number of "instant plan" software packages are likely to be rolled out by broker/dealers and embraced by reps because they're not just simple but also help sell products.

The growth of financial planning has been hindered by its complexity. So these programs strip away the most complex issues and allow you to create plans right in front of your clients. The movement toward simpler planning software began years ago with products like MoneyTree Silver, and was given a big boost in the last few years by goal-based planning packages like MoneyGuide Pro. But now we are seeing a new generation of planning tools begin to take hold that boasts of allowing you to create plans in 20 minutes.

While this is the first in a series in which I'll review 12 or so planning packages, it is clear to me already that the planning software category is dividing into several types. There are the traditional cash-flow-based comprehensive programs—covering retirement, college funding, insurance needs, estate planning, and a few other planning issues—that allow you to model income, expenses, and investment returns five, 10, and 20 years into the future or more in extraordinary detail. EISI's NaviPlan Extended is probably the best-known package of this ilk. Then there is a handful of newer goal-based programs that require far less data input, with MoneyGuide Pro being the best-known program in this category.

But these newer programs take the idea of simple goal-based planning to a new level by requiring even fewer data inputs, but at the same time making it easier to create in-depth recommendations and reports. They create "instant" programs on demand. We are coming to the point where you'll have one planning program for making illustrations and doing quick sales-oriented plans for clients and prospects, and an additional package that you will use without your clients to create more detailed plans.

While many planners who use cash-flow-oriented programs or detailed goal-oriented programs will regard the instant plans as superficial, good planners are demanding these products. And for good reason.

"I've been searching for software that's not too complex and doesn't presume accuracy or precision that real life does not substantiate," says Ron Overbeck, of Overbeck Financial Consultants in Sarasota, Florida. Overbeck, an MBA and CFP licensee who's been a planner for about 20 years, has grown to dislike "three-decimal plans."

Overbeck is probably like a lot of advisors who want a simpler approach to planning software. Overbeck says he has been using MoneyGuide Pro and is happy with that program, but says that it has in recent months added modules and complexity. Meanwhile, he also uses MoneyTree Silver, one of the first to offer quick plans, but says it, too, has more data input than he now wants.

"The Monte Carlo aspect of these programs is useful," says Overbeck, "but I don't know that clients understand or that it is easy to explain." Overbeck, who works in the "middle-income retirement market," says he wants "something quick and easy and that doesn't pretend to be more than it is."

"Between life's unpredictable events—deaths, marriages, divorces, layoffs—and the unpredictability of the stock market and real estate, life is filled with uncertainty," he says. Planning tools that are too precise are overkill.

Meanwhile, his target clients just want simple output they understand. "Planners get too wrapped up in our own world of statistics and data and many of our clients nod and pretend they understand what we're doing when they really don't," says Overbeck.

"It is good to have the capacity to create complex plans and make these complex calculations, but in my niche it is more horsepower than is needed." And the bottom line with clients is prompting them to take action—selling them on the need to make an investment, buy insurance, or take some other step. "If the software doesn't convince your clients to act, what good is it?" he asks.

Both programs I reviewed this month are aimed at creating instant plans. They cover similar ground: Retirement needs, LTC, disability insurance, college funding, and asset allocation. For advisors who have never used planning software before or who are looking for a simple tool to create illustrations and quickly show clients planning concepts, either one is a good choice. But there are some important differences.

IncomeMax from Cygnus Software

This new planning package was created for use by insurance agents. Consequently, it is strong in illustrating the need for life, disability, and long-term care insurance.

To review the product, I had the help of two veteran financial planners, Richard Del Monte, a CFP of Del Monte Group in Alamo, California, and Holly Gillian Kindel, CFP of Mosaic Financial Partners of San Francisco.

In addition, Catherine Jacobs, a CFP who runs Shreveport, Louisiana-based Outsource Opportunities (www.outsourceopportunities.com), a service bureau for planners using Financial Profiles Professional software, joined us, along with Aaron Spahr, planning software project manager at Securities America, a broker/dealer based in Omaha, and Matt Abar, founder and lead programmer of TechFi, a portfolio management software company that was bought by Advent Software in June 2002.

On a scale of one to 10, with 10 being the best grade, two of our reviewers scored IncomeMax with a five, two with an eight, and one with a seven.

"It's a good product for the market they are targeting," says Jacobs. "It's easy to use, and input time is short. I'm not fond of goals-based planning software, but for clients that don't have estate tax issues, it is simple and does an adequate job."

"I liked some of the features, such as the Social Security estimator and the way you can add the LTC costs into the future cash-flow need," she adds. "The price is right for the product, and it should do well."

IncomeMax is definitely a contender, especially considering the small size of the company—just two employees—

and the fact that the company is fairly new. According to Andy McGuire, a co-founder responsible for sales, IncomeMax has 100 licensees distributed among 10 firms. It is priced right, with a \$399 initial license fee (plus \$89 for an optional asset allocation module), and \$80 annually for updates and support.

The negatives are pretty obvious. There is no depth to this tool as a planning program. You won't get any cash flow planning or a net worth statement, and tax rates are approximated by the user and are estimated. It also has no Monte Carlo capabilities.

IncomeMax, which runs on a single-user desktop or local network, is integrated with Act4Advisors, allowing users to automatically import client contact information from Act4Advisors.

Profiles+ Forecaster from Financial Profiles

Financial Profiles is based in Carlsbad, California, has 75 employees, has been in business for 35 years, and has 50,000 licensees on its in-depth planning product, Profiles+ Professional. According to David Oates, director of marketing, about 25,000 advisors also use Forecaster.

Financial Profiles targets large brokerage firms and banks and sells its software across the entire enterprise. About 15% to 20% of the company's users are registered reps of independent broker/dealers. Those independent B/Ds strike marketing agreements with the company in exchange for getting their reps discounts of 15% off the retail price of \$590 for an initial license and the \$590 annual maintenance fee. Only about 5% of its licensees are "retail" buyers, individual advisors who buy their own license.

This goal-oriented plan software is integrated with Ibbotson Associates asset allocation modules that cost \$200 and Forefield Inc. content that explains a wide range of financial planning topics. While 95% of the users are on the desktop version, it is available to enterprises in a Web-based application.

In addition to panel members Abar, Jacobs, and Kindel, participating in our tour of Forecaster was Matthew Bready, of B-Ready Outsourcing Solutions, Inc. (www.b-readysolutions.com/) in Davidson, North Carolina, which provides virtual back-office outsourcing services to advisors. Also taking Forecaster for a spin were Christopher Parr, a CFP with Financial Advantage Inc. in Columbia, Maryland, and Mark Grenader, a JD and CPA with Investec Advisory Group in Houston.

On the same scale of one to 10, one reviewer gave Forecaster a score of 10, one scored it an eight, three reviewers gave it a four, and one gave it a three.

"I don't see that it has any negatives, other than the fact that it is not comprehensive," says Jacobs. "But it's not designed to be comprehensive."

"This is an extremely slick product," says Abar. "It gives brokers a simple profiling program with drill-down capabilities that give it the power of a high-end planning application. Any broker in the country can use it."

Which may be why the practicing CFPs were less enthusiastic. "It's superficial," says Kindel. "For salespeople, it would be a quick way to appear as though they are concerned about someone's financial future."

For planners like Kindel, instant planning applications are scary. She likes the precision of a Monte Carlo simulation in a goal-oriented package because it can show you the probability of achieving your goals, a requirement in her mind for anyone who is doing goal-oriented planning. "Telling someone that if you save another \$50 a month you'll be able to retire at age 62 is misleading without doing a Monte Carlo simulation," says Kindel. But she concedes that if such clients would not otherwise see the need to save, then using the software can be a good thing.

Sales Tool or Planning Aid?

"If advisors use these products for illustrations when they meet prospects and then go and do a full-blown plan with a deeper application, then that's great," says Kindel, who scored IncomeMax an eight because its insurance features could help clients avert catastrophic financial events. "But in most cases, I think advisors will use these applications as sales tools and not follow through with the detailed work to generate a real plan, and that's kind of scary," she warns. Moreover, Kindel says, "these applications will continue to blur the lines between a planner who is truly capable and one who is just selling a product."

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