*Presentation:*Rethinking Monte Carlo Results for Better Client Conversations

*Presenter:*
Derek T. Tharp is a lead researcher at Kitces.com and an assistant professor of finance at the University of Southern Maine. Derek is also the founder of Conscious Capital, a financial planning firm located in Portland, Maine. Derek earned his Ph.D. in personal financial planning at Kansas State University. In addition to writing at Kitces.com, Derek regularly contributes to the wealth management section of the Wall Street Journal’s Experts Blog. His research has been published in academic journals such as the Journal of Retirement and Journal of Personal Finance.

*Session Description:*

The Monte Carlo analysis is a great financial planning tool, but it is not without its drawbacks. For instance, it is uni-dimensional, focusing only on the probability of success. And certainly, success is good, but the Monte Carlo does not ensure success nor does it tell a client what to do when the plan is no longer successful, which is the larger issue. Join us for this month’s webinar and learn how to adapt the Monte Carlo analysis, making it more useful and tangible for clients. Advisors will learn practical conversation tips and approaches for working with clients and begin to think about the Monte Carlo analysis in a new light.

*Learning Objectives:*

LO #1: Examine ideal triggers for adjusting client spending.

LO #2: Understand the influence of abstraction and why it matters to Monte Carlo analysis.

LO #3: Examine the dimensions (or lack thereof) of Monte Carlo analysis.

LO #4: Review how and examine how to best present results to clients.

LO #5: Understand how the ‘guardrails’ approach can be applied to Monte Carlo analysis and the tips for relaying that information to clients.

*Level of Complexity:*

CFP / IMCA: Intermediate

NASBA: Basic

*How hours are determined:*

Length of presentation – 50 minutes

*Topic Area(s):*

CFP: Retirement Savings and Income Planning

NASBA: Specialized Knowledge (Personal Financial Planning)

*Hour(s) of CE:*

-CFP: 1.0

IMCA Financial Planning: 1.0

IMCA Tax & Regulations: 0.0

IMCA Ethics: 0.0

NASBA (CPE/CE/CFP): 1.0

*Outline:*

* Perception & Abstraction – What your brain does and does not do… 10 min
* Functional Abstraction  5 min
* Issues with Monte Carlo Abstraction 5 min
* 50% Probability – What it really means 10 min
* Examples of Probability of Success 10 min
* Issues of Monte Carlo on Client Perception & Using Guardrails 10 min
* **Total:** **50 min**