

# Let financial planning make your difference

In support of the Improving Financial Awareness & Financial Literacy Campaign built around National Financial Literacy Month (April) and six month later during National Estate Planning Awareness Week (3rd week in October) the following estate planning article contains a very important message.

Unless you are lucky enough to win the lottery or receive a substantial inheritance, very few people can really attain and maintain financial security without forethought and a strategy—a financial plan.

The beginning of the year is always an excellent time to review and update your existing financial plans or start the process if you haven't done so yet.

The process of financial planning doesn't have to be intimidating or a difficult task. In simple terms, a financial plan is whatever strategy you set up for yourself and your family to meet your financial goals, needs, and obligations.

The most successful financial plans are personal in nature. They're based on your own goals, values and lifestyle choices; they even reflect your personality.

Are you aggressive by nature, or are you a risk avoider? Would you rather own stocks and bonds, than leveraged real estate or fine art? Do you like to



## CHECKLIST FOR AVOIDING PROCRASTINATION

Procrastination is the most common downfall of financial planning. Sometimes it's wise to wait until you have all the information you need or until the timing is right before taking action. But procrastination can cause serious financial problems, including missed opportunities, increased stress, and a cynical attitude about accomplishing anything.

Here are some basic reasons for procrastination:

- 1. Fear of Failure: "I know I won't do it right, so why start at all?"
- 2. Perfectionism: "What if I make a mistake?"
- 3. The Unknown: "I'm not sure what's involved, so where do I start?"

You can break the procrastination habit. Here are some suggestions for getting things done instead of putting them off:

- 1. Break big tasks into manageable parts.
- 2. Set priorities and do what needs to be done first.
- 3. Spend 20 minutes every day on your top -priority task.
- 4. Plan rewards for yourself as you complete each task.



rely on professional advisers or talk with a lot of people before making a decision, or do you prefer to do your own investigation and come to your own conclusions?

It's important that you understand the steps you'll need to take in putting together a winning strategy to reach and maintain your financial objectives, regardless of your goals or personality.

The subject matter of financial planning is very broad, and its areas of expertise overlap. Accountants, attorneys, bankers, financial planners, insurance agents, investment advisers, realtors, stock brokers, trust officers and others can act as financial advisers and planners. Each of them emphasizes a different aspect of your financial life. This is another reason financial plans can take many different forms.

Once you've defined your personal and financial goals, there are six major areas of personal finance that should be addressed in your planning:

- 1. Financial Independence & Retirement
- 2. Major Expenditures
- 3. Investments
- 4. Taxes
- 5. Insurance
- 6. Estate Planning

## WHY DEVELOP A FINANCIAL PLAN?

The economics of living today's are more complicated than in previous generations. The uncertainties of the job market, the lack of company sponsored retirement plans, the rising housing costs as well as college education, questions about the future of Social Security and other government programs, and the need to support yourself over a longer life span are real concerns.

Developing a comprehensive financial plan

will address your financial situation now while giving you a real sense of security for the future. It will also help you:

Determine what has to be done and achieved to realistically meet your financial goals.

Save time and money when working with financial advisers.

Recognize bad advice and avoid financial pitfalls.

You don't need to become a financial expert to create and carry out a solid financial plan. You do need to develop the assertiveness to ask questions and the willingness to listen until you understand the answers. And you must make the commitment to take appropriate timely actions.

## DON'T DELAY YOUR PLANNING

The need for financial planning is obvious, so why do so few people do it? Here are a few reasons:

- Unorganized finances
- Lack of financial knowledge
- Too much information and no system to process it
- Not enough time
- Procrastination
- Lack of goals as a motivating force

## SIX EASY STEPS TO YOUR FINANCIAL PLANNING

Comprehensive personal financial planning can seem complex and confusing, and if you don't know how to sort it all out, you may not even try. Armed with a systematic approach for addressing your planning, you'll be in the best position to progress toward meeting your goals.

First, you need to do some serious (and playful) thinking about your goals, both personal and



## TODAY'S THOUGHT

*"Planning is bringing the future into the present so that you can do something about it now."*

— Alan Lakein

financial.

Next, to simplify and clarify the process, use the following six-step system for analyzing and planning each area of your financial life. This approach will guide you in a logical progression toward establishing, understanding and meeting your goals:

**Step 1. Define Your Goals:** State your financial goals in writing as concisely and specifically as you can.

**Step 2. Gather & Organize Your Data:** Make sure your financial information is organized so that your current financial position is clear. If you've been working through the previous features in this series, you've already done this (refer to your Net Worth Statement and Cash Flow Planner). If not, do so as you address each of the six areas of personal finance.

**Step 3. Analyze Your Situation:** Look at your current financial position. Are you meeting your goals, or are you falling short?

**Step 4. Develop Your Strategies:** Identify plans that will help you achieve your goals in the most efficient manner.

**Step 5. Implement Your Plan:** This is your action step. Take definitive measures to achieve and maintain your goals.

**Step 6. Track & Monitor Your Progress:** Check your progress on a monthly, quarterly, semi-annual or annual basis, depending on which of the areas of your personal finances you are addressing.

Using this six-step approach to financial planning gives you a systematic process to effectively address your personal finances.



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**"Improving financial awareness  
& financial literacy"**

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FP-030116