



## WHAT IS FINANCIAL PLANNING?

Think of financial planning as a road map, a way to get from here to there in a designated time with the fewest detours and potholes. You undoubtedly have specific life goals, such as:

- A comfortable retirement
- College education for your children
- A business you want to start
- An estate you want to pass on to your family or charity
- A dream home you want to build

Personal financial planning helps you reach those goals through the development and proper management of your financial resources.

Financial planning is not a product...it is a process. You may use specific financial products, such as mutual funds or insurance, or other creative solutions such as wills and trusts, but only as a means to accomplish the goals you've established.



## WHAT IS THE FINANCIAL PLANNING PROCESS?

It is a series of steps taken to help you accomplish your goals. A qualified financial planner, such as a CERTIFIED FINANCIAL PLANNER™ professional, will first gather and analyze data about your income and expenses, taxes, insurance coverage, retirement plans, wills, trusts, investments and other information pertinent to your overall financial situation. The planner will then help you set realistic goals, identify key financial issues concerning those goals, and prepare a list of recommendations and alternative strategies for achieving those goals. Each strategy, from tax planning to investments, will be recommended in the context of other strategies to achieve the optimum overall results.

Once you've decided which recommendations to follow, the planner can help you implement those decisions. The last step in the financial planning process is to periodically review and, if necessary, revise the plan.

Financial planning is not a one-size-fits-all package. It is a set of goals and strategies tailored to meet your specific values, abilities and needs.



## ISN'T FINANCIAL PLANNING JUST FOR THE WEALTHY?

Financial planning isn't about "getting wealthy"—it's about helping you achieve your life's goals, whatever your level of affluence. Anyone who wants to take control of their financial life, make good financial decisions, and achieve financial independence can use financial planning.

Years ago, the financial life of the average family was relatively uncomplicated. People worked for the same company most of their lives, lived a few years in retirement on Social Security and their pension, and passed their modest estate on to their children. However, increased

longevity, changing demographics, and a more complex, dynamic financial world have changed all that. Financial planning is no longer a luxury, it is a necessity for most Americans.



## IS FINANCIAL PLANNING REALLY THAT IMPORTANT TODAY?

Consider these tough financial facts:

- Many retirees today will live 25 or more years in retirement, requiring far more in the way of financial management of resources to maintain a desired lifestyle.
- Social Security and company pensions no longer provide the majority of retirement funds for many people.
- Health care costs and college education expenses are rising significantly faster than the general inflation rate.
- Tax laws change almost annually.
- Downsizing companies no longer provide cradle-to-grave benefits or job security. The average American changes jobs seven times in a lifetime, and millions of Americans are self-employed. This demands new approaches toward savings, retirement, taxes and estate planning.
- With couples having children later in life, many are "sandwiched" between paying for college and helping their elderly parents while trying to save for their own retirement.



## HOW DO I KNOW IF I REALLY NEED FINANCIAL PLANNING?

Ask yourself the following questions:

- Do you feel you make good money yet have little to show for it?
- Are you confused about the vast array of investment options?
- Are you unclear about how your current investments are performing?
- Is the risk appropriate for the goals?
- Do they fit together in a well-defined portfolio that's likely to achieve your lifetime goals?
- Do you and your spouse differ over how to handle your money?
- Are you uncertain if you have the right kinds and amounts of insurance coverage?
- Have you created an estate plan? (If not, the state will do it for you, and you may not like it.)
- Do you feel you pay too much in taxes?
- Are you worried about not having enough money on which to retire?

If you answered yes to any or several of these questions, or if you have other similar concerns, a CFP® professional will be able to help you.



## HOW CAN FINANCIAL PLANNING BENEFIT ME?

It will give you a clear picture, perhaps for the first time, where you stand financially. Many families have no idea how much money they have in their estate, how they spend their money, or what they want their money to do for them.

Financial planning will provide direction and discipline. Without direction and discipline, people typically make impulsive, random decisions: they buy this insurance, invest in that hot asset, adopt the latest tax strategy. The pieces not only don't fit together, they may actually conflict with each other and compound the problem. Financial

planning integrates your assets with your goals and objectives. It will help you achieve your lifetime goals by motivating you to action.

Financial planning can give you peace of mind. Uncertainty about finances creates anxiety. Money is the most common cause of marital stress and divorce. If you know where you stand financially, where you're going, and how you're going to get there, you'll feel more confident about your financial situation, about yourself and about your relationships.



## HOW DOES FINANCIAL PLANNING WORK?

First, you and your financial planner identify and prioritize your life goals. What's realistic for your circumstances and what isn't? The planner will gather financial data, review your current cash flow, insurance policies and net worth, and then assess your investments, retirement needs, taxes and estate plan. With your goals and current resources in mind, the planner can design a personalized financial plan that can best help you reach your goals by making the most of the resources you have or can develop.

Then you can implement specific strategies to carry out the plan. This may include building an emergency fund, establishing a spending and savings plan, beginning an investment program or readjusting current investments, purchasing disability or long-term-care insurance, drafting a will, establishing a trust or developing a business succession plan.



## IS FINANCIAL PLANNING A ONE-TIME EFFORT?

Financial planning is a lifetime process. Once the plan is in place, it needs to be periodically reviewed and updated to meet changing circumstances. Financial situations and needs change over the years as children are born, people die, jobs are gained or lost, people marry or divorce, inheritances are received. Investment performance must be reviewed in light of the economy as a whole, the performance of your portfolio, and your changing needs. New tax laws may necessitate revamping part of your estate plan or income-tax strategies.



## DOES FINANCIAL PLANNING ALWAYS INVOLVE A BIG PLAN?

No. A CFP® professional can help you with any aspect of your financial planning needs. For example, if you want advice on how to roll over a qualified retirement plan or what investments to make for funding college education, a planner can address those specific needs.

What makes financial planning so effective is that it takes a systematic, holistic approach to whatever needs you have. It recognizes that each financial element of your life—investments, insurance, taxes, and so on—are interlinked. Specific needs will be addressed in the context of your overall financial picture.



## WHAT ARE COMMON FINANCIAL PLANNING MISTAKES TO AVOID?

**Failure to plan.** People often spend more time planning a summer vacation than they do their financial future. If you don't know where you're going, you could end up somewhere you don't want to be.

**Failure to implement a plan.** It's akin to plotting a route on the map and then driving in the opposite direction.

**Failure to begin planning early.** The sooner you start, the easier it is to achieve the goals you desire. Saving and investing especially work best if you can start early to allow your investments to grow through the power of compounding.

**Failure to organize financial records.** Records provide the benchmark for determining where you are and evaluating the progress you make.

**Failure to be informed and involved.** Ask questions. Lack of knowledge and involvement are what scam artists count on.



## CAN I DO MY OWN FINANCIAL PLANNING?

If you have the time and knowledge, and your financial situation is not too complicated, you may be able to do much of what needs to be done yourself. However, you should seriously consider hiring a CERTIFIED FINANCIAL PLANNER™ professional if:

- You have little or no experience financially
- You don't like numbers
- You don't have the inclination
- You don't have the time—usually the biggest obstacle for “do-it-yourselfers”
- You want an objective, outside perspective
- You have a complex financial life

Procrastination is the greatest enemy of financial independence, and using a planner will keep you on track. Some aspects of financial planning are too complex for most people, such as calculating how long your retirement capital will last or maximizing tax strategies. A good financial planner will work with other financial services professionals, such as stockbrokers, accountants and insurance agents, to coordinate their efforts with your overall financial needs.



## HOW DO I SELECT THE RIGHT FINANCIAL PLANNER FOR ME?

- Talk to a CFP® professional and make sure he or she is someone with whom you feel confident and comfortable.
- Ask friends or financial service professionals such as bankers, attorneys, or accountants for the names of CFP professionals.
- Ask for a brochure or, if the planner is a registered investment adviser, ask for federal Form ADV Part II. The brochure or Form ADV should disclose the planner's work experience, education, credentials, licenses, philosophy of business, types of services provided, manner of compensation and potential conflicts of interest.
- Find out if the planner is a specialist or a generalist.
- Look for work experience in related financial services such as accountancy or insurance.
- Look for professional affiliations with financial planning organizations, such as the Financial Planning Association, which indicates a strong commitment to provide competent and ethical advice.
- Ask for references from clients whose situations and objectives are similar to your own—and call them.



## HOW DO I KNOW IF A CFP PROFESSIONAL IS QUALIFIED TO HELP ME?

Not everyone who calls themselves a financial planner is a **CERTIFIED FINANCIAL PLANNER™** professional. To obtain the CFP certification, a person must study and demonstrate competency in six areas vital to comprehensive financial planning, including insurance, retirement, investments, and estate planning by successfully completing the CFP™ Certification Examination. The emphasis of the educational program is the interrelationship of the financial areas and the need for an objective analysis of a client's circumstances and goals. The CFP professional must also meet educational, work experience and ethical standards to maintain the right to use the CFP mark.

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