

Financial Planning by Douglas Goldstein

When was the last time you really looked at your finances? Not just your current income and expenses, but also where you might be, financially, in 10, 20 or even 50 years? Will you have enough money to meet your goals? Some people think of financial planning as something you only need to do in preparation for your golden years. The fact is with people leaving the work force earlier and living longer than ever before, you could easily spend more than 30 years in retirement. Additionally, you may have significant expenses long before your final paycheck. In Israel, many parents help their children with wedding and apartment costs. And during this same period often find themselves providing support for their own parents as well. You don't want to put off financial planning until later. The earlier you think seriously about your financial goals, and get a clearer picture of your financial situation and your future, the better.

What do you have? What do you need?

The first step is to take a complete look at what you have, and what you need. What are your current assets? Stocks, bonds, CDs, cash, bank deposits, real estate, etc. What is your current income? Do you expect to earn at least that amount until you retire? How much do you save? Is it in a tax-deferred, tax-exempt or taxable savings plan? Do you have outstanding loans? A mortgage? Do you plan to buy a new car? An apartment? Weddings for your children? Health expenses? How long until you retire? What will your living expenses be during retirement? A financial plan takes all of these factors (and more) into consideration.

How to get there

Good financial planning takes a conservative approach to projected income and return on investments, and a realistic view of current and future expenses. A financial plan should not be based on hopes of pie-in-the sky returns or on winning the lottery. By checking your investment strategy against historical economic performance you can get a sense of how the market's ups and downs can affect you. Unfortunately, since the past doesn't prove what will happen in the future, this analysis is only part of the answer.

Sometimes, you may find that your current strategy will probably not provide sufficient funds to meet your goals. Then you may need to make some changes. One approach is to change the type of investments you hold. You may need to assume greater risk to insure a greater return. Or, you may also find that your current investments expose you to too much risk. Perhaps your economic goals can be met with more secure holdings. Why take *more* risk than you need to? Sometimes a change in investment strategy is not sufficient and you need to reduce spending and begin to save more. A small amount of money set aside each month can make a significant difference later on. At other times, future plans

may require alteration. If you planned on retiring at 60, it may be necessary to work until 65. Can you afford to pay that much towards each child's apartment? Would it be better to sell your apartment and rent during retirement? Financial planning helps you set priorities.

Change

A financial plan needs to be updated regularly. You may change jobs, marry, have children, retire. At different stages in your life, you will have different financial needs and obligations. The investment strategy that made sense for you 10 or 15 years ago may require significant revisions as you get closer to retirement. All investments combine the three factors of risk, return, and liquidity. At some points, you may be better off with your money in long-term investments, while at other times you will need greater access to your money. If you have invested money you will not need to use for many years, you may be able to allow for the greater fluctuations of the stock market, and focus on the average overall return over an extended period of time. Once you are withdrawing funds, fluctuations in return can have a serious impact on your financial situation. If retirement is imminent or you are already retired, you may need to focus on more conservative investments such as CD's and bonds.

A financial planner can help you create a personalized plan that takes into consideration where you are right now, and where you are going. No one has a crystal ball, and there are no guarantees. But proper financial planning can give you an excellent idea of future possibilities.

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