

# Planning *to Plan*

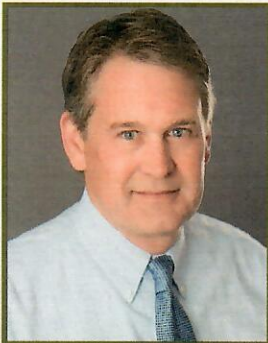
By Erik Ford I am using my first contribution to *Glen Ellyn Living* to emphasize the critical first step in the financial planning process. This step doesn't even need the help of a professional planner. The step is preparation.

As a financial planning professional, I see the benefits of having a financial plan every day. It provides the basis for all financial decisions that follow. Conversely, without a plan, these decisions are made with more guesswork than confidence. The key to developing an effective plan with a financial professional is to set down your goals and, if applicable, agree to them with your partner. More times than not, when an individual or couple sit down with a professional, they do not have a clear picture of what they are striving for, let alone agree with their partner. This may sound basic, but we all live busy lives with career and job pressures, kids and their activities and perhaps other family obligations



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or concerns. Time passes quickly and before we know it college applications are being sent out and retirement is no longer a concept in the distance.

The earlier a plan is created and implemented, the higher the chance for success. Having a plan establishes a goal or goals and facilitates creating a framework to reach those goals. It provides guidelines to focus on the risk you are willing to take with your investments and if that risk level will allow you to reach your goals, and if not, where adjustments may be addressed.

Setting out with a plan also helps overcome the biggest obstacle to our financial success, which is our own behavior. By laying out a long-term plan, the short-term bumps in the road may be put in perspective and we are deterred from making reactionary decisions that may have negative long-term consequences.

So, what makes for essential plan preparation? First and foremost, spend time asking yourself and your partner some direct questions. How long you want to work? Do you want to just stop

someday or gradually ease out? Perhaps you want to make a late career change prior to retirement. Where would you like to live and what do you want to live on, i.e. lifestyle? How well do you know your current expenses? Do you expect to face college expenses? Do you want to travel? Where do you think your kids may live and will that be a factor? Do you have health concerns or the possibility of caring for a parent or special needs child? These are not easy questions. As a couple, you and your partner may not come to complete agreement, but the conversation will bring you closer together around your goals. The answers may not remain static over time but neither does your plan have to remain unchanged. However, having the target of a plan in front of you gives you context to evaluate risk, savings rates and how realistic your aspirations are.

Life insurance needs are also a critical consideration for planning that may be difficult to wrap your mind around. Besides considering your own demise, or that of your spouse or both of you, figuring out how much coverage is enough can be difficult to pin down. The approach we suggest is to not focus on the amount, but the “what.” What is it you want to happen if you are gone, your spouse is gone or both of you are gone? Defining the “what” should allow

for a more straightforward determination of the amount and structure for your coverage.

No one wants to find out their financial goals are unreachable when there is not enough time to alter course. Not wanting to hear bad news is not a good reason to avoid asking critical questions. Time is your friend when it comes to accumulating wealth and the sooner you can define your target the better for you and your future. Looking at all of this in totality can be daunting but taking these questions one at a time will eventually paint the picture you hope to finish.

A final word on working with a professional. One of the most important factors is compatibility. Yes, experience, certifications and cost are important, but the professional you work with will be a partner with you for this important journey, it should be someone that you like and trust.

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