

Financial Planning: The Big Picture

Life-Cycle Planning

If you haven't decided where you're going, how can you plan to get there?

George Kinder's Three Big Questions {Google: George Kinder 3 questions}

How would you live your life if you had plenty of money?

What would you change if you only had 5 years left to live?

What would you most regret not doing if time's up?

Challenge: Accumulate savings during working years to support retirement

Consumption smoothing can be complicated.

Single → Married → Mortgage → Kids → College → Empty nest → Travel → Health care

Potential train wrecks: Disability, premature death, longevity risk, long term care, etc.

Five pillars of financial planning: Investing, Retirement planning, Taxes, Insurance, Estate planning

Bottom line: An investment plan is easy. A financial plan is more complex.

Being your own planner is fine provided ...

... you understand what you are doing and are comfortable with the concepts:

Time value of money, Modern portfolio theory, Efficient market hypothesis,

Retirement plans, Safe withdrawal rates, RMDs, Tax diversification, TRJA of 2017,

Annuities, Long term care, Social security, Medicare, Estate planning documents, etc.

... you have the time to do it yourself, and you enjoy doing it yourself.

Remember you may not need a financial planner, but your dependents/trustee/POA may.

Harold Pollack's financial plan on an index card {Google: Harold Pollack index card}

It's not rocket science! Nine simple rules to live by.

What a good financial planner can do to help you

Work with you to set realistic goals and a path to get there

Generate a retirement plan

Manage your investment portfolio

Optimize your multi-year tax strategy

Review your insurance coverage

Review your estate planning documents

etc., etc., etc.

How is a planner paid?

Fee only: The fiduciary standard. "Investment adviser" = RIA. www.fpanet.org www.napfa.org

Certified Financial Planner (CFP) is pledged to act in your "best interest" at all times

Must disclose all conflicts of interest. Fees: Hourly, Fixed fee, Percent of AUM

Commission: Some "financial planners" are merely salesmen working on commission

"Broker" = Registered rep; Only required to sell you a "suitable" product.

Hybrid or Fee-based: Fee plus commission; Need to switch between fiduciary/suitable hats!

Hiring a planner

Define specifically where you want help

Interview at least 3 planners. Most give you 30 to 60 minutes free to confirm a good fit.

Remember, it's only money!

There's so much more to financial planning than spreadsheets covered with \$ signs.

Next month, October 10th, 2018

Investing...I Investing process, Modern portfolio theory, Building a diversified portfolio.

My email: fred.svaaii@gmail.com

Chapter website: www.siliconvalleyaaii.org