

The Financial Planning Process

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In this increasingly volatile market, most people want to make sure that their financial house is in order. For many individuals, this is accomplished by creating a financial plan. However, it is important to understand the process involved in financial planning before embarking on this important journey.

The first time you start putting some structure to your finances, you may be unsure about the process. However, with a little bit of insight into how financial planning works, you will be able to make the entire process a productive one. Here is a brief guide that will help shed some light on what you should expect.

The first step in the financial planning process is determining your goals and objectives. What short-term and long-term financial goals do you have? Are you primarily investing for a comfortable retirement, or is saving for your child's education your most important goal? Do you want to minimize the effect of estate taxes or simplify the process of settling your estate?

These are the types of questions that can help you formulate your goals. A financial professional will typically ask you probing questions that will get you thinking about your goals and objectives. They should also help you to identify clear objectives and recommend strategies you can use to attain your goals.

Once you have established some goals, you need to determine where you stand financially. Gathering the necessary financial information can be a daunting task. Right from the start your biggest problem may be figuring out what information is relevant to the development of your financial plan. Your financial professional can help you sift through the various documents and account statements and help you determine your current financial situation. In addition, many financial professionals will have you complete a survey or financial inventory prior to the financial planning session in order to get more organized and help determine your goals and objectives.

This is a good time to ask a few questions of your advisor to make sure that he or she is working with your best interests in mind. In order to do this, I believe it is important to understand how your advisor is compensated and evaluate any potential for conflicts of interest.

You would typically know, even prior to the initial meeting, whether your advisor is compensated on a commission or fee basis. However, if you are unsure you should ask the question. Generally, we recommend that you work with a fee-only advisor rather than one who is paid a commission based on the products he or she sells. A fee-only advisor is compensated only by his or her clients and this allows the advisor to remain focused on their client's goals and objectives. It can be difficult for a commission-based advisor to

keep your goals as their number one priority when they may also be thinking about which product will pay them the highest commission.

After your financial situation has been reviewed, it is time to establish a course of action for achieving your goals. A typical financial plan may cover some or all of the following financial planning topics depending on your situation:

- Overview of your individual goals and objectives
- Estate planning needs
- Insurance needs
- Tax strategies
- Investment recommendations
- Specific saving/investment goals (retirement, college education, etc.)
- Income or cash-flow planning
- Debt consolidation or home refinancing
- Ideas for implementing your plan in a cost effective and efficient manner

After you have reviewed your financial plan, it is time to implement the plan to help you reach your goals. This can involve a number of things such as purchasing securities, reallocating existing investments, increasing insurance coverage, establishing a regular monthly savings program or drafting an estate plan.

Here again, you should review the costs involved in making changes to your financial situation and investments. We believe that no-load mutual funds are one of the best investment vehicles to use because you avoid sales charges and these funds generally have lower fees than funds with a commission. If your advisor is not charging you an hourly or fixed fee of some kind, there are usually commissions involved in the products they sell. It is important to understand all of the costs involved and the prospectus is usually the best source for this kind of information.

Any commission-based broker that tells you there is no sales charge built into the products he or she sells is probably not telling you the whole story. All investments have fees on some level or another. If your advisor is unwilling to discuss costs or is evasive in this regard, there is no reason you should invest with that advisor. Sometimes the best investment is the one you walk away from.

Procrastination can easily sidetrack the best-laid plans. If you are unsure about the best way to implement your financial plan, you should contact your financial advisor. Sometimes recommendations may not be as clear as you would like or you may need some reassurance that now is the best time to move forward with change.

After your financial plan is set into motion it is important for you and your financial professional to periodically review your affairs. It is likely that your needs and goals will change over time. Thus, an ongoing periodic reevaluation of your finances will help you ensure that your plan is up-to-date and working towards meeting your long-term goals and objectives.

If you would like to learn more about our services and how we can help you develop a financial plan, please visit the services section of our website.