

7 Steps to Effective FINANCIAL PLANNING

START

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Some of life's most valuable insights are things that few people ever consider.



Today we are going to discuss 7 keys to effective financial planning. However, we are not going to focus on the things that most financial planners and financial media talk about. Rather, let's talk about the behaviors that we have actually observed from some of the most financially successful people that we have had the opportunity to work with over the years.

Small Things Matter in Large Ways Over Time

- Incremental savings,
- budget reductions,
- personal benchmarking,
- CC rewards programs
- Starbucks style expenses

7 STEPS OF EFFECTIVE PLANNING



If you compound small savings or incremental income for a long period of time, the ultimate value can be quite significant

Its not what you *Make*, its
what you get to *Keep*

Most people don't give enough
thought to the impact that tax
efficient decisions.

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In the Beginning

The power of maintaining a day to day focus on making tax smart decisions has incredible compounding power if you choose to save or invest the money you would have otherwise given to Uncle Sam by making choices that save you money on taxes.

Examples include –

Choosing to invest in employer pre tax saving plan versus saving in a taxable after tax account

Keeping good records on items donated to charity and use your Schedule A exemptions

Being mindful where marginal tax brackets change and defer enough income to stay under next threshold annually

Stay familiar with income tax incentives available to your family and use them

Don't take money from qualified accounts unless you actually need to spend the money

RISK is Unavoidable, but Necessary

With modern day Federal Reserve policies, it is nearly impossible to grow money safely.

Rather than avoid risk, seek to understand how to manage risk so that you can attempt to grow your nest egg.

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Don't follow the Crowd.

Most people end up broke.

All sorts of media outlets and financial pundits have a plan for us to become “financially secure.”

There is a reason that most people never actually get there

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In the Beginning

Some of the reasons include –

Lack of focus on the goal,

Lack of discipline to always save part of what you we make,

People try to use investments as emergency money- does not work,

People don't track their spending and savings so they cannot hold themselves accountable for their financial behavior,

Some people take risks that they cannot afford to take and destroy wealth when the bet does not pay off,

Most people don't start saving early enough to enjoy compounding (time value of money),

It only takes one bad decisions to negate hundreds of good ones,

People quit on themselves and their goals

Always Keep Some “Dry Powder”

None of us know exactly when
mayhem will strike.
Maintaining an emergency fund
is the only way to protect
yourself.

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Manage the Grind

Maintaining adequate savings for surprise expenses is a critical component to effective planning as none of us can accurately predict or forecast ever expense that lies in front of us.

Our Biggest Threat to
Future Financial
Security is
INFLATION

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Manage the Grind

It is silent, and it can be severe. Most people have a very hard time estimating the erosion of their spending power due to inflation. In every aspect of your financial plan, properly assessing the impact of inflation is a key ingredient.

Don't let Kids' Future Destroy Yours

People love their children so much, they rob their, retirement savings to provide for them.

It's important to remember there is no such thing as a "retirement loan". What happens to you when the well runs dry?

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Manage the Grind

When people take large withdrawals from their savings (that have been put away to provide for themselves when they can no longer earn a living), essentially that becomes a bet that the investment in the children will produce kids that are willing and able to take care of you when you run out of resources.

This is not necessarily a terrible thing and many families/cultures value that process. However, the problem is that many people make the decisions to raid their nest egg without realizing that they may be forcing themselves to depend on their kids to one day take care of them.



Final Thoughts

There are many mainstream financial planning strategies that can be helpful. But most people fail to achieve financial independence.

The little things really matter over time.

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Thank you for joining us.