

Personal Financial Planning: Not Just for the Rich

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Do you picture yourself putting your children through college, creating a trust to protect your family, and being able to retire on a schedule that allows you to enjoy your retirement? These are a few of the financial goals that may be important to you, and each comes with a price tag attached.

That's where personal financial planning comes in.

What is personal financial planning?

Personal financial planning is a process to help you reach your goals by evaluating your entire financial picture then outlining strategies tailored to your individual needs and available resources.

Why is personal financial planning important?

A comprehensive personal financial plan serves as a framework for organizing and balancing the pieces of your financial picture. With a personal financial plan in place, you'll be better able to focus on your goals, understand what it will take to reach them, and how they are related to one another. For example, how does saving for your children's college education impact your ability to save for retirement? Knowing the answers to questions such as this can help you prioritize your goals, implement specific strategies, and choose suitable services. Best of all, you'll have the peace of mind that comes from knowing that your financial life is planned and on track.

What is typically covered in a personal financial plan?

Your personal financial plan addresses the following:

- Financial independence
- Liquidity needs
- Tax efficiencies
- Risk management and asset protection

How do I create and preserve financial independence?

The uncertainty of the future, including market changes, the impact of inflation, Social Security, and the increasing costs of health

care has never been greater. Retirement can create fear and emotional insecurity. For many, this fear is driven by not knowing their complete financial picture.

The personal financial planning process can help minimize this insecurity by allowing you to set financial boundaries and offering direction on lifestyle spending and goal funding. Knowing you are on the right track for funding your retirement goals is invaluable when making pre-retirement spending choices. If you are not on track to meet your goals, the plan recommendations will give you guidance on what adjustments are necessary. Knowing this before retirement will allow you a much better opportunity to reach all of your goals.

What are my liquidity needs?

Having sufficient net worth to provide for retirement does not necessarily mean those funds will be available when you need them. A cash flow analysis can show you how to match your investments with your income needs to cover your expenses. Investing in a diversified manner within various asset classes can provide the necessary cash flow for liquidity during market cycles and help prevent non-liquid investments from being sold at an inopportune time. Finding the proper balance between your current liquidity needs and long-term investment require-

ments is a fundamental goal for your personal financial plan.

How can I maximize tax efficiencies?

There is a balance between the need to reduce taxes and the desire to increase income, which can, increase taxes. Personal financial planning considers the benefits of deferring taxable income into the future and/or accelerating tax deductions to offset current income.

Some assets are more tax efficient than others. Allocating assets to take advantage of efficiencies and individual circumstances are accomplished through a personal financial plan.

How can I minimize risk?

Accumulated assets are prematurely depleted when certain events occur. Knowing you are financially prepared can provide

you with some security. A financial plan includes an analysis of property and casualty insurance, life insurance, disability insurance, umbrella insurance, and an analysis of projected long-term care expense needs.

Determining the types and amounts of insurance needed is a complex and personal process. It should be considered in conjunction with estate planning, business planning, and personal financial planning. Your insurance planning should occur through a coordinated dialogue between your CPA, personal financial planner, attorney, and insurance advisor.

What can you do?


Most people spend little or no time setting goals or planning for their future. Procrastination is the single biggest factor in why people do

not have a personal financial plan. Ego or overconfidence is the second major contributor and the third reason is many people believe financial planning is only for the rich.

It is recommended you engage a financial planner who is a CFP certificand and develop a customized personal financial plan that fits your goals and objectives.

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