

Essential Planning Reflection

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For many people, this time of year brings up reasons for reflection. From a personal standpoint, your children or grandchildren may be wrapping up another school year soon, and it makes you think about their progress and their path. From a financial standpoint, it is likely that you just finished and filed your taxes. All of your financial information was out at one time to get to your tax preparer and in a way, it forced you to think about how different things look than one year ago.

Reflection for the sake of nostalgia can be fun. Taking time to remember rewarding events is a nice activity to share with friend and family alike. Reflection for the sake of improvement is a valuable tool. This quality can make us valuable employees, bosses, family members, and friends. It can help us improve as individuals throughout our lives.

Reflection during the financial planning process is part of an ongoing review. No advisor of any worth would suggest that things will stay the same throughout your life. The world doesn't "set it and forget it." The value of an advisor to a great extent lies in helping one reflect on the right subjects and concepts over time.

If you want to spend time on some financial reflection at this point in the year, allow me to suggest these three questions:

Question 1: Am I doing enough?

The only way to be sure of your answer is to know why you are doing what you are doing. Your "why" is specific and quantified goals. "I want to be loaded," is aspirational, but it is not a measurable goal. "I want to be secure," is a good thing to shoot for, but it is not a measurable goal. A financial goal is quantified in terms of Time and Money; when do you want something and how much do you want? Properly applying inputs and assumptions will tell you whether you are doing enough. If you have not stated this in a formal way, you should. The next step is a projection to see if you are on track. Don't be afraid of the answer. Avoiding it won't help and the sooner you know, the sooner you can make a difference. A qualified advisor can help.

Questions 2: Am I doing the right things?

Each person's situation is different and therefore, what is "right" can be different. Successful financial planning is the culmination of stacking together good decisions over many years in the face of changes and uncertainty over time. It is not the result of one great action or decision, nor is it doing what your neighbor or friend does. Taking stock of all of your options and assessing what is right for you is a great exercise in reflection each year.

FINANCIAL REFLECTION

Reflection during the financial planning process is part of an ongoing review. Consider these three questions:



Question 3: What are my options if I'm off track?

If you haven't answered questions 1 and 2, you have no idea what the answer to question 3 is. The earlier one knows they are off-track or short for a goal, the better chance they have to adjust. I would suggest you have four options:

- ▶ Reduce your goal
- ▶ Prolong time until the goal
- ▶ Save more toward the goal
- ▶ Get more aggressive

A combination of these four usually works best. And remember, there are tradeoffs with other goals, so deciding your priorities is a must.

Bonus Question: Why is your money invested as it is right now?

You are ultimately responsible for your own financial success, but no one said you had to figure it out alone. A qualified advisor can help you reflect on these questions for your own personal benefit.



If you would like to discuss the subject matter in this article or any question related to your financial planning, please contact David Jeter at djeter@alleghenyfinancial.com or 412.536.8012.