Managing Your Financial Life Well: Things to Do and Things to Avoid (Part 2)

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Two months ago I wrote about key areas to help “Manage a Financial Life Well” in the face of the overwhelming volume of financial information and advice. Some examples I mentioned included having sufficient life/disability insurance, calculating how to best fund long-term care and how to make some smart investment decisions (this last topic is worthy of a number of articles on its own).

When I spoke at the Bernards Township Library recently on the subject of “Managing a Financial Life Well,” I asked the audience to provide examples of a well-managed financial life. Here are some of their answers:

1. To avoiding becoming a financial burden to my child/children.
2. When to say “yes” (or “no”) regarding funding aging parents and/or adult children.
3. Minimizing the risk of outliving my assets.
4. Making smart choices about my assets if I’m starting over again (e.g. after a divorce)
5. How to avoid wiping out my retirement savings if I need long-term care.
6. Consulting the right professionals to avoid huge financial mistake(s) I can’t recover from
7. Providing help to my adult children now and in my estate, since it’s harder to get ahead in our economy than it used to be
8. To be free of financial worry
9. To have financial security, so I can do things that make

life worth living
10. To retire when I want to retire, so I have time to devote to family or charity.

Addressing these concerns – and wishes – go to the heart of the financial planning process. If you have a financial plan, you'll understand why I said that. When I write financial plans for my clients, I'm working to empower them so they know they can spend time and resources that make their lives more meaningful. Addressing these issues and concerns go far beyond the services a broker typically provides when he/she manages your investments; outsourcing investment management to a professional is a good start but it doesn't look at the whole picture: "Will you have enough money to cover what you want to do in life, and avoid outliving your assets?"

A solid financial plan helps you reduce these worries and expand upon goals (e.g. being free of financial worry). While you're alive, you want to insure you make smart choices about your money and you don't put your financial well-being at risk. While you're alive, it's about enjoying your life – as much as possible – free of financial worry. And when you're gone, it may be about passing assets on to the next generation(s), so they can gain a financial foothold. Or it may be about passing assets on to a worthwhile charity/ies. A good financial plan will show you how much you can afford to help family members without weakening your own retirement needs. A good financial plan can project the cost of potential long-term care and help you decide if you can afford to cover this out-of-pocket, or if long-term care insurance is a better solution. A meaningful financial plan will chart the cost of all your financial goals – from the roof over your head to the things that make life meaningful (charitable giving, travel, funding college for grandchildren, etc.). A solid financial plan will take on board estate planning needs, create a model investment portfolio to fund financial goals and analyze the tax effect of holding certain assets in taxable or taxdeferred accounts. An accountant who does your taxes, an estate attorney and an insurance agent alone can’t – and typically doesn’t – answer these questions. An ideal financial plan pulls together all elements of a financial life and it adjusts over time as your needs and conditions change.

Your biggest financial decision may be selecting the professionals who will work together on your behalf to further your financial plan goals and needs. ***A team that has a fiduciary obligation to you is key***. If they are fiduciaries, they have an obligation to put your needs before their own. It’s harder for a broker or advisor to be a fiduciary if he or she sells products to clients on commission. Don’t confuse “fee only” with “fee based” – the latter type of advisor sells products on commission but also can charge a percentage of assets managed. Even the media confuses the two terms so caveat emptor (buyer beware)!