The Ten Commandments for Strong Financial Health

Here are the Ten Commandments for achieving strong financial health.

The Ten Commandments:

1. KNOW HOW IS YOUR ADVISOR IS PAID. *It really does matter* because the quality and kind of advice you receive is a result of how your advisor is paid. **The best model for receiving investment and financial planning advice is the Fee-Only Advisor model because this kind of advisor has a Fiduciary obligation to put your needs first.** Other types of advisors and brokers do not necessarily need to put your needs before their own.
2. IT’S NEVER TOO LATE TO PLAN. It’s never too late to benefit from a financial health assessment or “tune-up.” Financial needs change over time so it’s good to have an ongoing relationship with an advisor who knows you.
3. USE A FINANCIAL PLANNER FOR FAMILY MONEY ISSUES. Sometimes you need an impartial non-family member (an advisor) to sort financial planning issues before things get out of hand.
4. HAVE YOUR ADVISOR COORDINATE YOUR ESTATE, INSURANCE AND TAX PROFESSIONALS. A good financial advisor will integrate/coordinate CPA, insurance agent and estate attorney strategies so they “flow as intended.” I’ve seen too many clients with incomplete trusts and incomplete insurance policies because an attorney or insurance agent dropped the ball and didn’t execute all of the steps (in this example: to fund a trust with an insurance policy).
5. SAVE AS MUCH AS YOU CAN. Americans aren’t saving enough for retirement – some are saving nothing for retirement. Social Security isn’t designed to cover up to 30 years

of retirement expenses!

6. DON’T LEAVE MONEY ON THE TABLE. If you have a retirement plan with a matching employer component, defer at least enough to receive your employer match. If you don’t have an employer match, it usually still makes sense to defer into an employer plan or to fund a Roth IRA (this is something to discuss with your advisor).
7. USE INSURANCE TO PROTECT YOU AND YOUR FAMILY. There are too many examples of families left in terrible financial shape because the primary breadwinner didn’t have enough (or any!) life or disability insurance. Other types of insurance also are important, such as long-term care insurance and liability insurance.
8. EMBRACE LOW-COST MUTUAL FUNDS AND AVOID STOCK PICKING. It’s impossible to pick “stock winners” on a consistent basis. Success is random and the person bragging at the cocktail party is omitting mention of all of the duds he/she also invested in. Investing in low cost mutual funds does a better job of helping your investments grow.
9. DON’T TIME MARKETS. What will markets do tomorrow? Next week? Next year? How many market forecasts were correct? Investors who try to time markets end up selling at the wrong time and buying back at the wrong time. To win long-term, stick out the inevitable volatility.
10. LIFE IS SHORT – FIND THE RIGHT ADVISOR *FOR YOU*. If you’re uncomfortable with your broker or advisor, find someone who won’t patronize you and who will listen to you. It’s your money. The best advisor will see your “big picture” and guide you to stronger financial health.