

PERSPECTIVES

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Financial planning

Financial planning is important – and well worth it!

By Sylvia Ellis, Senior Estate Planning Advisor

People make plans for vacation travel. They also create plans for home renovations, weddings and even shopping trips. Why is it, then, that most people don't have a plan for their most important long-term financial decisions?

It's partly because financial planning can be daunting. You have to integrate so many factors: income, spending, savings, assets, liabilities, risk tolerance, family situation, goals... The list is indeed lengthy. And for your financial plan to work, all of these need to fit and be coordinated with each other.

But it's well worth the effort. A good plan will help you:

- save enough money to invest to reach your goals
- eliminate, reduce and defer income taxes
- determine the right asset mix for you
- protect your family against financial losses from death, disability or serious illness
- make sure your estate is distributed according to your wishes.

Because financial planning can be complicated, it's only human nature to put it off. Or, if people do create a plan, many become overwhelmed by putting it into effect. They let the plan lapse and it becomes outdated. Meanwhile, taxes, inflation and the wrong investments are limiting or diminishing their wealth.

We've found that the easiest way to avoid being overwhelmed with planning is to break it down into manageable, bite-sized pieces. Don't try to do everything at once; focus on what's most important and urgent. And treat your financial plan as an ongoing process rather than a one-time event. That way, you can always make solid progress on a schedule and time-frame you can work with.

At The Stan Clark Financial Team, we use a four-step cycle:

Step 1: Clarify your situation and your goals

This is where we take the time to discover what you are about: family, work, needs, goals and dreams. As with taking a trip, you need to know where you are and where you want to go in order to figure out how to get there.

Step 2: Create a personal financial plan

Once we have a clear understanding of your situation and goals, the next step is to put numbers to everything. This will help you answer the basic questions, such as: When can I retire? How much retirement income will I need? What size estate will I leave my family? From here, we review all of your financial affairs and identify the top priorities for you to act on.

Step 3: Customize your investments to fit your plan

Your investments are a very important tool to help you achieve your life goals, so we need to get them on the right track as soon as possible. Together we review your plan and preferences and determine the strategies and guidelines we will use to manage your investment portfolio. We then monitor your portfolio, make necessary changes and report to you on a regular basis.

Step 4: Complete your financial action plans

Here we work through the priorities identified in your personal financial plan, on a schedule suitable to you.

Once we're finished, we go back to Step 1, review your situation and goals and start the process over again. We also do a "plan vs. actual" to see how you are progressing relative to your last plan. We recommend doing this every year or at least once every two years – or whenever your personal circumstances change significantly.

Planning helps avoid rushed, ill-considered and emotional decisions. Anything that's important to you deserves to be well-planned. This includes your finances! ■



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