

## **Maintaining Your Financial Plan**

**By Steven D. Meahan, CFP®**

I entered the financial services industry 29 years ago this month and one of the first things I learned was that people do not plan to fail, they just fail to plan. People fail to plan for a number of reasons. Procrastination is one that comes to mind. People tend to put off until tomorrow what they should have done today. Another reason people fail to plan is they have the gut feeling that everything is okay even though they cannot quantitatively verify their gut feelings.

Planning of any type takes effort. Financial planning is the process of meeting your life goals through proper management of your finances. You wouldn't venture off into an unknown country without a road map at your side would you? By the same token, it's not a good idea to forge a path into your financial future without some idea of where you're going. Just like the international traveler, you need to carry a map with you at all times, and refer to it often. That map is called your Financial Plan.

The financial planning process must continually seek to solve clearly identified lifetime and estate planning goals with objectively selected procedures and investment solutions.

For some people, their financial goal may be to accumulate additional wealth. To be a goal rather than just a wish it must be quantifiable and verifiable. For these people they need to determine how much additional wealth they need or want. Then they have to ask themselves over how many years do they have to accumulate this wealth? Then they have to monitor and compare their progress to their goal.

Many of the readers of this magazine are past this point in their financial lives and are more interested in how they can best preserve their wealth. Have you looked at how much it will cost you if you are in a nursing home for five years prior to dying? Why take on risky investments if you already have the required wealth to meet all of your financial goals?

Finally, there are those who have accumulated more than they believe they'll ever need. However, I have never met a wealthy person who didn't fear running out of money. Fortunately, most Certified Financial Planners have financial planning software that will allow them to run sophisticated cash flow projections to verify whether the client can provide for themselves throughout their lifetime and perhaps start a gifting program to benefit their children, grandchildren and their favorite charitable organizations.

Why work a lifetime and then die with so much surplus wealth that the government will take roughly 50% at your death? With proper financial planning you should be able to provide for yourselves and your heirs and leave as little for the government as possible.

Nothing lasts forever; certainly not a personal financial plan. If you have invested the time, effort and money needed to implement your financial plan, you definitely don't want changed circumstances to make your plan obsolete.

A lot of things can happen in life that makes it advisable for you to change one or more parts of your personal financial plan. When this happens, you'll need to carefully review all portions of the plan to see if they still represent what you want, what you need, and how to get there.

Remember, as bad as living with an outdated plan, dying with an outdated plan may be worse since your family may no longer be able to correct the problem and you won't be around to help.

### **Some changes in your financial life will have a direct monetary effect such as:**

1. The yield (interest, dividends, rents) on your investments increases or decreases.
2. You need (or want) to change the timing for attaining your goal.
3. The cost of your goal increases or decreases.

### **Then, there are changes that have an indirect monetary effect on your financial life such as:**

1. Tax law changes: both income and estate tax charges can have dramatic effects on your goal.
2. Business climate changes: Implementation of rent control in your area may cause you to want to sell your rental property and reposition your equity into a different town or state.

3. Personal family changes: People die and babies are born. In either case, you need to review your plan to see what impact they have on your plan.

You might be wondering whether or not it is cost effective to monitor your financial plan. I believe that a properly designed and monitored financial plan will make or save you far more money than it will ever cost you to monitor your plan.

I personally review my financial plan on an annual basis to see how my progress compares to my initial goal. If you have not done a financial plan, I would urge you to get one. If you have a financial plan already, be sure to keep your plan current with your goals and circumstances.

If you have a Living Trust, I would recommend that you check in with your attorney no less than once every five years or earlier if there have been any significant changes to your personal situation. If you don't have a Living Trust, even if you are single, I would recommend you get one, unless you just like having your estate pay an outrageous probate fee to some unknown attorney.

In summary, I encourage all of you to develop a financial plan and once the plan has been developed, monitor it on a periodic basis to make sure it will take you where you want to go.

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