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Planning, the Key to Your Financial Future

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Planning Ahead for Your Finances

With the number of savings strategies being publicized these days, you'd think that planning ahead for retirement would be a fairly simple job. To the contrary, however, many investors are finding themselves uncertain that they will be able to find a strategy that will allow them to build adequately to meet long-term financial goals.

In the "good old days", the picture seemed simpler - people ended their 30-year career with assurance that a pension and Social Security were waiting to provide them with a fairly comfortable retirement. Contrast this with today, when people are faced with reports of a wobbly future for the Social Security system and pessimistic stories about the stability of retirement plans (both privately funded and employer-sponsored plans).

Planning for your financial future doesn't have to be surrounded by mystery and perplexity. Accepting the planning challenge with realistic expectations and taking an overall long-term approach to finding investment solutions can help you immensely as you move toward attaining financial goals. This brochure highlights a few of the general principles and strategies which have traditionally been the foundation of sound financial planning; they are designed to help you weather the ups and downs of a changing economic climate.

Building Blocks of Financial Planning

Start Saving — the Sooner the Better!

Start investing and earning interest on your money as early in life as possible - the results are amazing. The classic example is the 25-year-old who invests $250 a month in an account at 8.5%, compounded monthly. By the time that 25-year-old reaches age 65, savings have mounted up to a million dollars! The key to that savings success was "regularity," investment of a specific amount on a specific schedule. Such discipline was rewarded with a good-sized nest egg!

But don't make the mistake of not beginning a savings program just because you're already over age 25.
Start one no matter what your stage is in life, and you'll be pleasantly surprised to see how your efforts can pay off after a just a few years of compound interest. ***It's never too late to start saving!***

Watch Your Investment Mix

Planning involves finding the right blend of investment choices - a concept called "asset allocation." Your blend should depend not only on the financial goals you have chosen but on your stage of life and your tolerance for risk. For example, a young person just starting out may consider investing a large portion of funds aggressively to get a higher return. As that person reaches retirement age, however, he/she would probably want to shift a bigger portion to something that offers greater security like bonds or government-insured savings.

Always Diversify

Diversification can help keep your portfolio on an even keel. It means spreading your investments over a broad range of investment media. Diversifying is wise no matter how much you invest - it adds balance to a portfolio by opening up the opportunity for stability for a gain in one market to counteract a downturn in another.

Remember Inflation Will Take a Toll

Plan your investment strategy with inflation in mind. Even when the inflation rate is low, it causes savings to lose purchasing power over a period of time. When you factor inflation into some so-called "safe" investments (which are usually low-yield), you may find that, over the long haul, the ones you thought were doing all right are really costing you more than you're gaining on them.

Consider Taxes

Don't forget tax planning as you look at investment strategies. Most invested funds will eventually lead to payment of taxes - e.g., those tax-deferred annuities, IRAs, etc., will eventually be withdrawn and become taxable. But even a small amount of planning can help you find every legal way possible to lower Uncle Sam's bite from your hard-earned money!

What's Your Risk Tolerance?

It's a fact of life that some investments are much more risky than others. When you begin your financial planning, you need to come to terms with your risk comfort level. Naturally, you don't want your investments to keep you awake nights while you worry about what's going to happen to them tomorrow. If you're worried about risk, your goal should be finding that "comfort zone" that will allow growth without a high degree of volatility.

Some people, for example, aren't comfortable with stock funds where values can fluctuate quite widely in the short-term - yet these funds may offer a good deal of potential for growth over time.

The Plan Should Be Adjustable

Changing circumstances are also a certainty! Your financial plan may need to be adjusted somewhat when your situation is changed by events like:

- Marriage;
- Divorce;
- A birth or death in the family;
- A job change;
- Entry into a new business;
- A home purchase or sale; or
- Retirement.

Beware of locking up funds permanently - leave room in any plan for some flexibility that allows you to maneuver and switch investment vehicles if necessary.