

MAKING CENTS

A FLIGHT PLAN FOR YOUR FINANCES

-John P. Napolitano, CFP®, CPA, PFS, MST, RLP®



Sometimes I wonder if the expectations of a financial plan are unrealistic. Investors should not feel that a financial plan or hiring a financial planner is going to be the silver bullet that fixes all things.

A financial plan is more akin to a flight plan than a magic bullet. A flight plan uses the current conditions and facts to chart out what may be the best route to arrive safely at your desired destination. The only part of the plan that is cast in stone, however, is the destination. How you get there may vary significantly based on wind, weather or traffic.

In a financial plan, the most important part is your desired destination. For most seeking guidance, there will be several destinations. Some short-term plans may be to better allocate your portfolio or to have a discussion about whether a Roth conversion makes sense for you. But your plan may also have a bunch of longer-term objectives. These could include having enough money to live your desired lifestyle forever and making sure that your estate flows smoothly to the next generation with minimal interruption from probate and death taxes.

And just like that flight plan, things begin to happen immediately to your financial plan that

may require a change of course. The 2008 market meltdown, for example, caused people to either rethink their plans or to make a mid-course adjustment to get out of harm's way.

This year, the focus may be moved to taxation or health care. We know that Congress plans to do something to the current laws regarding estate planning. This puts some wealthy families in a precarious position regarding what to do next. There have been strong winds in Washington for a couple of years now regarding what type of fixes may be offered, but nothing concrete has happened yet.

The financial planning process is a lot more than a few meetings with a planner, lawyer or insurance agent. This process is basically a lifetime commitment to adapt your plan to an ever-changing set of circumstances. Some changes will be brought about because of health or lifestyle preferences. But many of the changes that will impact you will come with no warning and change on a continuous basis. The only guarantee that any financial planner can give you is that things will change, so be ready to adapt.

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