



# Focus on Financial Planning!

October 1-7, 2007 is the Financial Planning Association's "National Financial Planning Week™". While not all financial advisors are members of the Financial Planning Association, the goal of increased awareness of the benefits of building a personal financial plan are worth discussing.

## Why is planning important?

A wise planner once said that the most important piece of a puzzle is not what first comes to mind; the edge piece. He was of the opinion that the most important piece to have readily available is the picture on the box. This is precisely where the importance of working with a trusted financial professional to build a plan is relevant. The process of developing a comprehensive financial plan helps to reveal the 'picture on the box' of your unique goals, objectives and needs. Experts across several industries and economies agree that the key to success lies in the vision of the future and the plan of action to make it happen.

Remember the cliché, "failure to plan is planning to fail"? This does not mean that those who do not plan will fail, rather we are saying that those who take the time to work with a professional will know what needs to be done today in order to be prepared for tomorrow.

## Who should prepare a financial plan for you?

There are many firms and individuals that offer financial planning services. Certified Financial Planners™ have earned their certification by completing educational courses that focus on the many aspects of a sound financial plan. Some financial or investment advisors also have training and experience in the area of financial planning, and are skilled in the details of investment options and strategies to meet your goals.

Other professionals that you may wish to consult with for specific areas of expertise are accountants, tax attorneys or estate planning attorneys.

A good rule of thumb is to ask your trusted financial professional if

they are willing to work as a team with you and other experts if the need arises (for instance, an estate or tax attorney for more complicated issues related to your situation).

## What is the process?

First, to see the picture on the box. This is considered the "snap-shot" of your current situation. Be prepared to reveal your income, expenses, savings, retirement funds and any other details relevant to your life in the present. Next, a good planner will spend a great amount of time *listening* to your goals, dreams, fears and hopes for the future.

Once all the details have been collected, the planner will take your "snap-shot" and convert it to a "video" of the future. With the use of sophisticated tools and strategy options, you and your planner are now prepared to make decisions on which strategies should be implemented in order to help reach your goals.

## Goals to Consider for your Plan

- Education Funding
- Saving for Retirement
- Emergency Cash
- Insurance; Life, Health, Disability & Long-Term Care
- Estate Issues
- Retirement Income
- Investment Portfolios
- Inflation & Taxes



*Do you have a clear picture of your financial 'puzzle'?*

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### **Orchestrating Your Long-Term Financial Success**

*"Many otherwise intelligent adults save for retirement the same way they studied for exams: Wait until the last moment and cram."*

*-Carolina Edwards*

**Make a commitment this month to build your first Financial Plan, have a check-up with your planner if you have completed one, take the time to have a diagnosis of your portfolio, or teach someone in the next generation what you know!**

**Call your advisor today for information.**

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## Things My Parents Never Taught Me

*Some of us may have been fortunate to learn about saving, investing and other financial topics from our parents or grandparents. Not so for all of us however. One of the best gifts you can pass on to the next generation is the importance of knowing what to do to plan for the future. Please note, the views expressed are a compilation of several surveys of adult children and what they experienced.*

### **My Parents' View of Social Security:**

This was their only retirement plan, and it would be sufficient.

### **The Actual Experience:**

The costs of Medicare health insurance benefits are deducted from monthly distributions. When retirees receive an increase in their SS income, they usually experience an increase in the cost of Medicare premiums. Thus, there is a problem addressing inflation. The solution? View Social Security benefits as a *possibility*, not a *plan* for income replacement in retirement.

### **My Parents View of Investments:**

They lived through the depression and the stock market crash! The best investment strategy (if they saved at all) was to buy

CDs at several banks (so to not have your eggs in one basket). Some also believed that the stock market was only for the very wealthy.

### **The Actual Experience:**

While CDs are good for short-term savings goals, using this approach for long-term savings for retirement, or as an 'investment' has not proved to be beneficial for the long-term. Inflation has eroded the potential for future values necessary to live for 30 + years in retirement. The solution? Avoid CDs (except for emergency reserves), and place long-term savings in a well-diversified portfolio of investments in stocks, bonds and alternative investments.

### **My Parent's View of Taxes:**

Uncle Sam will not require them to pay taxes in retirement.

### **The Actual Experience:**

While many retirees assumed they would pay less, they are realizing too late that they have not lowered their liability much at all. The solution? Plan for taxes that will continue in retirement, and take advantage of those tax-advantaged investment vehicles; for now, and later!

## What Do Others Know That You May Not?

*Here are a few tips from those who have experienced success!*

1. To do nothing is to get nothing. Even if you are starting late, make sure you are taking advantage of investing for the future.
2. Keep emotions under control. Going in and out of the market due to fear and greed will not benefit your long-term goals. A balanced approach with the understanding of how much is at risk will help you win in the end.
3. Take the free money! If your employer offers any type of a matching program for your retirement plan, grab it! Over time those dollars will add up.
4. Pay your debts, then invest. If you have credit card debt, make sure you
5. develop a plan to wipe that out before you consider investing. Credit card debt can be a weight around the waste of an investor if not taken care of first.
5. The lottery is not a retirement plan. Smart money decisions begin with taking control of where the money goes. With the beauty of compounding interest, a dollar saved will deliver a return if invested wisely. Can you say the same for a lottery ticket investment?
6. Get good advice. If you don't understand all the concepts, terms and choices in the investment world, don't let this stop you from doing something. Financial advisors, planners and brokers are a great resource.

*For more information, please consult with your financial advisor.*