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INVESTMENT PLANNING 101



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What is comprehensive investment planning?

To me, it is performing a never-ending series of x-rays for my clients.

Much like a doctor's physical, I run through a calculated list to assess my client's financial health and measure it across the six core areas of investment planning.

Like maintaining a healthy lifestyle, it is crucial to implement a strategic investment plan and review your economic health, because a financial advisor's job never ends, and a client's situation never stops evolving.

Here is a generalized view of my process, the cumulative effect of which is to educate, enable, and execute strategies for my clients to be in an optimal financial position:

Financial Position – The first step is to inventory a client's net worth and more importantly their portfolio net worth, which is exclusive of illiquid assets like home equity, vehicles, personal items, and collectibles. Next, I look at cash flow, discretionary income, and the distinct types of debt, and, yes, there is good debt (fixed, low, and tax deductible) and bad debt (revolving, high, and oppressive). It is always crucial to create a budget, and, just like making room for travel and entertainment costs, it is important to allow for systematic monthly investment and debt service. Managing your debt is just as important as managing your wealth, and net worth is the delta between accumulating a portfolio and reducing what you owe.

Insurances – Yes, you want to plan and hope for the best, but you should also insure against the worst, like a premature death, a short or long-term disability, unplanned medical costs, or a long-term nursing home stay deep into retirement. There are a couple of common truths when I speak to clients about insurances. First, everyone agrees that it is complicated, and, secondarily, most people make decisions and rarely revisit them again, which

leads to inefficiencies, gaps in coverage, and higher premium costs.

Taxes – I have never seen a more important marriage in investment planning as tax efficient investing. Are you maximizing every pre-tax opportunity with your employer-sponsored retirement plans (401k's, 403b's, 457's, etc.)? Is there an employer match to your contribution, and does your company offer a Health Savings Account (HSA)? Are you participating in tax-deductible Traditional IRAs, Roth IRAs, or Roth Conversions; the latter two of which allow for tax-free accumulation and tax-free withdrawals? For your non-qualified (non-IRA) assets, and for those in very high tax brackets, are you invested in municipal bonds to avoid both state and federal taxation, while allowing for liquidity?

Investments – You cannot discuss investments without considering asset allocation and diversification. Have you diversified your portfolio by asset class, and further segmented it by investment company, type, and style in a mix of individual stocks, mutual funds, ETF's, REITs, Unit Investment Trusts, and annuities, per your risk posture, time frames, and further tiered to your specific goals?

Retirement Planning – Here is the fun one! You have saved your entire life and now it is time to enjoy yourself and start drawing a paycheck while you're no longer earning one. Here is where I calculate a present value analysis of your future income needs, inflation adjusted to your single or joint mortality, if married. I examine your asset base, resources, and future income streams (social security income planning is very important) to ascertain if there's a disconnect between what you have accumulated thus far and what you should have, or how much your portfolio is returning versus how it could be performing in the many years leading up to retirement. Developing a strategic income plan and making sure your portfolio distribution rate is under 4% per year (general rule) is a major part of successful retirement planning.

Estate Planning Strategies – Someday we all will not be here, and although a depressing subject, it is also a very realistic one. I collaborate with you to help ensure your assets go to the people or organizations you wish in the most cost and

tax-efficient manner possible. I examine your beneficiary designations and utilize estate planning tools to conduct your final wishes, looking at your probate (assets passing through your will) and non-probate (jointly owned, beneficiary) assets.

The six areas of investment planning may not be new to you, and most people have likely explored each area. However, because they share such a natural symbiotic relationship, I recommend a targeted approach in examining each subject simultaneously to improve financial success.

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