

Overview of Financial Planning

A. What is Financial Planning? There are several components.

1. Organization of pertinent current personal/family financial information
2. Estimating realistic short- and long-term fiscal needs
3. Prioritizing these personal financial issues
4. Creating a reasonable plan to attempt to address most of those issues
5. Implementing and following the general strategies of that plan (the hardest part) .

B. The Basics

1. Self-examination
 - a. your personal/family balance sheet: $\text{assets} - \text{liabilities} = \text{net worth}$
 - > before one can truly address long- and medium- term financial planning, one's current financial status has to be understood.
 - > this is exceedingly difficult for many people
 - b. an honest assessment of how money is spent in the personal/family setting over a short- and long-term basis.
 - c. realistic expectations regarding job security, salary changes.
2. Commonly accepted primary needs
 - a. a savings reservoir
 - b. appropriate insurance for all
 - >home/rental
 - >disability
 - >health/ dental
 - c. appropriate insurance for some
 - > life (who needs it, what type?)
 - >umbrella
 - >long-term care
 - d. debt management
 - > "good" debt - mortgage, student loan
 - > "bad" debt - credit card, car loan
 - e. simple estate planning - will, health care proxy

C. Organization of Goals

1. Short-term
 - a. house down payment
 - b. vacation
 - c. "big- box" purchase
2. Long-term
 - a. retirement
 - b. college

c. home ownership

D. The Simple Math of Saving, "the rule of 72"

E. Investment Considerations

1. Types of investments (in ascending risk order)
 - a. Cash
 - > savings accounts
 - > CD s
 - > treasury bills/notes/bonds
 - > other equivalents
 - b. Bonds: a loan to a corporate or governmental entity ("quality" varies)
 - > individual bonds (taxable, tax exempt)
 - > mutual funds
 - > ETFs
 - c. Equities: ownership of a company
 - > individual stocks
 - > mutual funds
 - > ETFs
 - d. Other assets
 - > real estate (property, REITS)
 - > commodities
 - > collectibles
2. Investment techniques
 - a. lump-sum investing
 - b. dollar-cost averaging
 - c. market timing
3. Investments costs
 - a. brokerage fees (bonds, stocks, ETFs)
 - b. mutual fund fees (front-end, back-end loads, 12b-1 fees, no-load funds)
4. Investment concepts
 - a. diversification
 - b. time horizons
 - c. risk reduction
 - d. managing costs

F. Taxable vs. Tax-deferred Saving/investing

G. Saving for College

1. UTMA/UGMA
2. Section 529 plans

3. Coverdell savings plans
4. Savings Bonds
5. Taxable saving

H. Saving for Retirement (Pension Reform Act of 2006)

1. Tax-deferred
 - a. 401k/403b
 - b. IRA
 - c. Change of job
2. Taxable/tax-exempt ("tax diversification")
 - a. Roth IRA
 - b. Roth 401k/403b

I. Managing long- and medium-term savings

1. Asset mix
2. Re-balancing

J. Estate tax considerations (federal only)

1. Tax law changes
2. Gifting and gift taxes
3. Charitable contributions while living

K. Other possible topics

1. Annuities (immediate, variable, charitable) and costs
2. Active vs. passive investing

References:

Books (try to get the newest editions due to tax law changes):

Common Sense on Mutual Funds. John Bogle

The Only Investment Guide You'll Ever Need. Andrew Tobias

Smart and Simple Financial Strategies for Busy People. Jane Bryant Quinn

Making the Most of Your Money. Jane Bryant Quinn

The Wealthy Barber. David Chilton

Wall Street Journal Guide to Understanding Personal Finance. Kenneth Morris and Alan Siegel

Intelligent Investor. Benjamin Graham (most recent edition edited by Jason Zweig)

Magazines:

Kiplinger's Personal Finance

Money Magazine

Smart Money