

What You Should Know About Financial Planning

You may have come across the term "financial planning" recently and wondered what it means. You may have decided to start your own financial plan but you're not sure how. Or you may feel it's time you went to a financial planner for some professional advice.

What Is Financial Planning?

Financial planning is the process of meeting your life goals through the proper management of your finances. Life goals can include buying a home, saving for your child's education or planning for retirement.

The financial planning process consists of five steps that help you take a "big picture" look at where you are financially. Using these five steps, you can work out where you are now, what you may need in the future, and what you must do to reach your goals.

The process involves:

- Gathering relevant financial information.
- Setting life goals
- Examining your current financial status
- Coming up with a strategy or plan
- Maintaining and Monitoring how you can meet your goals given your current situation and future plans.

The Benefits of Financial Planning

Financial planning provides direction and meaning to your financial decisions. It allows you to understand how each financial decision you make affects other areas of your finances. For example, buying a particular investment product might help you pay off your mortgage faster or it might delay your retirement significantly. By viewing each financial decision as part of a whole, you can consider its short and long-term effects on your life goals. You can also adapt more easily to life changes and feel more secure that your goals are on track.

Additional Benefits:

How do you know if you could benefit from the services of a financial planner? You may not have the expertise, the time or the desire to actively plan and manage certain financial aspects of your life. You may want help getting started. You may benefit from an objective, third-party perspective on what are often emotional, difficult decisions. And in today's hectic world, it can be beneficial to have a financial planning expert help to make sure you stay focused and follow through with your financial plans.

Often a specific event or need will trigger the desire for professional financial planning guidance. These might include:

- Making sure your money will last during retirement or rolling over a retirement plan
- Handling the inheritance of a large sum of money or other unexpected financial windfall
- Preparing for a marriage or divorce
- Planning for the birth or adoption of a child
- Facing a financial crisis such as a serious illness, layoff or natural disaster
- Caring for aging parents or a disabled child
- Coping financially with the death of a spouse or close family member
- Funding education
- Buying, selling or passing on a closely-held business

If you have the time and knowledge — and your financial situation is not too complicated — you may be able to do a lot of it on your own. However, there are some situations where you may find you need a financial planner, such as:

- You have little or no experience with finances;
- You don't have the inclination to do it;
- You want an objective, outside perspective;
- You have a complex financial situation; or —
- And this is usually the biggest obstacle for "do-it-yourselfers" —
“You don't have the time”

Procrastination is the greatest enemy of financial independence, and using a financial planner will keep you on track. There are some other advantages to using a planner. Some aspects of financial planning may be too complex for most people, such as calculating how long your retirement capital will last or maximizing tax strategies. A good financial planner will work with other professionals, such as your financial product consultant, CPA, attorneys, and insurance agents, to coordinate their efforts with your overall financial needs.

The CPA is the trusted advisor and as such, he/she has a responsibility to remain objective and to not have conflicts of interests. That is why it is a good idea to be part of an overall engagement team, but not the entire team. The CPA has many opportunities throughout the year, whether it be year-end tax planning, reviewing estate and trust documents, or tax compliance during the busy season, to recognize issues and opportunities that can be brought to the client's attention and be shared with the other members of the client's overall engagement team.

Please allow us at Hochhauser & Agler CPA's LLP to assist you in realizing your life goals.