

your strategies are in line with your current and future goals.

Estate Planning. In addition to facilitating the transfer of assets to future generations according to your wishes, an estate plan can help you preserve wealth during your lifetime and minimize your future estate tax liability. There are tools that can help you achieve your goals, such as **trusts** and **wills**. However, the complex nature of estate planning often requires a team of trusted advisors, including your legal and tax professionals, to help ensure that your plans are consistent with your goals and objectives.

Charting Your Course with a Professional

Preparing a long-term financial plan is a complex process that involves careful consideration of both your short- and long-term goals. Qualified financial professionals are trained to work with you to help you define your goals, thereby helping to ensure that your chosen path becomes the *focus* of your financial strategy. Here are some of the attributes that make a qualified financial professional a valuable partner as you plan for your future:

The Ability to be a Facilitator. Listening is a true art form. A skilled listener provides the right climate for the expression of hopes, fears, and dreams. Resisting the temptation to force a solution, a good listener allows the solution to emerge.

A Knowledge of the Marketplace. Financial products come in an array of shapes and sizes, and a professional knows how to tailor the solution to your specific current needs and future objectives.

A Willingness to Consult Experts. An experienced professional recognizes that some issues require the narrow focus of an expert. For example, a team approach with an accountant, attorney, and financial professional can help you meet your financial objectives.

A Genuine Interest in Your Future. A financial professional is committed to understanding what you value in your life and to helping you enhance your options and choices in the future.

Start Planning Now!

There's no time like the present to start preparing for the future. Consider following these steps on your way to success:

1. Consult your financial team.
2. Put your goals on paper.
3. Break down your short- and long-term goals.
4. Prioritize your list.
5. Develop specific strategies to work toward your goals.
6. Review your progress and make adjustments, as necessary.

Although your goals may seem unattainable when considered all at once, a financial professional can help you develop strategies for realizing the future of your dreams. Regular reviews can help keep you on track and disciplined, as well as help you keep pace with changes in your personal circumstances and legislation that affects your financial situation. Any plan you make *today* for the future is really just the beginning.



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The Benefits of Financial Planning

Prepare
to Reach
Your Goals



when you tally the actual cost of your financial goals — buying a house, paying for your children’s education, starting a business, and funding your retirement — does the total add up to hundreds of thousands of dollars? It can seem daunting, to say the least. Financial planning strives to help you reach your goals by making your money work for you.

Master Your Money

The earlier and more completely you master money in your life, the more likely you are to achieve what everyone wants — financial independence, both now and in the future. Successful money managers are more likely to have committed their financial goals to writing — they plan, and they plan on paper. “Planners” have a destination that helps motivate them to develop a more organized and concerted approach to financial problem solving. Your plan is really just the beginning, the foundation of a continuing process.

Constructing a financial plan is often compared to building a house for a few key reasons:

1) there are many different processes involved, from pouring the foundation to building support structures; 2) both take time, preparation, and deliberate execution; and 3) each step is difficult to do alone. Financial planning involves more than just creating a solid budget — it also addresses retirement, education funding, insurance, investments, taxes, and estate planning. It is never too early to develop a comprehensive plan and *prepare* for your future.

Identify Your Goals

Be sure to base your financial plan on *you* — your financial needs and dreams. Every end goal needs a beginning, so start by identifying your

goals and evaluating your resources. Consider your status in the following key areas:

Day-to-Day Finances. Planning your day-to-day finances is an important first step in money management. Without a handle on your daily spending, you may not have the resources to meet your long-term financial goals. Start by analyzing your cash flow — are you spending more than you earn? If you have a *positive* cash flow, your income exceeds your expenses, and you may be ready to save. In contrast, a *negative* cash flow indicates that your expenses exceed your income, and it may be time to reorganize your budget to reduce and eliminate any unnecessary expenses.

Debt Control. To manage debt, it’s important to distinguish between “good debt” and “bad debt.” From a purely financial perspective, *good debt* refers to borrowing to purchase assets that are likely to *appreciate* in value, such as a home or a business. Good debt may become even “better,” if you are able to itemize certain repayments (e.g., home mortgage interest) on your tax return and, as a result, qualify for certain tax deductions.

Conversely, *bad debt* refers to borrowing for a consumable, such as a vacation, or for an asset that is likely to *depreciate* in value, such as an automobile. Today, bad debt may frequently become even “worse,” since interest on personal loans and credit card debt is no longer tax deductible. Strive to avoid and eliminate bad debt whenever possible.

Personal Savings. Another building block of your financial plan is your ability to save. Undoubtedly, if you are able to diligently save, you may increase your chances for meeting realistic personal goals. Whether you are saving to buy a home, start a business, pay for

a child’s education, or maintain your desired lifestyle in retirement, paying yourself *first* by putting money aside on a regular basis can help you achieve your goals.

Also, consider the effect **compound interest** can have on your savings. Albert Einstein called it “the greatest mathematical discovery of all time.” And Ben Franklin coined it “the eighth wonder of the world.” What makes it so special? Compound interest allows you to earn interest on your interest. If you earn simple interest on savings, you earn interest based only on the principal amount. Suppose you earn simple interest at 4.5% on \$10,000 for 25 years. The interest earned over 25 years would be \$11,257.40 — the future value of your savings would be \$21,257.40. However, if you earn compound daily interest at 4.5%, on \$10,000 for 25 years, the interest earned would be \$20,822.82 — the future value would be \$30,822.82. *The rates of return are hypothetical and are not indicative of the performance of any savings vehicle.*

Insurance. You may already have insurance for your car and home, but what about your life and your ability to work? **Life insurance** provides a benefit for your beneficiaries in the event of your death. Proceeds may be used to address mortgage debt, college expenses, and funds for your family’s future, as well as provide liquidity for meeting potential estate tax liabilities. A thorough “needs analysis” can help determine the most appropriate amount of coverage for you. **Disability income insurance** provides a benefit to replace a percentage of your income, in the event of a qualifying disability. Even if you were to qualify for disability benefits through workers compensation or Social Security, they may be less than what you need to cover your regular living expenses. Plan for the coverage you require, *before* you need it.

Emergency Cash Reserves. Plan for the unexpected by having three to six months’ worth of living expenses in case of unexpected or emergency expenses. Cars break, roofs leak, and other “surprises” often seem to come out of nowhere. An emergency fund can help ensure these needs can be met, without having to tap into savings or forgo saving for your financial future.

College Funding. Education is often the key to future success. However, the average price tag for one year at a private college or university continues to climb. Therefore, it has become more and more challenging to save for a child’s education, or your own. There are many savings vehicles specifically tailored for education that can help you reach your goals, including **529 plans** and **Coverdell Education Savings Accounts (ESAs)**. By starting a disciplined savings plan *now*, you may be in a better position to meet your child’s education needs in the *future*.

Retirement Planning. The sooner you start building your retirement nest egg, the longer it has to grow. Because inflation over time may *decrease* the purchasing power of your money, your dollars may buy less during your retirement than they do today. For example, at 3.5% inflation, \$100 today would be worth only \$42.31 in 25 years and \$30.00 in 35 years. Planning for retirement involves projecting your future needs, identifying your funding resources, and developing a savings plan.

Most people draw on three main sources of income during retirement: **Social Security**, **employer-sponsored plans**, and **personal retirement savings**, which often include **traditional Individual Retirement Accounts (IRAs)**, **Roth IRAs**, and **annuities**. Be sure to periodically evaluate your projected retirement resources and savings options to help ensure