

Till Death Do We Plan

Financial planning is probably the one topic that most people successfully avoid. It is considered by many to only be needed by the wealthy, or by those with a very complicated life. In truth, financial planning is an element of life that should be considered by virtually every person and family. The reason is because of change. Very few people like change, but changes are inevitable in life. As a result, we are engaged in financial planning whether or not we know it.

Life is change. From the moment we enter our adult years, we're involved in a constant evolution of ourselves. Marriage, children, careers, divorce, retirement, and death are aspects of life that most of us will deal with. And every one of these life events will cause a financial impact.

Life events are much like the drop of water in a pond. The drop ripples out until it eventually absorbs into the larger body of water. Financial matters must also be absorbed into the larger picture, and this requires planning. The most common life events are described below and as they occur, should trigger a financial review and financial plan update.

Marriage and Children

Getting married and having children is a life event with a long-term impact. Blending a household and combining debts and obligations should be a time to re-focus financial goals. Now there is more than one person's retirement, healthcare, and other long term needs to consider. Children add the need for education funding and additional family responsibilities. This is when most couples first create a financial plan and begin their retirement investing, purchase life insurance, and start an education savings plan. Additional planning should take place if there are special needs children or other unique family situations.

Divorce

Since divorce represents an interruption of life and separation of assets usually held jointly, special consideration should be given to this life event. First of all, there are often children involved which should involve special planning. Secondly, a divorce causes the individuals involved to start over. This change can happen early in life or late in life, and the impact on one's financial plan and well-being can have long-term repercussions.

Retirement

Retirement is probably the leading reason people actually do see a financial planner. Today, most retirees must anticipate and plan for retirement that could last 30 years or more. The complexity of Social Security and Medicare adds additional planning issues. Determining that your retirement assets will last, and making sure they're invested according to your risk tolerance is crucial to providing peace of mind. Also, since the individual or couple that is retiring doesn't have the opportunity to go back to work and earn again, these plans must be reviewed regularly to adjust for inflation, increased expenses and health issues, and performance of investments.

Death and Estate

Preparing for death is also a significant reason for financial planning. Gifting, taxes, estate issues, retirement distributions, and the care of a surviving spouse all present unique planning needs.

These are but a few of the many and diverse financial planning needs faced by individuals and families. Every situation is different and requires the individual attention to plan for. A qualified financial planner is much like a travel planner. His or her job is to map out a strategy and anticipate problems that could arise.

As we have discussed, there are many financial issues we face as our lives change. Financial planning is truly something that should be ongoing. It is also important that the consumer educate themselves with financial matters they encounter.

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