IT'S NOT JUST ABOUT INVESTMENTS

DAVE GRANT, CFP®

My wife Sarah is a 7th-grade Math teacher. When we discuss her future earnings and how they are already mapped out in a chart, it strikes me that this profession has planned diligently in this area. To see how your income can be mapped out for the next few years allows for great planning opportunities. However, it is worrisome how many teachers and administrators know how much they will get paid next year, but have not planned how they will give, save and spend this money. No matter how little or much you earn, everyone needs a financial plan.

"A financial plan is not about investments, it's about goals."

When talking to teachers about financial planning, the conversation flirts with some topics of planning, but almost always circles back to investments and the stock market. This allows me to address one of the biggest misconceptions of financial planning. When a financial planner does a comprehensive plan, documenting and analyzing a client's investments is only one of several facets considered. In looking at your insurance coverage, retirement planning, cash flow management, and retirement success probabilities, the results do not have value unless your goals for these topics are known. These goals can include how much you want to live on in retirement, annual charitable donations, college funding, travel and maybe even buying that coveted sports car. Financial goals drive the entire planning process.

"Managing risk is more important than higher returns."

Many times a conversation includes someone sharing how they picked the hottest stock or what their return has been over the past year. When asked how much risk was taken to achieve those returns, I often get a puzzled look. Achieving a 20% return, with twice the risk it would have taken to achieve a return of 15%, begs the question "Was it worth it?" Also, if over a lifetime you have accumulated $1,000,000 in savings, but a misfortune includes a price tag of $1,000,000, your entire savings will be lost. Managing risk, not only within your investments, but in all areas of your financial plan is what a Fee-Only planner is trained to do. For teachers, knowing that your financial planner works with other teachers who have the same type of benefits you do can bring some comfort. I know what types of benefits teachers have and the shortcomings these may pose when planning your future.

"Control the controllable: taxes and investment costs.

No one can control or predict the markets or interest rates."

Often times I am asked, "What do you think the market and interest rates will do over the next 6, 12 or 24 months?" My response is, "Help me to understand why this is important to you?" I typically find that people are looking to make long-term bets in their portfolio based on short-term thinking. When making long-term investments, keeping costs as low as possible, while still choosing quality products, can help maximize the desired rate of return over a higher expensed product in the same sector. When looking at your overall plan, there may be steps which can be taken to reduce your income tax liability. Choosing different types of investment products or investing using varying strategies can have dramatic effects on the amount of income tax due. Instead of trying to time the stock and interest-rate markets to squeeze some extra performance out of your portfolio, reducing the taxes owed and the costs on these investments may produce more consistent results over time.

"Frequently monitor everything and revise the plan as necessary."

Once a plan has been set in place, it is surprising to find how quickly it becomes outdated. From personal experience, my wife and I have changed our cash flow management numerous times over the past 5 years due to a move, change of jobs, addition to our family and the ongoing transitions through life. One thing that life promises is change, and being adequately prepared to deal with these changes requires a dynamic financial plan. Revisions are made to a financial plan to address changes, new goals and find answers to problems as life's transitions occur.

As a teacher you have the luxury of knowing what your income may be for the next few years. By having this factor known, your planning resources are more clearly defined which can simplify various parts of the planning process. However, there are many moving parts to a financial plan which can be more manageable with the proper professional help. It is never too early or too late to start. I will be glad to offer a no obligation conversation to help you understand the benefits of financial planning. Give me call and we can start the process today.

ABOUT THE AUTHOR

Dave is a financial planning analyst at Vantage Financial Partners Limited. As an analyst, Dave is responsible for many crucial facets in the development of the client's financial plan including mentoring the planning associates, reviewing client data and providing planning and investment recommendations to the relationship managers.

Dave's family includes several teachers in various stages of their careers. His wife, Sarah, is early in her teaching career so many of the changes taking place will affect their family directly. Dave seeks to serve teachers and administrators who feel they need to focus on 'controlling the controllable' and take an active approach to preparing for retirement. To contact Dave, either email him at dgrant@vantagefinancial.com or call 847-590-5555, ext. 104.