

How to Cure Financial Headaches

By Ann Summerson, CFP®

An annual review can help eliminate the pain

I don't know anyone who looks forward to their annual physical, but it's something we all have to do to stay healthy. The same holds true for our financial well-being.

Just like a regular checkup, an annual financial plan review can catch little problems before they become really big problems. That's especially important with all the volatility in the economy and financial markets these days.

It helps to talk it through

Lately I've had a lot of calls from potential, former and current clients. A number of people are overwhelmed by the idea of managing their own money during such uncertain times. Some are unsure if they'll ever be able to retire. Others simply need some reassurance that their current financial plan still makes sense given their risk tolerance and time horizon.

All are valid concerns. But today many people are finding they don't have the stomach for equities that they thought they did. In all these cases, revisiting your financial plan annually can identify areas of concern and allow us to address them.

Saving, spending and honesty

Whether I'm putting a financial plan in place for a new client or conducting a review, we'll look at what you earn, save, spend and your retirement goals. Honesty is essential here. Think about it – you wouldn't lie to your doctor, would you?

The amount you save for retirement is particularly important because pensions are becoming a thing of the past. So you have to take care of yourself and control what you can. Once we have an understanding of what you save and spend, we can plan for the minimum rate of return you need to achieve your retirement goals.

In case of an emergency

With an annual review, we can identify any shortfalls that may have surfaced over the previous 12 months. We'll also want to make sure you have money set aside for an emergency fund. This is such a basic concept, but it's truly alarming how many people don't have one.

Your emergency fund is like a lifeline you can tap into in the event you or your spouse lose a job or encounter an unexpected medical expense. Typically, it should cover between 6 to 12 months of non-discretionary expenses.

A long-term view can go a long way

At the Wise Investor Group, we are long-term, value investors. Our planning process helps you prepare for the unexpected and adjust your asset allocation (the mix of stocks, bonds and cash) as you get closer to retirement. We also manage the overall risk of your portfolio and help you plan for inflation.

Additionally, we suggest you have a will, an estate plan, and an ample amount of life, disability and long-term care insurance, based on your needs. We believe a sound financial plan, reviewed annually, can go a long way to making you more comfortable – and ultimately more successful – with your investments, whatever the markets may do.



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Ann has over 10 years of industry experience. She specializes in financial planning, including college, retirement, and estate planning services. She has frequently been a guest on the Wise Investor Show.