Perspectives

By William J. Stevens CLU, ChFC, MSFS
Senior Vice President, Retail Sales

What's the key to achieving your dreams? Holistic financial planning.

When making financial plans, many people approach it from one specific angle or immediate financial concern. For example, maybe they need to start saving money for a child's college education—so they open a 529 college-savings plan. Or perhaps they're concerned about having enough money for retirement, so they meet with their financial advisor to design an investment strategy for their retirement account.

By dealing with just one financial concern at a time; they miss the big picture.

Instead, a far better way to plan is holistically. But what does that mean, exactly? Holistic planning means putting together a financial plan that addresses your full range of finan-cial needs and wants—so you're planning is more integrated and efficient, not overlook-ing key opportunities or leaving gaping holes that could ultimately hurt you financially. By not compartmentalizing your planning, you're also adding flexibility to your long-term planning and protecting yourself.

I like to compare holistic planning to buying a house. Many people are naturally drawn to a beautiful kitchen or all-decked-out master bath. Builders know that's what sells houses. But does that house have a strong founda-tion? If it doesn't, you'll be kicking yourself later on for not paying more attention. The same is true with holistic planning – people love to talk about building wealth, investing and growing assets. **But what about your financial foundation?**

When planning holistically, there are five key areas that need to be addressed:

1. **Protecting against risk.** Unprotected risks can erode your long-term wealth. Financial losses from things like an illness, losing wages from being sick or injured or an unexpected death can stop an investment plan in its tracks. Statistics from the Social Security Administration, for example, show that one-quarter of 20-year-olds will experience a disability or illness that will cause them to be out of work for at least a year before retire-ment age[1]. Throughout your lifetime and as your family dynamics change, your risks change, too. Your Foresters Finan-cial advisor can help you review your protection needs and continue to review them over time.

2. **Saving more effectively.** Saving money is crucial to creating and maintaining long-term wealth. If you don't have a savings strategy—which includes a cash flow analysis, budgeting and determining how much you need to save each month or year while also setting aside an emer-gency fund—you will be hard-pressed to reach your financial goals and create the

Foresters Financial

lifestyle you want. We recommend that our clients try to have an amount equal to approximately 6 months expenses in short term savings and work towards saving at least 15% or more of their gross income annually.

3. **Building wealth.** Once you're putting away money regularly, how do you turn that into true wealth—a significant amount of savings and other assets that will help you live out the life you dream of? You need to invest your money wisely and consider all the various ways you can diversify your investments that will help you grow your total net worth. Your advisor can show you projections for how your investment accounts will grow based on how you allocate them to various investments. It's important to create an asset allocation strategy that is personalized to your goals and risk tolerance.

4. **Distributing your savings.** Eventually, your goal becomes to draw down your investments as income. But you want to do that wisely. How much can you spend each year in retirement, for example, without running the risk your savings will run out during your lifetime?How do you withdraw your money as tax efficiently as possible? Does your plan include a diversified distribution strategy?These types of questions become more pressing as you approach retirement, of course. But they should start to be addressed even in your 20s, 30s and 40s, so that you're saving money in the right types of investments and accounts.

5. **Transferring wealth to the future.** Most people want to leave behind some type of legacy—whether to their family, charity or a combination of the two. Too many people wait until they are older to have these conversations with their financial advisor. For one, there can be benefits to starting to pass along wealth during your lifetime. But there are also very effective strategies for passing along wealth that should be set-up long before you plan to transfer your wealth.

At Foresters Financial, we want to make sure your financial plans look at every facet of your life—not just one or two at a time. Your financial plan should not be patched together. It should be carefully woven together, so that each aspect of your planning helps serve the other aspects. Your savings strategy should be tied to your protection, wealth-building, distribution and transfer strategies—and so forth.

Beyond building a strong foundation, holistic planning has another benefit: It looks at not just your needs but also your wants. How do you want your future to look? What lifestyle or important goals are you working toward?

> You will miss the big picture—what you really want out of your life—if you only plan for one goal at a time.

[1] **The Facts About Social Security's Disability Program.** Social Security Administration. https://www.ssa.gov/pubs/EN-05-10570.pdf

Foresters Financial