Plan your route to long-term financial security

When you travel to a new place, you’re more likely to arrive on time if you know what roads to take. Reaching your monetary goals requires comprehensive planning too. The difference? You’re not mapping out a vacation, but your lifetime financial security.

Don’t panic if you haven’t started planning — take time to do it right. But don’t procrastinate either, because the older you get, the more your options will narrow. And if you become disabled or die before your plan is complete, you may leave your family or other loved ones without the support you would have wished.

Start where you are

So what’s the first step toward building a plan? Calculate what you’ve got, what you owe and what you’re earning. These numbers will help you and your advisors evaluate your financial condition and develop strategies to achieve your goals.

List your major assets — including jointly owned assets for couples. Document your real estate, investment portfolios, cash and savings accounts, retirement funds, business ownership, deferred compensation, insurance policies and valuable collections. Note the date you acquired each asset, its acquisition price or value, current market value, and projected income or rate of return.

Next, list your major liabilities and whether each debt is secured, as well as the interest rate and repayment schedule. Subtract total liabilities from total assets to derive your net worth. Then detail your income sources and estimate your monthly expenses. Finally, gather photocopies of your estate planning documents, shareholder agreements and divorce settlements, if any.

Choose your transportation

Now decide how to get from where you are to where you want to be. Of course you’ll need a retirement plan and estate plan, as well as insurance for health, property and autos. Here are some other elements you may require to reach your financial goals:

- Unified tax and investment strategies,
- Charitable giving plan,
- College savings plans,
- Elder care for aging parents,
- Long-term care savings or insurance for yourself and your spouse,

- Family business succession plan, and
- Life insurance for dependents or estate liquidity.

You probably have some of these elements in place already, and that's great. However, building or adjusting your comprehensive financial plan might lead you to revise existing arrangements to ensure they'll produce your desired long-term results and work as part of the whole. That's where the following steps come in.

Consult "travel agents"

Just as a travel agent can help you plan a complicated trip, a number of professional advisors can help you with your financial plan. Start with your accountant, who is familiar with your financial status and can provide insight into additional issues that may confront you. He or she also can provide guidance and offer referrals to other professionals as necessary.

An estate planning lawyer is generally best qualified to prepare wills, trusts and powers of attorney. Your company's benefits administrator can provide information and guidance on your employer-provided retirement plan.

An experienced financial advisor can help coordinate your plan's elements into an integrated whole, recommend tax strategies to support it, and develop your investment profile. That profile should include your short- and long-term investment objectives and your risk tolerance.

If everyone isn't seeing the big picture, your plan's elements can work at cross purposes. So ask your advisors to get together to ensure their strategies are complementary and harmonious.

Finalize your destination

Now, set goals in dollar amounts with deadlines for achieving them. No financial advisor can tell you what goals to set. You have to work those out, ideally with your family. But an advisor can review your goals and help you judge whether they're realistic, based on your net worth, income, age and other factors, including inflation and interest rates.

Having established your goals, set up the elements you've decided to include in your comprehensive plan — for instance a will, insurance coverage, retirement plan and college savings program. Then devise milestones so that you can track your progress over the years.

Now you've set off on your journey. Of course, reaching your destination means long-term saving and investing to fund your plan's elements. Even if your plan includes overall strategies, evaluate each investment decision for its tax consequences and rate of return as economic conditions — and your personal circumstances — change over the years.

Hit the road

Setting financial goals, developing strategies and creating plans doesn’t have to be a burdensome process. Like a cross-country trip, this journey can be as fascinating as what you do on arrival. Just make sure to get started while you have a wide range of choices, as well as time to accumulate the funds to reach your goals. Then, keep going until you reach your destination.

Sidebar: Monitor your progress

Reaching your financial goals takes time, and you can expect to encounter bumps along the road. So review your comprehensive financial plan at least yearly and revise it as needed. The following events should definitely trigger a review:

- Marriage, divorce or death of a spouse,
- Birth of children or grandchildren,
- Catastrophic illness or disability,
- Substantial tax law changes,
- Retirement, significant income loss or business failure, and
- New goals.