

# **Planning For Financial Success**

By  
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Think of your family as a business. It has financial goals and must produce ongoing revenue to meet those goals. And to reach those goals, like a business, you and your family need a financial strategy.

You'll need to begin, of course, by defining your goals. Most people, for example, want to save to buy a house, pay for college or prepare for retirement. Your financial goals should be more precise. Where do you want your home and how large should it be? What college do you want your child or children to attend and when will they be attending?

A financial professional can work with you to identify your goals as precisely as possible and help to estimate how much money you will need to achieve those goals. Once that first step is accomplished, you can determine how much money you will need to save and how much of a return you will need on your investments to meet your goals.

You cannot, of course, project with complete accuracy how much college will cost 10 years from now or even how much a house will cost in a few years, but estimating based on today's prices and adjusting for inflation will at least give you a rough idea of how much you need to save.

In addition to looking at how much you need to save, your financial professional will look at your investing time line – how long you have to save until you need money for each of your financial goals – and your tolerance for risk. Based primarily on these three factors – the amount of money you'll need, your timeline and your risk tolerance – your financial professional should be able to recommend a mix of investments designed to help you achieve your goals.

At this point, you should be able to determine quickly whether your goals are realistic. Many people have unrealistic goals. You may want a second home in the

Hamptons and a Harvard education for your children, for example, but that doesn't mean you'll never be able to afford it, no matter how much of your income you save.

To achieve your financial goals, you will also need to manage risk, so your financial strategy should also consider your insurance needs. Will you need life insurance to protect your family and, if so, how much and what kind? What about disability protection or long-term care insurance? A financial strategy typically considers all of these issues. Depending on your goals and financial means, a financial strategy may also consider issues such as estate planning and charitable giving.

A financial strategy is a life-long roadmap for helping achieve your financial goals. Stick to the directions it provides and you should be on your way to achieving your goals.

The journey's a long one, though, and it's not unusual to go off course at some point or for your strategy to change along the way. As such, it is important to review your plan with your financial professional at least yearly.

When you meet with a financial professional, you can work together to gauge how your investments are performing in relation to your financial goals. If performance isn't up to expectations, you can always make adjustments. If it is exceeding expectations, you'll have some leeway for those times when it doesn't.

### ***Life Cycle Planning***

It is important to keep in mind, of course, that financial goals change.

Financial professionals typically recommend reviewing and adjusting your financial goals and investment strategy at different stages of your life. This approach, called "life-cycle planning," breaks a person's life cycle into early career, wealth accumulation, pre-retirement and retirement.

Each stage has different needs. Saving can be difficult during the early career, when income is low and financial demands are high. Marriage, children, initial home

ownership and paying off student loans are typically the major financial responsibilities during this stage.

During the mid-career, or wealth accumulation, stage, parents are typically saving for their children's college educations, achieving financial independence, and investing for retirement. By pre-retirement, most people achieve financial freedom. Their homes are paid for and their children are living independently. At retirement, the focus should shift to preservation of wealth.

While financial pressures are greatest early on in the life cycle, the more you save and invest early in life, the greater the likelihood that you will have enough saved for retirement. Earnings on money saved and invested early will have longer to compound, which can make a dramatic difference over time.

Most people lack the discipline to begin saving early in life, but they are more likely to do so if they have a financial strategy that identifies their goals and what they need to do to get there. You're more likely to save if you know what you're saving for.

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