

Financial planning provides peace of mind for future

BY LAURA SCHARR-BYKOWSKY

How much money do I need to retire?
Can I afford to buy my dream house?
What is the best way to save for my children's college education?

Many Americans struggle with these questions because they are focused on their short-term needs or think the issues are too complex. Instead of agonizing, they should consider taking steps to develop a workable *financial plan* to address their future needs. A comprehensive financial plan provides clarity and peace of mind for addressing life's pressing financial issues.

Most people view the services of a financial planner as just investment advice, but true comprehensive planning focuses on your entire financial picture and provides the necessary steps to enable you to reach your important life goals. Most individuals do not invest the time and money to improve their financial well-being. The truth is that financial planning can produce significant savings in the long run and does not have to be expensive or time-consuming.

How does the process work?

The first step is to meet with a financial planner to discuss your short- and long-term goals. It's always best to work with a **CERTIFIED FINANCIAL PLANNER™** because people with this designation are required to meet strict standards and are bound by rules of conduct and a code of ethics.

Be prepared to describe your vision of retirement with as much detail as possible. This discussion will determine the amount of

funds you'll need for your retirement and the minimum amount of savings required to realize your financial goals. Your planner then will collect and analyze data from your investment accounts, retirement plans, tax returns, insurance policies, and trust documents to determine how you can best reach your goals, taking into consideration your insurance, taxation, and estate planning needs as well as your tolerance for risk.

I like to use a pyramid analogy with my clients. The financial plan should optimize all the levels of the pyramid, based on the client's age, timeline, and situation. As a first priority, you want to provide a solid foundation to protect against catastrophic events such as death or disability. This creates a solid base for the bottom of your pyramid.

Next you want to manage your cash flow and build an emergency savings reserve and a savings fund for large or ongoing purchases like a car, a boat, or a down payment on a home.

The next level up involves long-range planning for future goals such as college and retirement funding. Moving still further up the pyramid, during the retirement phase, it is essential to provide adequate income while also protecting your portfolio from the effects of inflation. Due to increased medical costs and longevity, it is also important to consider health care and custodial needs, such as long-term care, in this phase.

Finally, the top of the pyramid involves leaving a legacy to your beloved family and charities by maximizing your estate assets.

Once this customized plan is developed, it

is presented to the client and refined, based on the client's feedback. The next step is implementation. Usually, a specific investment plan with recommended funds is provided, and the investor can decide to implement this on his own or delegate this task to the planner.

Most people are intimidated by investing, but I reinforce with my clients that investing need not be complicated. A simple portfolio of no load, tax efficient, passive index mutual funds or exchange traded funds (ETFs) can be constructed and rebalanced annually by even a novice, do-it-yourself investor.

The final step to the financial planning process is ongoing monitoring of the plan. This is a dynamic process and will change with market conditions as well as life changes for the client, such as a promotion, divorce, or the birth of a child.

Why start planning now?

Financial planning creates a path to help get you from your current situation to where you want to be in the future. It enables you to make appropriate choices and trade-offs to ensure you make progress toward your goals. This is especially important in today's economic environment.

We are currently experiencing market volatility, inflationary pressures, and a decline in home values. Now more than ever, it's important to get your financial house in order. The average cost of a moderately complex comprehensive plan from an hourly, fee-only financial planner is approximately \$1,500. Often, the planner can achieve savings from decreased investment fees or reduced insurance premiums to offset that cost. The plan also can be implemented in stages over time to make it more affordable. Investing in a financial plan is a small price to pay for financial peace of mind and a bright future. **LMC**



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