

Personal Financial Planning



Getting Started

Financial Analysis - Determine where you are by assessing your Net Worth – your assets minus liabilities and analyze your cash flow. Set your goals – both short term and long term. Then compile a record of spending patterns for future analysis. You should take a “snapshot” of a few weeks to a month to get a representative idea of your finances.

Budgeting – This tool for shaping spending patterns can enable you to establish priorities for allocating resources and identify problem areas. Then balance the budget.

Things That Hinder Success – Procrastination, spending habits, inflation, marketing of things we may not need and taxes. We can not eliminate them all but can plan to work around the effects of these elements.

Financial Plan Considerations

A financial plan must be flexible to deal with unexpected changes in your life, liquid enough to enable you to get to needed funds when necessary or to adapt to changes and tax savvy without “letting the tax tail wag the financial dog”.

Meeting Your Goals

Pay Yourself First! - This is a universal rule to target success by putting funds aside for your future each payday through automatic payroll deductions, checking account transfers to investments or by writing yourself a check. Goals – at least 10% of your gross income to the future and at least 20% if you have no savings plan in place at this time and you are within 10 years of retirement.

Establish an Emergency Fund – keep 8-24 months expenses for the unexpected held in cash equivalents such as a money market account or short term CD’s for potential financial emergencies or calamities.

Investment Time Horizons

Short Term – Less than 3 years – Protect the principal value

Long Term – Greater than 3 – 5 years – Protect the purchasing power

Investment Classes

Cash – Stable value often with government guarantees

Bonds – IOU that pays dividend income and provides the return of your money at maturity

Stocks – Company ownership with the greatest growth potential and inflation protection

Global/International – Participation in the global economy

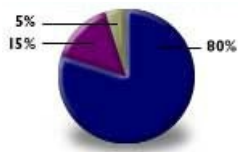
Investment Risk / Asset Allocation

Safety – Nothing is truly safe – Cash has the risk that it might be stolen from your mattress or lose value to inflation. Bonds have the risk that their value will go down if interest rates go up and Stocks have the risk that the company may go bankrupt. International holdings have the risk of currency fluctuation. Proper management of risk and diversification can have the greatest effect on portfolio gain.

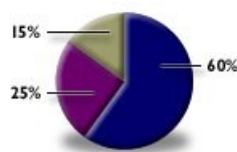
Concentration Risk – Avoid owning more than 4% of a portfolio in any one stock or placing more than 15% of a portfolio under the guidance of any single fund manager.

Asset Allocation – Own a variety of investments from the four major investment groups – Cash, Stocks, Bonds, and International/Global as these markets generally do not move in the same direction at the same time.

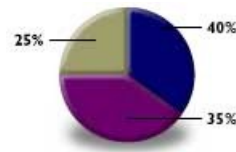
Aggressive



Moderate



Conservative



Mutual Funds – An easy way to obtain diversification, professional management and monitoring of the performance of your investments.

Resources

AII – www.aaii.com American Association of Individual Investors. Unbiased investment information.

Cleveland Chapter AII – <https://clevelandaaii.wordpress.com> Local chapter website

Mutual Fund Education Alliance – www.mfea.com Information on investing and sponsored funds

Morningstar - www.morningstar.com Information, research and analysis on funds and stocks.

Marketwatch – www.marketwatch.com Research, commentary, analysis, portfolio, alerts

American Association for Economic Research – www.aier.org Information on the Economy, finance, estates, Rubber Budget Book and other useful publications and information articles.

Paul Merriman - www.paulmerriman.com Articles, free e-books, podcasts & insight from index investing advocate

Ric Edelman – www.ricedelman.com Financial planning radio show, author, ETF aficionado, low minimum adviser

Suze Orman – www.suzeorman.com Author, commentary, media host. Finance and relationships

Fidelity Investments – www.fidelity.com Financial services, investing tools, seminars, newsletters – No Load Mutual Funds

T. Rowe Price - www.troweprice.com Mutual funds, Monte Carlo based Retirement planner – No Load Mutual Funds

Vanguard - www.vanguard.com Mutual Fund & ETF investing, interactive planner & tools - No Load Mutual Funds