TOP 10 FINANCIAL PLANNING FLUBS

Don’t make these mistakes:

1. Don’t set measurable financial goals.
2. Make a financial decision without understanding its effect on other financial issues.
3. Confuse financial planning with investing.
4. Neglect to reevaluate their financial plan periodically.
5. Think that financial planning is only for the wealthy.
6. Think that financial planning is for when they get older.
7. Think that financial planning is the same as retirement planning.
8. Wait until a money crisis to begin financial planning.
9. Expect unrealistic returns on investments.
10. Think that using a financial planner means losing control.

CHOOSING A FINANCIAL ADVISOR

Consider how payment of fees is arranged.

- Some advisors charge you no fee. Instead they make a commission on the financial vehicles that they sell you.
- Others charge for providing the financial plan and receive commissions if they sell you products.
- Other advisors are fee-only; they charge you for their services but do not make a commission.

Finances and Your Future

Make financial planning work for you

Everyone needs to plan for a secure financial future. Here’s how:

- **Set financial goals.** Set targets for what you want to achieve and when you want to achieve results. Don’t say you want to be comfortable when you retire. Quantify what comfortable means. Then you’ll know when you’ve reached your goals.

- **Understand the effect of a financial decision.** Each decision you make can affect several other areas of your life. An investment decision may have tax consequences. A decision about your child’s education may affect meeting your retirement goals. All financial decisions are interrelated.

- **Reevaluate your financial situation.** Financial planning is dynamic. Your goals may change over the years due to changes, such as an inheritance, marriage, birth, house purchase, or job status. Revisit and revise your financial plan to reflect these changes.

- **Plan as soon as you can.** Don’t delay your financial planning. People who save or invest money early do better than those who wait. Develop good habits such as saving, budgeting, and investing early. You will be financially prepared to meet changes and handle emergencies.

- **Be realistic in your expectations.** Financial planning is a common sense approach to managing your finances. It can’t change your situation overnight. Events beyond your control such as inflation, market changes, or interest rates will affect your results.

- **Get reliable help.** You may want to consult a financial advisor, who can give you advice on budgeting, taxes, retirement, estate planning, investments, insurance, and real estate. Talk to several advisors before selecting one. Feel comfortable with the person and understand his or her explanations. Ask for credentials!

- **Realize that you are in charge.** If you’re working with a planner, be sure you understand the financial planning process and what the planner should be doing. Provide the planner with the information on your financial situation. Play an active role in decision-making.
HAPPY AND SAFE INDEPENDENCE DAY

To help you celebrate this Independence Day safely, the Consumer Product Safety Commission and the National Council on Fireworks Safety offer these safety tips:

- Make sure fireworks are legal in your state and county.
- Always read and follow label directions and use fireworks outdoors only.
- Have an adult present.
- Buy from reliable sellers.
- Always have water handy (a garden hose and a bucket).
- Never experiment or make your own fireworks, and light only one firework at a time.
- Never relight a dud firework (wait 15 to 20 minutes and then soak it in a bucket of water).
- Never give fireworks to small children.
- Store fireworks in a cool, dry place.
- Dispose of fireworks properly by soaking them in water and disposing of them in the trash.
- Never throw or point fireworks at people.
- Never carry fireworks in your pocket.
- Never shoot fireworks in metal or glass containers.
- Wear eye protection and never have any part of the body over the firework.

Making Good Decisions

Weighing the pros and cons

Making important decisions is never easy. Some people will tell you that the best way to make decisions is to use your intuition. Studies show that decisions based on intuition alone often turn out badly. What’s the answer?

Perhaps Benjamin Franklin had the right idea over 200 years ago when he wrote:

My way is to divide half a sheet of paper by a line into two columns, writing over one Pro and over the other Con. Then, during the three days of consideration, I put down under the different heads short hints of the different motives, that at different times occur to me, for or against the different motives.

When I have thus got them all together in one view, I endeavor to estimate their respective weights; and where I find two, one on each side that seem equal, I strike them both out. If I find a reason pro equal to some two reasons con, I strike out the three . . . and thus proceeding I find at length where the balance lies.

And if, after a day or two of further consideration, nothing new that is of importance occurs on either side, I come to a determination accordingly . . . When each is thus considered, separately and comparatively, and the whole lies before me, I think I can judge better and am less likely to make a rash step.

Analyzing and weighing the available choices, as Franklin suggests, will most often help you make the most effective decisions.

Tips for Investors

Get the best return on your dollars

When you invest your money, you want to get the best return. Follow these tips:

- **Shop around.** Compare products and fees of various banks, financial planners, brokers, and investment houses.
- **Ask questions.** All investments carry a degree of risk. You should understand what you are getting into. Ask for a written explanation of products, operations, and fees. Never invest in a product you don't understand.
- **Educate yourself.** Spend some time at your local library gathering information. Read investment and financial publications such as the Wall Street Journal, Barron's, Investor's Business Daily, Money, Forbes, Standard & Poor's Stock Reports, and Moody’s Investors Service.
- **Get advice.** A financial advisor, your accountant, or tax advisor are all good sources of information to help you understand your choices and what your risks will be. Make sure an advisor understands your goals and how much risk you are willing to assume.
- **Don't buy stocks or other investments pitched over the telephone.** Never let a salesperson pressure you into acting immediately.
- **Be suspicious if a salesperson promises a spectacular rate of return.** If it seems too good to be true, it probably is.
- **Don't put all your eggs in one basket.** Diversify—distribute your money across different types of investments—the key to sound investing.
- **Reevaluate your financial plan regularly.** Stop and review your plan whenever you marry, divorce, have a child, buy a home, or retire.