seven Steps to Achieving Your Financial Planning Resolution

HUGHES FINANCIAL SERVICES, LLC

Scott Hughes, CFP®, MBA

SHOULD YOU SPEND MORE TIME PLANNING FOR THE PURCHASE OF A VEHICLE OR PLANNING A VACATION THAN YOU DO FOR YOUR RETIREMENT? You probably already know the correct answer. Yet the results of a recent Charles Schwab survey of 1,000 retirement plan participants found that they spent more time researching new automobile purchases and vacations then they did retirement and investment planning. Consider these results about people's planning behaviors:

- 4.3 hours per year spent researching the purchase of a vehicle
- 3.8 hours per year spent planning a vacation
- Disappointingly, only 2.1 hours were spent on retirement and investment planning (http://money.cnn.com/2014/08/19/retirement/401k-investments/index.html)

For this year, you should strongly consider making financial and retirement planning a point of emphasis. After all, it is you and your family who will benefit the most from this important task. Considering that public employees' retirements can last longer than their working careers, an important resolution today should be to plan properly. So where should you start? Here are seven steps to follow:

Step 1: Review your 2015 Spending

Are you living within your means? Do you need to reduce debt? How much have you saved in your 457 Deferred Compensation plan? Did you contribute to any other retirement accounts? How much did you spend in 2015 and where did your money go? Do you need to contribute to your cash emergency fund (typically three to six months of living expenses)? Remember, it's not what you make – it's what you keep!

Step 2: Determine if *Life Changes* Require you to Adjust your Planning

Examples of major *Life Changes* include many events most families will face such as marriage, divorce, the birth or adoption of a child, the loss of a loved one, a serious illness, a home purchase or sale, an inheritance, a loan to a loved one, college tuition, a promotion or retirement. Adjust your plan accordingly.

Step 3: Manage your Investments with Care

Review your investment goals and strategies to ensure your asset allocations match your risk tolerance. Annual rebalancing (or review) is a common investment practice. Check to see if your allocations are in line with your portfolio objectives. When was the last time you rebalanced your portfolio?

Step 4: Evaluate your Relationship with Uncle Sam

Are you being *too* patriotic? Consider tax planning to reduce your taxes. In this scenario, it may be appropriate to reach out to a tax professional for guidance. One simple step would be to plan your paycheck withholdings: if you had a large refund or tax bill last year, strongly consider adjusting your withholdings.

Step 5: Take Care of Who you Owe and Who you Love

Would your family be financially safe if something unexpected happened to you? Calculate the amount necessary to pay off your bills and comfortably provide for your survivors. Make sure your life insurance coverage is adequate: a general rule of thumb is that your insurance should be five to ten times your salary. However, every situation is different, so seek professional assistance to calculate what your loved ones may need.

Step 6: Review your Beneficiaries and Update your Estate Planning Documents

Did you know that a beneficiary election on your Deferred Compensation, IRA, and life insurance policy overrules your Will or Trust? Review your designations on a regular basis, especially if you have gone through any Life Changes described earlier. There are several cases of retirement accounts and life insurance proceeds being dispersed to outdated beneficiaries. When was the last time you reviewed your beneficiaries? Are they up to date?

Step 7: Chart your Path to Retirement

Determine the trajectory of your retirement. Compare your current expenses with your estimated expenses during retirement. Take an inventory of your projected pension payments, Deferred Retirement Option Program (DROP), Social Security and savings. Assuming you will live to age 90 (or longer), create a plan to provide a predictable, sustainable and increasing source of income that will keep pace with inflation.

In summary, whether you go this alone or work with a financial planner, use these Seven Steps to ensure you are on track to a financially secure future. Consider that one week of vacation you may have spent almost 4 hours planning will pale in comparison to the many years of retirement you'll want to be financially secure in. You don't need to wait for New Year's Day to make the resolution to spend more time planning for your retirement and investments than you do your vacations! Tomorrow is not promised to anyone so start your planning today.

Scott Hughes, CFP®, MBA, is a Managing Partner and Financial Advisor of Hughes Financial Services, LLC, located in Herndon, Virginia. Hughes Financial Services is an independent Registered Investment Advisory firm that works closely with individuals and families, helping them develop their investment strategies before and during retirement to avoid costly risks and mistakes when making decisions about their financial assets. With over 20 years of experience in serving the retirement planning needs of Virginia public employees, we will help you plan for retirement and evaluate both your pension/DROP options and your survivorship benefits so you will be able to make the best choices specific to your situation as you transition into retirement.

2201 Cooperative Way, Suite 150, Herndon, VA 20171

(703) 669-3660 ▪ Fax (703) 880-4905 ▪ www.h4fs.com