

Set Your Sail

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The correlations between your life's goals, money, and sailboats (yes, sailboats) can be astonishing.

When I set my own five-year goals, I'm essentially pointing my boat in the direction that I want to go, based on where I want to be in five years. The details in two years from now should continue to support this goal will constantly be evolving. I am prepared to make consistent course corrections over this five-year period to stay on track.

How you address your money and your financial plan are exactly the same as addressing your life's goals.

There's no real secret in financial planning. No single investment advisor has the magic portfolio that will make money every year-no matter what. Your financial plan is not a group of accounts you have. A financial plan is a document that is laid out of what you need to do. The accounts/policies are merely a byproduct of the actual financial plan.

So set the sail of your boat (i.e. your financial plan) in the direction you want to go and make semi-annual adjustments that are situational. You may get a new employer and take a pay cut, your child may require additional, unanticipated medical or dental costs, or you may unexpectedly inherit money from your great-great aunt. Who knows? Your advisor may not need to do anything, but what if they do?

It's not uncommon to have a financial advisor "check and see" if you will run out of money. Until more recently, it was very difficult for advisors to have accurate ways to do this because the assumptions around your personal expenses, taxes, future Social Security income streams were dubious, at best. It's rare that I've met someone that actually compiled their detailed personal expenses with and for their previous advisor.

Most shockingly for me though, is that most software packages that advisors use force them to show your assets growing at x%, a hypothetical rate that the advisor would use as the assumption. Last I checked - the markets don't go up or down at the same rate every single year. This can result in an output that is essentially useless for you and your planning. We work instead by generating probabilities of success through running various scenarios.

Therefore, consider this...

Why are you hiring a comprehensive planner and not doing at least semi-annual reviews and running scenarios?

If you really want good advice on issues such as whether or not you will run out of money in retirement, or saving enough for your kids' education – you need to have more than an input of static numbers. Once you have your financial plan "pointed in the right direction" the trick is to do consistent reviews and righting the course. Your financial plan isn't a set it and forget it. Your advisor should be helping you make course corrections with your personal expenses, estate plan, insurances, investments, real estate, business ownership, and more. Just like getting a physical at the doctor (your financial meetings are better than a doctor appointment), consistency is important, so life doesn't sneak up on you.

A "set it and forget it" plan is essentially your sailboat heading in the same direction you pointed it five years ago and you are assuming that you will get to your destination, regardless of wind, weather, life, etc.

As much as we would like to believe that the world works in a linear fashion, it doesn't. The one constant is that there is no constant (the world would be a pretty boring place if it were constant). The same holds true for you, your money, and your overall financial (sailing) plan.

Meredith Moore helps successful professionals and business owners create and implement the estate, retirement and other financial plans that let them achieve their goals and live their life the way they want. You can reach Meredith at 770.587.0281 or by emailing moore@moorewealthmanagement.com.

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