Your Finances

Learning To Think Like A Financial Planner

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(NAPSA)—When it comes to financial planning, not all consumers approach the process the same way.

According to a recent Certified Financial Planner Board of Standards, Inc. (CFP Board) survey, the public falls into three distinct types regarding its attitudes about financial planning. The "types" are:

• "Worriers"—Thirty-nine percent of consumers act as their own financial planner despite their discomfort in the role and lack of confidence.

• "Independents"—Thirty-three percent of consumers prefer to make financial decisions without professional help.

• "Help Wanteds"—Twenty-eight percent of consumers enthusiastically seek financial advice for long-term strategy from others.

With 72 percent of the public conducting its own financial planning, CFP Board believes that consumers need to understand the financial planning process.

"Financial planning is something that many people can do on their own, but it takes financial knowledge, time and self-discipline to do it properly," said Gary Diffendaffer, CFP®, executive vice president, CFP Board. "If individuals make the decision to create their own financial plan, it's important that they be as diligent and objective about the financial planning process as a professional planner would be."

You should understand, as CERTIFIED FINANCIAL PLANNER™ professionals do, that each financial decision you make can potentially affect other aspects of your financial life.

Even if you're not the next Bill Gates, you will probably retire someday, you will pay taxes and, unfortunately, you will die.

It's important to plan for these events with what you have, whether that's a little or a lot. That's why experts say it's important to approach the task by thinking like a financial planner. CFP Board recommends a five-step process:

• State goals and gather data. Start by defining specific personal and financial goals and priorities, understand your time frame for results and define how you feel about taking risks.

Next, decide what information is needed and then collect or develop the relevant data about your situation for the issues you have decided to address.

• Evaluate your financial status. You should analyze your data and the assumptions you use to assess your current situation and determine to what extent you can meet your goals with your current course of action.

This could include analyzing and projecting assets, liabilities, cash flow, current insurance coverage, investments or tax strategies.

• Develop financial planning recommendations. This involves developing various financial strategies that might meet specific goals. Weigh your options and examine each strategy's pros and cons against your goals and priorities and then select the options that seem to fit best.

• Implement the financial plan. You should then take actions that you have determined would best meet your goals and priorities. You may need to coordinate implementation with other professionals such as attorneys, stockbrokers or insurance agents, depending on the actions you have determined are necessary.

• Monitor the financial plan. You should select a regular time when you will measure your progress. Be sure to review your situation and adjust the implemented strategies, if needed, as your life and the world around you change.

To learn more, visit the Web site at www.CFP.net.