

## Plan for Life's Uncertainties

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**I**t's a bright, beautiful morning, and you walk outside, feeling on top of the world. You set your coffee cup on top of the car, and you realize that the cup is slanted. Either the horizon has changed or something's wrong with your car. You look down, and suddenly you're not having such a great day. You have a flat tire.

Or it's a bright, beautiful morning, and your telephone rings. Your real estate agent tells you the property on the lake that you've wanted for years has just been put on the market. Now you're really feeling on top of the world. But a thought crosses your mind: Do you have enough money set aside? It's such short notice!

Life can throw you curves that may be frustrations or opportunities. But life doesn't always pick the best time for whatever's happening in the financial markets. In this strategy, you discover how to make sure your savings are ready — even if the market isn't.

### *Keep an Eye on What's Going On*

For years, the market may grow with gusto and vigor and then suddenly turn south. Likewise, many of the goals that you plan for throughout your life — such as going to college, getting married, buying a house, having children, helping pay for your children's education and weddings, and at long last enjoying your retirement — may suddenly turn out to be more expensive than you thought. Other factors can increase the uncertainty of reaching your goals, too. Consider the following:

- ✓ College costs are growing at nearly twice the current inflation rate.
- ✓ Companies are cutting back on or entirely cutting out their traditional defined benefit pension plans.
- ✓ New retirees may need 70 to 80 percent or more of their current income to maintain their standard of living.
- ✓ Healthcare costs are rising at twice the rate of inflation while the median annual income for a couple drops from \$48,551 to \$16,770 after retirement.

- ✓ Social Security and Medicare both face cutting benefits at some point in the future.
- ✓ Unexpected events around the world can send inflation soaring at the same time the economy is slowing down or in a recession.

Good financial planning involves setting objectives, developing a plan to get from where you are to where you want to go, and then monitoring what's happening and making adjustments when needed. Monitor such things as the national economy, your local economy, your job and your employer, your family situation, and your personal life. Part of your plan should include ways to deal with unexpected situations. Stay aware at all times of how each thing you monitor affects your planning; by doing so, you're able to adjust your plan and keep heading in the right direction.

## *Motivate Yourself to Save and Develop a Plan*

If you haven't planned ahead like you need to, it's never too late. You don't have to become a recluse, take up basket weaving, or try hang gliding to relieve your troubled mind. Nor should you just work as long as you can and hope for the best or buy a lottery ticket each week.

Do yourself a big favor by starting to plan today. Planning means that you protect your future, live comfortably, and know your options.

Practically speaking, that means that you may need to motivate yourself to save money. Think of it this way: If you lost \$20 down a drain in the road, would you recover? Would your life continue? Would you starve, or would you just have to buy less ice cream and fewer DVDs? How about \$100? That'd be a harder hit, but you should still be able to withstand the blow.

If you haven't thought before about what kinds of uncertainties can sabotage your financial goals or what unexpected opportunities might pop up, now's the time to start thinking about them. And now's the time to start saving your money for future contingencies rather than spending on stuff you can do without. The reality of life is that things like ice cream and DVDs are ways to throw your money down the drain. You know they're fun to have, but think about the overwhelming anxiety that can occur when something bad happens or when you're financially unprepared for a good opportunity. That anxiety far outweighs the benefits of seeing the latest movie or getting your chocolate fix.

If *saving* and *self-restraint* are words that aren't normally part of your vocabulary, you can motivate yourself to start saving and keep saving with these five steps:

**1. Adjust your attitude.**

When you save money, think of it as buying your future.

**2. Give thought to all the life events that may be possible and decide which ones you want to be a part of your life.**

Those life events may be starting a business, buying a house or vacation home, traveling, or doing other activities that bring balance to your life.

**3. Create two funds and start to save money for your goals.**

Make sure you have the following funds:

- An emergency fund (see Strategy #10 for details on a rainy-day fund)
- A make-my-life-great fund (see Strategy #13 for more on setting goals)

**4. Build a portfolio, even if you're still in debt.**

Why? Because you'll do whatever is necessary to keep afloat financially, so you're already motivated to pay those credit card bills. Keep paying them *and* start saving toward your life goals.

**5. Don't let anything intimidate you.**

It doesn't matter how small the amounts you save seem at first. Remember that they'll grow over time.



If all the details of planning seem overwhelming, seek professional help. You can find a Certified Financial Planner in your area by searching at [www.cfp.net](http://www.cfp.net) or by going through the Garrett Planning Network at [www.garrettplanningnetwork.com](http://www.garrettplanningnetwork.com).

Finally, remember that putting money aside and into your checking, savings, or money market accounts isn't enough (for more on cash investments, see Strategy #16). These accounts are fine to park cash that you may need in the short-term, say within three to five years, but they're poor choices to fund retirement needs 10, 20, or even 30 years in the future. To make all your financial sacrifices worth the trouble, you need to invest the money you set aside in one or more portfolios (depending on the length of time to each goal). This book discusses investment types and how to build a portfolio in Parts II, III, IV, and V.