

START HERE. DO THIS. GET THERE.

Personal Finance for Most of Us – Daniel D’Ordine, CFP®

Figure out Where You Are, and Start There.

It’s difficult to achieve a goal if you have no idea where you currently stand. The first step in any financial plan – before you start to “do” anything – is to perform some basic but valuable tasks: **1) Track your spending.** This step involves identifying where your money goes over a one-year period. It will become the basis for your budget moving forward. To make it easier, you can use a spreadsheet template or a budgeting app. **2) Know your Net Worth.** Make a list of your **assets**, or everything you own (checking, savings, investment and retirement accounts, property, artwork, business interests, stock options, cars, etc.). Then, make a list of any **debts** you may have. While you’re at it, tack on a list of your insurance policies – life, disability, homeowners, auto, liability insurance (and any relevant amounts). Adding your assets and liabilities together reveals your **net worth**. Piece of cake!

Build Your Team of Experts – Before You Need Them.

Personal finance involves integrating many related areas, like taxes, estate planning, insurance, and investments. Since no one can be an expert in all of these areas, it helps to work with experts who live and breathe their specialties every day. The best way to assemble your team is to find competent professionals (ideally through introductions) who you like and can trust. Your team may include an **accountant**, **estate planning attorney**, **real estate attorney**, various **insurance brokers** (life, disability, long-term care, auto, homeowner’s, liability), **investment advisors**, and of course, your **financial advisor**. Working with experts lets you spend your time earning and doing what you enjoy, while they help you manage your financial life.

Protect Your Family, Your Income, and Your Assets.

Even if you earn \$1 million a year, but still have to work to pay your bills and save for the future, **long-term disability insurance** is essential. This insurance is designed to replace your take-home pay if you are unable to work because of an illness or injury. **Ask yourself: if you couldn’t work, who would replace your income and pay your bills?** If you have dependents and debt, then you’ll need **life insurance** to replace the lost income you and your family would have enjoyed. **Renter’s or homeowner’s insurance** with liability protection can replace your belongings and your home if there is theft or fire. And last but certainly not least, an **estate plan** that controls the distribution of your **assets** and **the care of your children** is critical. It includes several documents as well as beneficiary designations for your retirement accounts and life insurance policies. Work with a qualified estate-planning attorney to prepare your estate documents.

Saving & Investing for Your Future.

Saving for a home, college, and a comfortable retirement are dreams shared by millions of Americans. The longer the time frame of your goal, then the more risk (exposure to stocks) you should be able to take. Generally, we take on more risk for longer-term goals so that over time, the growth of the investment can outpace inflation and taxes. What should you use to invest? A globally diversified, well-managed portfolio of mutual funds (actively or passively managed) that invest in stocks, bonds, real estate, and other asset classes is a good place to start. Individual stocks and bonds can carry extra risks, so it’s best to stick with these pooled investments. Rebalancing every year is a good strategy, and some funds will do this for you. If you don’t know where to begin, work with an investment advisor, or call the mutual fund company you’ll be using.

The Devil is in The Details.

Using an accountant for **tax preparation and planning**, and making deliberate decisions about your **employee benefits** can save you money. **Keep organized records** and store updated versions of your financial and legal documents in a safe place to prevent delays in the event of a financial emergency or personal tragedy.

Your Plan Will Change & Grow With You.

Your financial plan is a living, breathing entity that will change as your life changes. It requires ongoing effort and attention, but in the end, it will be well worth it.