People's United Advisors

A CLOSER LOOK

Let's Get Organized

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n fourth grade the joke went like this: What's black and white and red all over? The answer was the newspaper.

Today, the answer to that joke might be "your financial plan," but it's not read all over. In fact, the challenge for many affluent Americans is that their financial plan is gathering dust.

This shouldn't be the case. The best financial plans are typically those that are updated—annually at a minimum. Life changes. Circumstances unfold in ways we couldn't predict.

In fourth grade, you pictured life as a straight and narrow line at the end of which you'd be playing professional football or dancing in the New York City Ballet. Today, you might have a more reasonable view of reality.

Keep your plan fresh

Life changes. Your children grow. Your attitude about retirement moves in a new direction. Your parents require elder care. Your job sours. The market corrects, and then again! These are just a handful of the dynamics that may stampede through your life. *Update your plan. Work with your advisor to adhere to a yearly meeting where you candidly assess your life's needs, goals, and changes.*

Keep it relevant

There are new ways to invest, new approaches to thinking about your legacy. You may discover satisfaction in applying some of those new approaches in your investments.

Greet 2020 with a refreshed financial plan

Talk with your advisor. Check in with him or her and review your data. Are your beneficiaries still in place? Do you need to adjust titling on your home or other real estate? Have you contributed fully to your IRA and have you reviewed your outstanding debt?

Whether it's a long Hail Mary pass—your retirement—or a more baroque allocation to college funds; special purchases; a second home fund; a retirement for you; with a separate one for your spouse; who—according to the actuarial tables may outlive you by eight or twelve years—the best time to update your financial plan is today.

LET'S GET SERIOUS:

Your financial plan in seven steps

1. GET HONEST.

Face your goals eye-to-eye. Take a breath and assess. The best plan is a plan that reflects who you are; what you're seeking to do with your life; how you're managing your money today, including your debt; and who and what you need to provide for.

2. GPS YOUR MONEY.

If your take-home pay looks like the familiar 50/30/20 per cent rule, you're in good shape. Anything other, it's time to take control. 50% for core housing, utilities and basic recurring payments; 30% toward your standard good-living quotient; 20% toward savings and debt repayment.

3. IF IT'S THERE, USE IT!

If your employer offers a match on the defined contribution plan (most often a 401(k)), use it!

4. RAINY DAY READINESS.

Set aside emergency funds. One or two months salary? You've seen the research—according to CNBC, 40% of Americans would have difficulty paying for an unexpected $400 bill. Building good credit is crucial too: Better credit will help you with the rates you're offered.

5. DOWNSIDE YOUR DEBT.

Debt unintended is debt that can destroy even the best laid plans. Address your exposure by reducing debt. Credit card debt, particularly expensively-priced debt, can lead to a disaster for your finances.

6. SAVE AND INVEST.

Recalling that 20% is ideally set aside as a monthly savings amount from your take-home pay, make sure you're paying attention to how it's disposed. Make that 20% work hard. Savings rates are low these days. But there are other liquid investments that can help your portfolio grow.

7. GO LONG AND GO STEADY.

The best plans are long-term plans. Compounding is the eighth wonder of the world, said a certain Nobel Prize laureate named Albert Einstein. Let your money grow by starting to invest early and regularly.

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