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WEALTHYMINDS

INSIGHTS FOR YOUR FINANCIAL WELL-BEING

FINANCIAL PLANNING: IS IT EASIER OR HARDER THAN YOU THINK?*

*HINT: IT'S BOTH

People's United Advisors®

FINANCIAL PLANNING: IS IT EASIER OR HARDER THAN YOU THINK?

DON'T BE INTIMIDATED

Generally, advisors can **make the planning process not only palatable but enjoyable for their clients. They know how to proceed step by step**, asking the right questions; enlisting the services of attorneys, accountants, estate planners, and other experts as needed.

W IF YOU'RE UNEASY ABOUT your financial security, you can join a very large club. According to a 2018 survey by investment manager Charles Schwab, only 30% of the respondents felt "very confident" that they'd reach their financial goals. But among those who had a written financial plan—a blueprint for meeting near- and long-term needs and wants—more than half were confident about their financial prospects. Here's the rub, though: Only one in four actually had such a plan. How come? Probably for many reasons, but surely near or at the top of the list was a perception that financial planning is hard to do.

So is it? Yes and no.

Financial Planning Is Difficult

Financial planning can certainly seem overwhelming. It's a puzzle with many interlocking pieces: assessing your current financial situation, setting reasonable goals, identifying alternative paths and trade-offs (no plan is perfect), translating the plan into specific actions, and—too often forgotten—monitoring and amending the plan as needed over time.

Plus, looming over the planning enterprise are three big question marks: (1) How can one look forward over a time horizon that may span many decades, when life is inherently uncertain? (The key, we believe, is to plan with conservative assumptions even as you hope for bright outcomes.) (2) What's the end game of financial planning? (Put simply, it's to help assure that you have the resources you need when you need them, earmarked for the uses you wish.) (3) How does one integrate all the components of a financial plan, which may include investments, bank accounts, insurance, tax management, health-care protection, estate and gifting issues, and more? (This is indeed tough, and may require the expertise of several professionals, but you begin by identifying all your goals and placing them on a timeline.)

Our quick answers notwithstanding, it's no wonder that so many people shy away from financial planning, or postpone addressing it again and again. But in truth, planning isn't nearly as intimidating as it looks.

Financial Planning Is Simple

Planning may not be a walk in the park, but by definition, it's accessible to the planner. After all, it's about his or her own life, desired lifestyle, spending goals, risk tolerance, feelings about sharing assets with family members and charities, and so forth. If the planner isn't in touch with those issues, who is?

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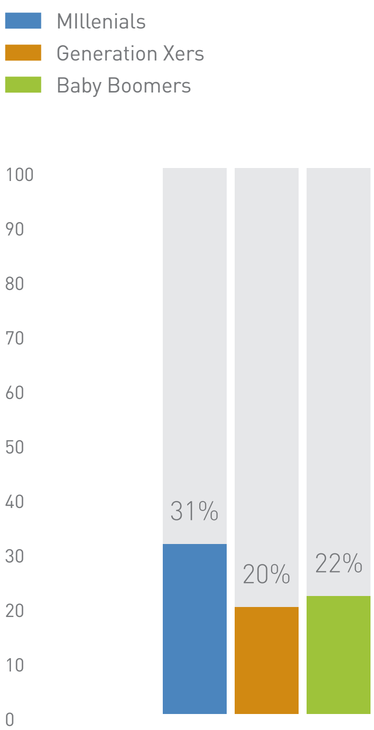
FINANCIAL PLANNING PREPAREDNESS ACROSS GENERATIONS



A Charles Schwab study disputed the common perception that millennials are uninterested in financial planning, finding that they are actually more engaged than older generations.

Source: Charles Schwab

Further, planners don't need to chart their courses unaided. They may wish to, if they feel comfortable with financial matters—though even so, seeking the guidance of planning experts is often a good idea. As one financial commentator observes, a second, independent opinion can help you separate the signal from the noise—and as important, can save you from making counterproductive emotional decisions. "A financial advisor," he says, "can help to keep you from selling low in a panic" —advice that's particularly relevant for retirees, many of whom try ill-fated market-timing strategies, but key for everyone.

More generally, advisors can make the planning process not only palatable but enjoyable for their clients. They know how to proceed step by step, asking the right questions; enlisting the services of attorneys, accountants, estate planners, and other experts as needed; presenting projections of wealth and income in the near future and out years; and helping clients feel comfortable with—and the masters of—their future security.

Finally, selecting the right financial planner isn't an onerous task. True, a client needs to check credentials; be assured that his or her needs will be paramount rather than the advisor's compensation (if any); and understand how the advisor will get paid, whether directly or indirectly. So doing some homework is always in order. But the relevant information is usually readily accessible.

Millennials:
It's Never Too Early to Plan

Not surprisingly, different planning issues tend to predominate at different stages in the life cycle. For millennials, defined here as those born between roughly 1981 and 1996, concerns usually center on selecting and succeeding in an early career, paying off college debt, beginning a family, and starting an investment and savings program.

The evidence is unclear on how widespread financial planning is among this segment of the population. While it's often claimed that relatively few millennials are interested in planning, the Schwab study maintains that they're more focused on planning than older generations. Thirty-one percent of the millennials polled had written financial plans, versus only 20% of Generation Xers and 22% of Baby Boomers.

Regardless of whether millennials are eager financial planners or not, they should be. The earlier you start, the more clearly your goals will come into view, and the more you'll benefit from the miracle of compound interest. Or as one financial planner declares, "When should I start investing?...Here's the short answer: Start now."

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LEARN FROM THE “EXPERIENCED”

Many retirees living their dream retirement share these **financial best-practice behaviors.**

Source: Prudential Financial Inc.

Generation X: The Wealth-Building Years

Financial issues start to become really serious for this “middle generation,” born between approximately 1965 and 1980. This stage in their lives will probably mark the peak of their wealth accumulation, and with it, key financial decisions: how to invest in taxable and retirement accounts (often somewhat more conservatively than Millennials, who, with decades ahead of them, may focus single-mindedly on stocks); how to fund the education of their children; how to begin preparing for retirement; how to begin setting aside funds for possible gifting; and more.

For Gen-Xers with significant assets, this is probably the time to consider more-complex arrangements, such as trusts and other vehicles. It’s also the time to make sure that insurance, health-care, health-proxy, and testamentary issues are settled—at least temporarily.

All of this suggests that if expert planning advice is appropriate, it’s in these middle years—especially for those with high net worth and/or income.

Baby Boomers: Time to Relax Comfortably

While it’s never too late (just as it’s never too early) to begin planning, for the Baby Boomers—born between 1946 and 1964—well-established plans are, we’d hope, in motion. The focus for most Boomers is on retirement: They’re either contemplating it, approaching it, or already in it.

Retirement is a watershed experience for virtually everyone. It marks the end of earned income (though some retirees may continue to work part-time or periodically) and hence heavy dependency on one’s investment portfolio. It may be the time to indulge some spending passions, and for some Boomers, a time for providing care to aged parents. For Boomers with considerable assets, it also can be appropriate to step up gifting, perhaps via private foundations or donor-advised funds, or college funding for grandchildren. Estate planning may seem unnecessary for all but the very richest, since the estate-tax exemption is currently $11.2 million per person ($22.4 million for a married couple), and indexed to inflation. But the tax laws can change quickly—and comprehensive estate planning involves more than simply avoiding estate tax.

Altogether, for Boomers, this is when the planning rubber hits the road. Decisions need to be made not only about how to spend but how much to spend (or not to spend) in a satisfying retirement. In fact, many retirees find that their spending needs have not been reduced by as much as they anticipated. In sum, the fruits of planning are critical in an age when longevity is a blessing for many—but a headwind for those without adequate funds.

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EDUCATE YOURSELF

Recognize the difference between investment planning and overall holistic planning. Each can have a role for you, but the first is a subset of the second, and the professionals who work in each camp will come to you with different skills.

Planning for Everyone

While planning issues can be parsed among the generations, as we did, there are guidelines that apply to anyone interested in long-term financial security. We offer six thoughts below:

- Recognize the difference between investment planning and overall holistic planning. Each can have a role for you, but the first is a subset of the second, and the professionals who work in each camp will come to you with different skills.
- Establishing spending guidelines may be the most important aspect of planning, especially—but not exclusively—for older segments of the population. Much attention has been directed to spending "rules," like the classic 4% of initial assets adjusted upward per year for inflation. With many observers expecting lower market returns in the decade ahead, 3% may be more appropriate; the topic is a natural between you and a planner.
- Remember that income and wealth are different, and need to be planned for differently.
- While bonds play an important stabilizing role in many investment portfolios, an allocation to stocks in some degree is usually appropriate for most investors (except the most risk-averse) because of stocks' longer-term growth potential.
- Planning can be as emotional an exercise as it is rational. It tends to raise fears as well as hopes and dreams, and may bring old (or new) family conflicts to the fore.
- We'd remind you of two ideas mentioned earlier in this paper. First, planning can help save you from acting on your worst financial instincts: behavioral mistakes common in all of us. Second, planning is anything but static: Financial plans should be re-evaluated at least annually.

Your Next Move

Are you interested in embarking on a comprehensive financial plan—or re-thinking an old plan that's been in place for a long time?

At People's United Bank our Advisors stand ready to help you plan, free of additional fees. We'll work with you as you choose, either one-on-one or together with your other financial advisors.

People's United Advisors can help.

Please contact us at 1.800.772.8778 or visit peoples.com