Financial Planning Components

Financial planning is a process not an event. It's part art and part science and involves numerous components that apply differently to everyone. The purpose of planning is to make sure your resources are continuously deployed in ways that support what's important to you. Financial planning typically involves the following components:

1. **Discovery**
   a. Determine goals, objectives, and mission statement
   b. Prioritize goals in writing
   c. Collect financial, tax, estate, and insurance documents

2. **Net Worth Analysis**
   a. Prepare net worth statement (assets minus liabilities)
   b. Review asset ownership and titling
   c. Identify potential risks or concentrations (i.e. multiple houses in multiple states, business entities, rental real estate, etc.)

3. **Cash Flow and Debt Management**
   a. Prepare 1-5 year cash flow statement/projection
   b. Assess current income and expenses and determine cash flow surplus/deficit
   c. Review strategies to address surplus/deficit
   d. Review debt level for tax effectiveness, interest rate, and terms
   e. Identify areas to redeploy cash

4. **Income Taxes**
   a. Review tax return and produce detailed tax projection
   b. Identify ways to minimize taxes though credits, deductions, income/expense recognition or deferral, AMT strategies, tax-deferred savings, municipal bonds, etc.
   c. Tax-loss harvest as necessary
   d. Coordinate investment and estate plan with tax plan
   e. Consult accountant as necessary

5. **Retirement Planning**
   a. State what retirement looks like and refine retirement specific goals
   b. Determine what financial resources will be needed to meet goals and when
   c. Identify and coordinate all sources of retirement income
   d. Estimate retirement cash flow needs and establish retirement income plans

6. **Education and Major Goal Funding**
   a. State financial goals and time frames
   b. Determine current available assets
   c. Determine required assets
   d. Calculate required savings rates
   e. Determine investment strategy for each goal
   f. Evaluate the benefits of UGMA/UTMA custodian accounts, trusts and Section 529 Plans

7. **Investment Management**
   a. Assess short and long-term financial goals
   b. Determine risk tolerance, target risk and return, and tax considerations
   c. Establish Investment Policy including asset allocation and constraints
   d. Identify proper investment instruments and benchmarks
   e. Implement investment strategy and rebalance as necessary
   f. Review investment holdings for absolute and relative performance

8. **Compensation and Benefit Planning**
   a. Review basic compensation and benefit package (401(k), flexible spending, life insurance, health insurance, etc.)
   b. Review stock option, restricted stock, stock appreciation rights, deferred compensation, and other executive compensation plan provisions
   c. Develop executive compensation maximization plan (single stock exposure planning, stock option exercise planning, deferred compensation planning)
   d. Review beneficiary designations

9. **Estate Planning**
   a. Discuss estate planning objectives
   b. Review key provisions, agents, and beneficiaries in estate documents (wills, trusts, LPOAs, advance healthcare directives)
   c. Review asset titling
   d. Assess liquidity for potential estate tax liability
   e. Review lifetime and post-death gifting strategies for charitable and non-charitable beneficiaries
   f. Review asset protection strategies e.g. LLCs/LPs and irrevocable trusts
   g. Discuss trust administration alternatives
   h. Coordinate with estate planning attorney

10. **Insurance and Risk Management**
   a. Review current life insurance and disability insurance coverage
   b. Review life insurance titling/ownership and beneficiary designations
   c. Determine the cash needs of survivors and other beneficiaries
   d. Review long-term care insurance
   e. Review home, auto, and umbrella liability coverage
   f. Review risk management program for additional risks