

HumbleDollar

Think Bigger

Richard Connor

August 12, 2019

FOR MUCH of my adult life, my view of financial planning was similar to that of many others: Simply put, financial planning equaled investment management.

I spent my career in aerospace engineering, surrounded by highly educated, mathematically competent colleagues. I was lucky enough to span the transition from defined benefit pension plans to defined contribution plans. My colleagues and I closely followed the market's performance, our own company's shares and emerging tech stocks. Some of the more mathematically inclined dabbled in options. Outside of work, one of my brothers and I ran an investment club. It was amazing to watch stock prices rise for companies that never made a profit.

Despite all these financial conversations during my early adult life, I don't remember any substantive discussion of estate planning, insurance, taxes or health care. All that changed in my late 30s. My parents' health problems turned into financial problems. My brothers and I provided increasing support.

Eventually, my wife and I sold our home, bought my parents' place and combined families. Declining health required adaptations to the house, fighting with Medicare, and understanding and accommodating hospice. My aging in-laws also compelled us to deal with issues like declining cognition, powers of attorney, taking over financial responsibility, finding lost assets, simplifying portfolios, finding quality and affordable senior living, and settling multiple estates.

All this fired my interest in the broader aspects of financial planning. I wanted to be prepared as my wife and I approached retirement. I became an expert on my company's defined benefit and defined contribution programs, and even provided counseling to fellow employees. I passed the exam to become a CFP, or certified financial planner, and then completed the RICP—retirement income certified professional—program. I volunteered and trained for the IRS's Volunteer Income Tax Assistance program, helping diverse clients complete their tax returns. I've learned so much from the many practitioners I met along the way—financial planners, estate attorneys, health care professionals, senior care professionals and tax preparers.

This journey has led me to a deeper understanding of the value and real need for financial planning. Most of my friends and colleagues are near or at retirement age. Many are perfect clients for holistic financial planning, but don't know about it or won't accept it. When they consult me now, I ask more probing questions about estate planning, tax planning and retirement income plans. Preparing tax returns for people of modest wealth has been eye-opening. The growth of defined contribution plans has led to widespread concerns that the average family is not prepared to manage and draw down what's often their largest asset.

What have I learned along the way? Here are just six of the lessons:

- Regularly saving money creates positive momentum in your financial life. Nothing is more important.
- A simple, diversified, high-quality, low-cost portfolio is often all you need.
- Spend less time following the market and more time understanding your taxes. Even if someone else prepares your tax returns, be sure to review them and understand your situation.
- Check that your estate plan is in good shape, with beneficiaries named, an up-to-date will and powers of attorney. Have a list of financial accounts available for your executor.
- If you have parents, talk with them about their finances. Make sure their estate is in order.
- Develop a family balance sheet showing your assets and debts, as well as a cash flow statement listing your income sources and where the money goes. Update these annually and review them with your family. Each year, you'll see the impact of saving and investing—and that'll spur you to improve your finances even further.