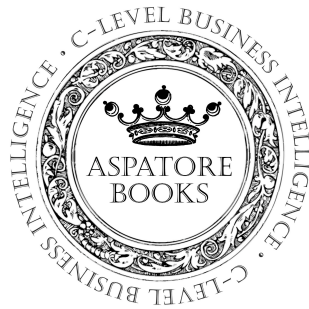


# Real Life Financial Planning

**An Easy to Understand System to Organize  
Your Financial Plan and Prioritize Financial  
Decisions**

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# 1

## The Basic Questions

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*Why the title Real Life Financial Planning?*

I have spent over twenty years working directly with individuals on their financial plans and financial planning questions. There is so much information “out there,” but sometimes not much wisdom. Hopefully this book summarizes the wisdom I have learned and shared with my clients in individual meetings throughout the years. *Real Life Financial Planning* is simply a practical method of understanding, organizing and prioritizing financial decisions.

Most financial planning publications and financial plans themselves assume everyone lives a long, healthy life and saves a good portion of their income in quality investments that always do well. This book addresses all of the issues that happen in real life, and I hope you take the time to read this and work with a trained professional to develop and implement a financial plan that meets *your* goals and objectives.

*Why is there is an ever-increasing number of financial planning books on the market today?*

Because there is an ever-increasing need to get educated.

- Few parents openly discuss financial matters with their children while they’re growing up.
- Personal financial planning is rarely a subject taught in school.
- Many young people today begin their professional life already *in the red* when you consider the average student who takes out a college student loan graduates with over \$20,000 in debt.

- We live high pressure, busy lifestyles that don't allow much free time to try and learn about all of the options that we have.

These unfortunate facts mean there are far too many people today who are ill-equipped to deal with the practical and fundamental necessities of planning for a secure and independent financial life.

Times have changed. Today, more than ever, your financial future needs you. Long gone are the days when you could rely on your company to pay back decades of loyal service with a comfortable pension plan. Even the government can't assure you of a reasonable retirement after a lifetime of social security contributions. Not to mention the fact that financial issues have become increasingly complex and we are continually inundated with confusing financial information.

These facts aren't meant to stress you out, but to wake you up to the financial reality of America today. It's not simply a matter of whether you will be able to retire rich, but whether you will simply be able to sustain your current lifestyle for the rest of your life.

Don't wait another day. This book is meant to give you an introduction into the often intimidating world of financial planning. You will taste some of the tempting varieties of investments. You will sample from the sea of insurance options. You will learn the lingo and get advice on where to go to next, whether you intend to go the road alone or get some help along the way. Best of all, you will climb the pyramid of financial success.

Financial success isn't, as most people might suspect, the ability to make one or two decisions that turn a buck into a million. Rather, financial success is the result of many, many small but sound decisions that, when compounded, add up to substantial financial security.

You are in complete control. Or at least you should be. When it comes to spending and saving, investing and paying taxes, many may offer good advice, but you're the only one who can do anything about it. Maybe you're a chronic shopper. Maybe you're unsure of your investment options and how to prioritize them. Maybe you don't have a clue where

your paycheck goes each month. In any case, if you're reading this book you already understand the importance of getting your future under control, and that's the crucial first step to financial freedom.

### *Who Needs a Financial Planner?*

Financial independence and the accumulation of wealth are no accident. Granted it's not possible to plan for every single event in life, but even tragedy can feel more manageable when you are financially prepared for it. *If you're like many people, you probably spend more time planning for a vacation than for your entire financial future!* Whether it's preparing for the future, securing yourself and your family against tragedy or planning for the good times, your money deserves your undivided attention.

Car accidents, marriage, divorce, kids, corporate downsizing, death, retirement, for better or worse, are the realities of life. Planning for any circumstance, both happy and sad, may seem like a burden right now, but the right planning will rescue you when (not if!) unforeseen circumstances arise. Sometimes, solid planning can even turn otherwise bad fortune into good—maybe that downsizing could lead to a better job, or the divorce to a healthier situation, or the pregnancy may provide the chance to take more time off to spend with your family than you thought you could.

The truth is, we all need to plan for our financial futures. So the question is not whether to plan, but how to go about making a plan, and whether we need a professional to help. The *information age* has intensified the field of financial planning. It is interesting to consider that twenty years ago financial news may have made top headlines two or three times throughout the year when the stock market would do particularly poorly or well, or if there was some other major economic news. Today, however, we have news programs dedicated to nothing else 24-7, and the number of financial headlines in the daily papers can be overwhelming. Still, there is a big difference between information and wisdom, and that's where the insight of a trusted professional can help.

Several situations which may call for a financial planner's expertise are:

- *You are a professional without much spare time.* If you're working for a good company they may provide the groundwork for investing wisely for the long term, but even the best can't take into consideration the special

circumstances of each individual or family. In this case a financial planner can save you a bit of your most precious commodity—time.

- *You are easily bored or overwhelmed by financial questions.* If, for example, preparing a budget is such a nuisance that you can't even imagine having to sort through anything more complex, like insurance options, trends in mutual funds or the stock market, then hiring a financial planner may be money well spent for greater peace of mind.
- *You are considering a complicated set of employee benefits in combination with personally owned insurance and investments.* You certainly don't want a new employer (or an existing employer who has changed their benefit structure) to conflict or overlap with your current investments. Such gaps or possible duplications should be examined thoroughly.
- *You are recently divorced or have lost a spouse who had previously been the one handling financial affairs for the household.* As if dealing with the trauma of divorce or death is not enough, being thrust into unknown financial waters without a trusted advisor can make you feel you're trying to stay afloat with bricks chained to your ankles.
- *You have recently graduated from high school or college and are suddenly expected to become financially independent.* The saying "an ounce of prevention beats a pound of cure" is an important one in the world of financial planning. Seemingly insurmountable debt plagues the future of many young people. Learning to budget properly, to choose from insurance options and to make wise investments are necessary life skills. Getting professional advice now beats paying for costly mistakes later.
- *You are self employed.* In this case, you most likely have to "wear many hats" as an entrepreneur. You are in manufacturing, sales, accounting, customer servicing, and probably don't have time to investigate or be aware of the many planning options available to you for you and your employees. A financial planner can help you sort through the many issues facing you.

As much as some of us would like to leave it all up to a professional, it's crucial that you understand the basics. A financial advisor is someone there to educate and advise you and assist you in taking action to implement a plan, but ultimately the final decisions are yours. A good financial planner will educate you as to the options you face, acting as a teacher, so that you understand all of the relevant issues. Then you can work together to implement a plan, and monitor it over the years. A successful financial plan is an ongoing process that stays up to date with your situation.

The topic doesn't matter....whether it's religion, politics, stocks, insurance, sales loads or how to finance your house, just to name a few. There are always many individual considerations, and the correct solution depends on a variety of factors. I get leery of advice that suggests you should "always" do this or "never" do that. I believe life is far more gray than it is black and white.

I am not the first to say this, and I certainly won't be the last: *"It is crucial to trust your own judgment and instincts before taking action, no matter how good someone makes their argument."* The best way to gain confidence in your own better judgment is to educate yourself on the topic at hand.

With that in mind, in this book, you'll find answers to the most important financial questions facing everyone:

- How much money should I have in emergency reserves?
- In which order should I go about paying off my debts?
- Which is the right kind of insurance for me & how much do I need?
- What are the most common financial mistakes people make?

If you don't know the answers yet, don't worry; just keep reading, because you're about to find out.