

A Whole New Financial Landscape: What does it Mean to You?

By Mary Way

Even if you haven't lost your job, home, or health insurance due to the economic situation, you still might need to update your planning. It's a whole new financial landscape with lower home prices, lower portfolio values, tax changes, financial insecurity, and changing estate planning assumptions. You might feel that your peace of mind has been seriously diminished.

Perhaps the biggest game changer for many people is the drop in value of investment assets. Many people are having difficulty putting their own situation into context. They are taking actions they don't need to take or losing sleep over things that don't affect them. You need to look at where you are on the spectrum of key areas and make your decisions accordingly. It's often hard to do this on your own, so that is where a professional review of your situation can help you assess what needs to be done. At a minimum, you need to update your retirement projections. When can you retire? And on what income? And for how long?

Less Concern	←————— SITUATION —————→	More Concern
Large cash reserves	Liquidity	Little or no reserves
Stay within Budget	Spending Habits	Live beyond means
Secure	Employment	Insecure
Many years remaining	Career Stage	Close to or in retirement
Well designed & monitored	Investment Strategy	No strategy, inattention
Necessary vs. discretionary	Spending Flexibility	Don't know what to cut
Several Sources	Income Sources	Depend heavily on portfolio
Children not near college age	College Support	Support needed soon

If you find yourself gravitating more toward the left side of the chart, congratulations. Maybe you can help boost the economy by taking a trip, doing that kitchen remodel, or going out on the town. (Be sure to tip the wait staff well!).

But probably lurking beneath the surface of a new retirement reality is an outdated estate plan. Lower real estate and portfolio values mean—at least for now—that your estate is considerably smaller. You may no longer have accumulated capital gains. How does this affect your income tax and estate planning? Will your spouse have enough? How does this affect the legacy you want to leave your children and favorite charities?

These aren't necessarily obstacles. In fact, new planning opportunities exist thanks to newly passed legislation affecting a broad range of areas. In today's environment, you have the opportunity to restore your peace of mind by taking a coordinated review of your current situation, then taking strategic action.

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