

The Best Offense Is A Strong Defense

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By William J. Goldsmith

In deference to the return of my favorite sport, I thought I would discuss a little football as it relates to financial planning. Both football and financial planning require careful planning and proper execution in order to be successful. When meeting with clients, I often use the terms offense and defense with offense representing our income and defense representing our spending. In today's world, it is very important to have a strong defense. We have more control over our defense than we do our offense. A person may not get the pay raise or merit increase they were expecting. But, they can decide not to purchase that shiny new car, expensive piece of jewelry or the latte they have every morning at Starbucks.

When I use the term "strong defense", I mean that someone has a clear understanding of what is important to them and spends their money in a way that is supportive of their long term needs and goals – being able to abstain from the frivolous to afford that which is truly meaningful to them. A strong defense is important for everyone whether it be the college graduate concerned about paying back her student loans, the young married couple concerned about daycare expenses, the couple with high school students saving for college or retirees concerned with living a comfortable life in retirement while their savings earn almost nothing and the stock market is near all-time highs in a slowing economy. No matter your situation, a strong defense can better help you to achieve your goals.

That said, it has become harder for many of us to mount a strong defense for many reasons. First, it has become increasingly easier for advertisers to reach us via all of our electronic devices 24 hours a day with selective advertising based

on our online usage. So, we are constantly bombarded with ads for items for which we have already expressed an interest. Second, all we have to do is push a button and it is ours thanks to Amazon and other online vendors. Third, peer pressure is all around us whether it is real or perceived. Maybe it is because we want to be part of a social group or because we do not want our kids to feel left out, either way, this pressure can affect our spending decisions.

In addition to the targeted advertising, ease of purchase and peer pressure, life really has gotten more expensive relative to our income. Real hourly wages have remained static or declined for the past three decades for the majority of workers in the United States. Combine this with the significant increases in healthcare costs, daycare expenses, home prices, automobiles, rents and college tuitions and it is understandable why it now takes two incomes to provide for a family when only one was required a few decades ago.

For all of these reasons, we need to remain focused and disciplined in our spending and have a plan. We recently came back from a family vacation. I asked both of my kids what they enjoyed most during the trip. They told me it was the time we spent playing in the pool. It had nothing to do with the toys and souvenirs that were bought in the moment and soon forgotten. It was all about the time we spent together as a family and the fun we shared.

I hope you had a wonderful summer. Go Pats!

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