

5 CHALLENGES

WHEN PLANNING YOUR WEALTH JOURNEY



RASKIN
PLANNING
GROUP

WEALTH IS A JOURNEY

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Your Life Journey

We are only on this earth for a limited time. For most of us, 85 to 100 years sounds like a pretty good run. During that time, there is so much to do and learn, countless decisions to be made, and so much joy and pain to be experienced. Life isn't always easy, but hopefully it isn't too hard, either.

It can be overwhelming to think about the totality of one's life. I've always thought of life as a journey, throughout which we acquire certain resources that influence our choices and the paths we take. These resources can include:

- **Personal Values** (integrity, honesty, faith, kindness, etc.)
- **Personal Capital** (intelligence, knowledge, education, appearance, experience, social contacts, etc.)
- **Time** (we all have the same amount of time, how does this get used?)
- **Community** (family, friends, social and work networks, interests, etc.)
- **Assets**
 - Financial Assets (cash, stocks, bonds, etc.)
 - Business Assets (privately-owned business)
 - Real Assets (real estate, precious metals, land, machinery, commodities, etc.)

How do your resources affect your life choices? How will your decisions affect your resources?



Making the Most of Your Journey

You only have one life. During this life, you must decide which path you will take. Rather than wandering aimlessly, a well-considered, well-planned journey will give you a greater chance of getting closer to your desired destination.

When you think and plan ahead, you accomplish more, feel more in control and more fulfilled. However, that doesn't mean your life will always be a smooth journey and you'll always make the right choices. In life, the unexpected happens -- both the good and the bad. This may temporarily knock you off your path, but with the right mindset and plan, you can re-calibrate, adjust, and get back on track. Even those who feel fulfilled often deal with multiple challenges throughout their life. As noted earlier, life isn't always easy.

Reaching Your Desired Destination

While so much of life is beyond our control, there are always things that are within our power. Focus on the things you can control, rather than what you can't, and do something about them. Make contingency plans for whatever may come your way.

The Wealth Journey considers your resources and your real wealth to help you make decisions about your today's and tomorrow's, whether your journey lasts another 10 - 50 years.



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CHALLENGES

CHALLENGE #1:

UNDERSTANDING YOUR WEALTH

Assets

Understanding and organizing your wealth is the first step in building a solid road map for your journey. Assets are strictly a tool, or a resource, to help meet your personal goals and aspirations. Ask yourself:

- What are your assets and what can they do for you?
- When do you need to access these assets?
- Are these assets doing what you need them to do?

If you know what your assets are and that they're doing what you need them to do, you will most likely feel confident and in control. If not, you will need to make adjustments by finding new tools, resources or assets.

The Importance of Understanding Your Wealth

The consequences of not understanding, organizing and assessing your resources are severe. For example, many of us are concerned about running out of resources -- will my income stop before I do?

Think of your journey as a round-trip up Mount Everest. Most people don't know that the trip back down the mountain is more dangerous than the climb to the top because of factors like fatigue, weather and oxygen deprivation.

In your life journey, your time "accumulating" funds pre-retirement is your climb up the mountain. There is risk, but it isn't as difficult or as complicated as the descent, or the "deaccumulation" stage of retirement.

Time is the biggest factor. When you are accumulating funds, you have the time to make adjustments. As you approach retirement or your earned income stops and you need to tap into income from your assets, there is little time to make up for mistakes or bad fortune like living too long, terrible stock and bond markets, higher taxes, large medical expenses, high inflation and unexpected expenses.

Organizing Your Assets

Organizing your financial life isn't difficult, but it takes time.

Do a complete accounting of your assets and understand how each one works. This includes existing insurance policies, investment accounts, retirement accounts, estate plans and business assets and agreements.

While it isn't hard to organize your assets, it is much more difficult to understand how your existing assets work together, and how they might affect your future.

So, how do you plan for your "descent"? When and how do you begin to make adjustments for this new phase? How do you position assets for more income rather than more growth? What are the risks and probabilities? What are potential consequences of living too long, suffering significant financial losses and living with higher inflation?

How do you plan for the totally unexpected? A divorce in the family? A special needs grandchild? A business loss? Significant home care expenses due to a serious illness or chronic disease.

We often have more questions than answers when it comes to the "unexpected", but it's important to discuss how you might react and what you might want to do in case something happens. What is your contingency plan?



CHALLENGE #2: OVERCOMING ASSUMPTIONS

Assumption Overload

Some of the biggest challenges we face today are information and decision overload. It can be difficult to filter through all the information around us to make decisions that are right for our unique situations. Following “rules of thumb” may be appropriate for some, but not all. Sometimes, we make assumptions that may not be relevant to us. We hear and have access to lots and lots of data, but that data doesn’t necessarily help us make decisions.

The Risk of Assumptions

Irrelevant data can lead to confusion and can make decision-making even more difficult. Decisions made in a vacuum can have unintended consequences. It’s not what you know that is important, it is often what you don’t know that causes significant problems.

Treating Assumption Overload

The primary solution is to focus on your most important objectives and values first. Will this problem and possible solution help me to get my goal? How will this solution affect other objectives and other people -- both now and in the future? This sounds easier than it is.



38 Financial Assumptions That May Cost You

Many people have financial assumptions. In our experience, many of these are often misunderstood and misrepresented by both investors, advisors and the media. Each represent a potential gap in your thinking and possibly your financial plan.

Visit RaskinPlanning.com to
DOWNLOAD CHECKLIST

CHALLENGE #3:

KNOWING WHAT YOU ACTUALLY WANT

Goal Setting

When your goals are clear, the solutions become more obvious. However, most of us don't have clearly defined, absolute goals. It is not unusual to have a general sense of what you want in 10, 20 or 30 years but for most people, the details along the way haven't been totally defined.

We help clients map out their life journey by helping them build an itinerary, discussing the direction of their plan and positioning them for success. Our process helps clients develop their plan and visualize their future. As we continue to review their journey over many years, their progress becomes more defined, and more certain.

Turning Inaction into Action

Through this process, we turn idleness and financial anxiety into momentum and confidence. When you can visualize a future that is filled with accomplishment, you are more likely to take action today. Step by step, you will make progress, and the journey and the destination will become more and more satisfying.

Financial Modeling

Developing a personalized, detailed financial plan allows you to map out your journey. We call this Financial Modeling. It identifies strengths and weaknesses in your plan and offers a variety of solutions. It can show different pathways to help you meet your objectives, and may challenge some of your beliefs and assumptions.

Financial modeling also tests your commitment. How committed are you to that goal? Is it so important that you will take action now? This is a process that should be reviewed on an ongoing basis to make sure you are on target and to make any necessary adjustments. Making adjustments sooner rather than later is often easier than deferring these decisions.

Defining goals that matter is an important part of achieving great outcomes in your life, work or wealth. Goal clarity is one of the most important areas where we help people get clarity. Often times, when working with advisors, both parties settle for simple goals that come to mind quickly. When going through this exercise, don't settle for the obvious. Dig deep here, challenge your thinking, clarify your goals, and develop a vision that really matters.

Goals that matter are a critical step to achieving your best life and wealth outcomes. Visualize each goal and make sure it truly matters to you.

Please find some quiet space and start the process of identifying what you want and why.



Goals That Matter Exercise

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DOWNLOAD

CHALLENGE #4:

ACCEPTING THE UNKNOWN AND PLANNING FOR IT

Contingency Planning

The future is unknown. We can make predictions and have hopes, but we really don't know what will happen. As we develop a plan for your journey through life, we must be prepared for the unexpected and the unknown. This is called contingency planning. A well thought-out plan will consider some unlikely events that might occur to you, to a family member or to a key-person in your business. These include:

- An unexpected sickness or accident that forces significant lifestyle changes
- A death
- A loss of a job and/ or a reduction in earned income
- A business failure
- A significant recession and stock market decline
- A divorce

These unfortunate events can wreak havoc on even the best laid plans. What would you do if they happened? How would you react and feel about your choices? Are you willing to accept the consequences? Is it okay if your standard of living is affected, if your children and grandchildren receive less inheritance or if you delay retirement?


Expect the Unexpected

The unexpected may never happen and your plans may unfold without a hitch. But is it likely that nothing unexpected will ever happen during your lifetime? When it comes to the unexpected, it is more a matter of when and what, not if.

Contingency planning means you ask yourself these questions and then do something about it:

- What could happen and how likely is it?
- What are the consequences?
- Can you live with that?
- Prioritize your biggest risks and what needs to be addressed
- Take action (for example, save more than you might need, purchase insurance or reduce debt)

Contingency planning helps you prepare for “Plan B” and turns a difficult situation into an acceptable outcome.



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TAKE THE CONTINGENCY PLAN EXERCISE

Ask yourself (and answer) questions to see the potential impact and actions of these unexpected life events.

IF THE FOLLOWING OCCURS:	WHAT IS THE LIKELIHOOD? <small>(1=Highly Unlikely, 10=Very Likely)</small>	WHAT ARE POSSIBLE OUTCOMES IF EVENT OCCURS?	CAN YOU LIVE WITH OUTCOMES?	HOW IMPORTANT IS IT THAT YOU PLAN FOR THIS RISK? <small>(Priorize Risk: Highest to Lowest)</small>	NECESSARY ACTIONS TO MITIGATE RISK
Unexpected Sickness or Accident					
Untimely Death					
Job Loss					
Business Failure or Income Reduction					
Divorce (You or Children)					

CONTINGENCY PLAN EXERCISE
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Contingency Plan Exercise

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CHALLENGE #5:

OVERCOMING BEHAVIORAL CHALLENGES THAT ERODE WEALTH

Understanding Decision-Making

The human brain is designed to make incredibly complex decisions, it's one of the great strengths of our species. But human beings aren't always rational, and our decision-making capabilities are often hampered or influenced by many factors. Understanding these factors gives us greater insight into the decisions we make, and we can also help us empathize with others as they make their own choices.

The Wealth Planning Journey consists of hundreds, if not thousands, of choices and decisions. Our behaviors are driven not only by carefully considered deliberations, but also by intuitions, emotions and tendencies. If human beings sometimes make irrational decisions, let's attempt to understand why this might happen; this knowledge might help improve our decision-making capabilities.

Understanding Decision-Making

Behavioral Finance has become an important and well-researched area of study. Scientists have concluded that most of us have certain "biases" that influence our decision-making.

These biases include:

- Overconfidence, which can lead to carelessness and risk-taking behavior. For example, you might be less likely to ask for advice or help if you have been successful doing something else.
- Anchoring on irrelevant data that influences decisions. For example, not selling a stock until it rebounds in price from a previous high.
- Over-weighting the importance of recent history or experiences and discounting long-term trends. Your recent experience may not be a good predictor of the future, and you may miss a good opportunity.

These behavioral biases should be understood by all. You can't avoid them, but your awareness may make you less susceptible to irrational decision making.



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