The Financial Wellness Checkup

Are you financially well? Do you have enough saved for retirement? Do you have enough insurance for those unfortunate situations? Are your investments properly allocated according to your risk profile? These and many other questions should be answered to assure you are financially well. Overlooking any area of your personal finances could have negative ramifications for your financial future.

A Financial Wellness Checkup reviews your financial well being with respect to five core disciplines: Tax Planning, Investment Planning, Insurance Planning, Retirement Planning, and Estate Planning.

Who should perform this Financial Wellness Checkup? Many professions can adequately provide a Financial Wellness Checkup; however, in some instances they may be providing the plan as a means to sell their product such as stock brokers or insurance sales people on commission. In addition, their expertise may not be adequate to address financial issues outside of their purview.

Certified Financial Planners (CFP®) are trained to prepare a financial plan that embraces all disciplines. They are educated in all five core disciplines. Generally speaking, a CFP® professional will focus in one of the five core disciplines even though they are very familiar with the other areas of financial planning. Further, CFP's® are held to strict ethical standards to which they must adhere to in order to maintain their CFP® designation. Therefore most fee only CFP's® are not selling any financial products and are interested only in "your overall financial wellness."

Using a CFP® focusing in tax planning and preparation may be the smartest option. Since you already provide your personal financial information to your tax advisor on a yearly basis, this information is not needlessly propagated to other professionals.

The five areas of specific review for a Financial Wellness Checkup are as follows:

Tax Planning:

Tax Planning involves a review of your current tax situation looking for ways to reduce your present and potential future tax obligations. This is done with respect to other competing interests like investments and earnings.

Insurance Planning:

Insurance planning looks at six sub-categories to ensure you are adequately protected against any possible eventuality. At the least, it seeks to educate you about what insurance is needed and is appropriate for your circumstances. The six sub-categories are Auto, Home, Health, Disability, Long-Term Care, and Life insurance. Insurance is often used in combination with tax planning, investment planning, and estate planning.

Investment Planning:

Investment planning is the process of evaluating your current investments and investment goals. More specifically, investment planning is a process of allocating your assets in accordance with your risk tolerance profile, i.e. some investors desire to be more aggressive than others and their asset allocation will incorporate a higher percentage of high risk investments as a result. Investment planning also takes into account future needs such as education needs, vacations, new home purchases etc.

Retirement Planning:

Retirement planning is a process of first reviewing your current retirement savings and then ascertaining the income that will be needed at retirement age and finally planning to meet that goal. Retirement planning also highlights areas where you can maximize savings while also saving tax.

Estate Planning:

Estate planning deals with medical directives, powers of attorney's and estate disbursement. These items are typically related to incapacity planning and death. In the case of your incapacity, who will pay your bills? Will they have the legal authority to do so? Will you be sent to a care facility, or would you like in-home care? Estate planning can also reduce estate taxes in certain situations. Most importantly, estate planning can be used to control how your assets are passed to your beneficiaries. Remarried couples with children from their first marriages may have special circumstances where they want to provide for their current spouse, but want their children to inherit their assets. There are many variations which should be addressed.

In this area a CFP® professional will refer you to an attorney who specializes in estate tax to assist in the legal issues necessary in this type of planning. Note:
In all areas of financial planning various professionals will be referred as appropriate.

A good financial plan will take some time to prepare, and includes multiple meetings with a perspective client. Once prepared, a checkup is easily updated on a yearly basis to stay current with asset changes, family changes, and any other factors affecting the overall plan.

If this is something that interests you, please contact us at your convenience to see if this is a service you require or desire at this time. We can also review a sample plan to illustrate what your plan would entail.

Allen & Allen, LLP is a tax preparation and planning firm located in Cameron Park, California, just east of Sacramento.