

What You Should Know About Financial Planning

By John B. Clair, CFP®

Do your life goals include buying a home, saving for your child's education or planning for retirement? Maybe you have come across the term "financial planning" recently and wondered what it means. You may have decided to get your finances together but you're not sure how. Or you may feel it's time you went to a financial planner for some professional advice. Whatever your situation, the following information can help you become more familiar with financial planning and decide what's right for you.

What Is Financial Planning?

The Certified Financial Planner Board of Standards has defined the financial planning process with six steps that help you take a "big picture" look at where you are financially. Using these six steps, you can work out where you are now, what you may need in the future and what you must do to reach your goals. The process involves gathering relevant financial information, setting life goals, examining your current financial status and coming up with a strategy or plan for how you can meet your goals given your current situation and future plans. This is the same process that a professional financial planner would use to develop your financial plan.

The Benefits of Financial Planning

Financial planning provides direction and meaning to your financial decisions. It allows you to understand how each financial decision you make affects other areas of your finances. For example, buying a particular investment product might help you pay off your mortgage faster or it might delay your retirement significantly. By viewing each financial decision as part of a whole, you can consider its short- and long-term effects on your life goals. You can also adapt more easily to life changes and feel more secure that your goals are on track.

Can You Do Your Own Financial Planning?

Some personal finance software packages, magazines or self-help books can help you do your own financial planning. However, you may decide to seek help from a professional financial planner if:


- You need expertise you don't possess in certain areas of your finances. For example, a planner can help you evaluate the level of risk in your investment portfolio or adjust your retirement plan due to changing family circumstances.
- You want to get a professional opinion about the financial plan you developed for yourself.
- You don't feel you have the time to spare to do your own financial planning.
- You have an immediate need or unexpected life event such as a birth, inheritance or major illness.
- You feel that a professional adviser could help you improve on how you are currently managing your finances.
- You know that you need to improve your current financial situation but don't know where to start.

What Is a Financial Planner?

A financial planner is someone who uses the financial planning process to help you figure out how to meet your life goals. The planner can take the “big picture” view of your financial situation and make financial planning recommendations that are right for you. The planner can look at all of your needs including budgeting and saving, taxes, investments, insurance and retirement planning. Or the planner may work with you on a single financial issue but within the context of your overall situation. This big picture approach to your financial goals sets the planner apart from other financial advisers, who may have been trained to focus on a particular area of your financial life.

Be Sure You’re Getting Financial Planning Advice

The government does not regulate financial planners as financial planners; instead, it regulates planners by the services they provide. For example, a planner who also provides securities transactions or advice is regulated as a stockbroker or investment adviser. As a result, the term “financial planner” may be used inaccurately by some financial advisers. To make sure you are getting the advice you want from a qualified professional, contact the Certified Financial Planner Board of Standards toll-free at 800-487-1497 or visit www.CFP.net for a free brochure, “10 Questions to Ask When Choosing a Financial Planner.”

John B. Clair, CFP[®], is a financial planner with Leahy & Clair Financial Management and specializes in creating comprehensive financial plans and investment management strategies based on them for individuals and families. This article is based on copyrighted material provided by CFP Board, a nonprofit, professional regulatory organization that benefits the public by fostering professional standards in personal financial planning. To request a free Financial Planning Resource Kit, contact CFP Board at 888-CFP-MARK or go to www.CFP.net to learn more about financial planning. CFP Board owns the certification marks CFP[®], CERTIFIED FINANCIAL PLANNER[™] and  in the U.S.