

FINANCIAL PLANNING PITFALLS

➔ **Following rules of thumb about retirement.** Example: I am going to need 70 percent of my pre-retirement income in retirement. It depends on your spending in retirement. **M.F.**

➔ **Taking tips from your relatives or friends.** You would have to reveal information about your financial situation that you may not want them to know. A family member may also have "skin in the game." **B.B.**

➔ **Overspending with your investments.** Understand your cash flow. Pay down your credit card debt first. **L.L.**

➔ **Being too conservative in your investments.** **B.B.**

GENERAL WEALTH MANAGEMENT

OK ... here we go. 2012. It's time for a fresh start, true, but the stench of a stale economy is still stinking up the new year. And once again, those creeping scary thoughts of what's invested where and who's to be trusted now are on the minds of investors in Northern Virginia.

The warm blanket of financial security keeping nest eggs safe has turned in to a wet blanket of stark reality.

What's more, this year is an election year where the outcome could affect the financial future of you, your business and your family for years to come.

The only thing you can count on is uncertainty, and that's a word that most investors and money managers don't want to hear. When that investor is you, hoping to make your money make more money, it's no time for some amateur hour, do-it-yourself, Internet-info-trolling, knee-jerk decision-making.

No, in times like these, your new best friend forever is a smart financial advisor. BFF? SFA.

These pros aren't just money managers, though that is what you rely on them to offer. They are relationship managers. Some have been trusted advisors for years, working with generations of the same family.

These are people who are working their formulas and adjusting their custom in-house or web-based computer models so that you can do what's best for yourself, your family and your future even as the financial uncertainty takes twists and turns that no one could have predicted. "The markets are very complicated," Brenda Blisk, CEO of the Blisk Financial Group at Spire Investment Partners in Reston, says. "And to think you can outmaneuver or outthink hedge funds or trading programs, that's biting off an awful big bite."

Financial advisors need to know more about you than just where you put your money. They need to know your wants, your desires and your dreams. They want to know about your lifestyle and what it takes to keep that lifestyle where you want it to be.

They need to understand your financial past, present and future as a wage-earner, investor and money manager. They need full disclosure to help paint a true financial picture of where you are today and where you want to be tomorrow.

Blisk says that when you see a financial advisor or wealth manager, you will need to bring tax returns, check stubs, 401K statements, tax deferred option plans, insurance information, plus trust and will information. "Just sort of layout

all the different pieces of the puzzle to your life so the financial consultant can see where you are and what you have to work with," she advises.

Financial planning is about understanding risk: risk tolerance and risk management. According to Barry Glassman, president of Glassman Wealth Services in McLean, risk isn't necessarily being down in the stock market or losing this month or next. The biggest risk is not meeting goals. "Whether someone has no money and debt, or has negative net worth or whether they just sold their business—what are their goals?"

For the D.C. area, risk management concerns should extend to domestic employees, who are often recommended

**... in times like these,
your new best friend
forever is a smart
financial advisor.**

ed by a friend and hired on a handshake. "You are letting someone come in to your home, take care of your personal belongings, drive your children around," Diane Beatty, vice president and insurance broker at personal insurance company Lane McVicker in Reston, says. "Have you done a background check on them? Do you know what their motor vehicle driving record is? We really talk through that issue, not just from an insurance standpoint but from a risk management standpoint," she says.

Financial planning is about developing a financial roadmap

- ➔ **Doing your financial planning yourself.** Have a sounding board. **M.F.**
- ➔ **Investing money that you are going to need in the near term.** **L.L.**
- ➔ **Panicking and jumping into the market.** **K.C.**

- ➔ **Getting emotionally attached to a stock or stock purchase.** Use a consultant to help you get your emotional connection out of the equation. **L.L.**
- ➔ **Going with the latest hot investment.** **B.G.**

with directions on how to get where you want to go. This is a personal journey, unique to each person, because every investor has different objectives. "You have to look at everything to find what's best," Kim Cox, COO and director of consulting services for West Financial Services in McLean, says. "How old are they? What is their risk tolerance? What are their goals for their portfolio? Do they want their children to inherit anything? What are their estate planning goals? Their cash flow goals? Their retirement goals?"

Financial planning is about identifying trends, and a smart financial planner can spot them early. But trends aren't always about the game; they can be about the players.

WOMEN-SPECIFIC MONEY MANAGEMENT

LouAnn Lofton saw a trend in her work as the managing editor for online content at The Motley Fool that inspired her to write her book, "Warren Buffet Invests Like A Girl." She noticed that gender makes a difference in money management.

Where men tend to treat the stock market as a game, a sort of online casino, women tend to spend more time up front

understanding the stock and watching the trends before they buy their piece of a company.

Buffet's style of investing, Lofton explains in her book, is to select stocks he knows well and then stay with them through whatever ups and downs that stock experiences. That buy-and-hold approach suits women well. Men—not so much. "Women tend to be naturally more conservative and cautious, and more confident of their investment decisions," Lofton says.

She says that women do more research, ask the hard questions and only invest in what they think they know and understand—just like Buffet. He wisely avoided tech stock investing during the tech bubble because he just didn't see any long-term sustainability.

Guess he got that right. And he's weathered the economic roller coaster just fine ever since.

"At the height of the stock turbulence in 2008-2009, men were much more likely than women to panic and sell," Lofton says. "They just couldn't control themselves. And panic is the worst thing that an investor could be doing. Women, on the other hand, seem better able to handle the ups and downs because they know what they are investing in."

Saying that differences between men and women investors may be more of an ego issue related to mistakes in timing investments rather than differences in gender, Glassman acknowledges that women investors are different now than 15 years ago. "So many women here in Northern Vir-

FINANCIAL PLANNING TIPS



Have goals for your retirement planning—What do you want to do? Where do you want to live? **B.G.**



Save 20 percent of your paycheck and build your budget off the remainder.

Plan your lifestyle. Budget around your needs, not your wants.

Diversify. **B.B.**



Manage risk by asking yourself these questions: Do you employ domestic help? Do you volunteer on a board, either profit or nonprofit? Do your teenage children away at school have a car? Do you entertain on or off your property and serve alcohol? **D.B.**

ADVISORS

D.B. Diane Beatty, vice president at personal insurance Lane McVicker, Reston.

L.L. LouAnn Lofton, managing editor at The Motley Fool, www.fool.com.

K.C. Kim Cox, COO West Financial Services, McLean.

M.F. Marjorie Fox, founder of Fox, Joss & Yankee LLC, Reston.

B.G. Barry Glassman, president of Glassman Wealth Services, McLean.

B.B. Brenda Blisk, CEO of Blisk Financial Group at Spire Investment Partners, Reston.

FREE FINANCIAL MANAGEMENT MOBILE APPS

Your mobile phone may be all you need these days to get an instant snapshot of your financial picture. Here are some of the more popular free apps:



Easy Books for iPad; resource planning with access to all financial reports



CashFlow for iPad and iPhone; track and manage your daily cash receipts, expenses, ATM balances



Google Finance for Droid; personal finance news, real-time stock quotes, personal portfolio tracking

ginia have empowered themselves with understanding and controlling their financial future. This is a healthy trend I see continuing," he says.

Women want performance, Blisk says. They want their investments to outperform the S&P 500. "Women invest for security," she says. "They want to know that their children are going to be taken care of. They want to know that if something happens to their husbands that they are going to have something to fall back on, that they are going to be taken care of to a point. They don't, at a difficult and sad point in their life, want to get turned back into the workplace."

Cox says that women want to preserve and grow their wealth for a longer period of time. "Women live longer; that is statistically true," she says. "I think that this is why they are more buy-and-hold, and give more time for a long-term look because they will live into their 80s," she says. "Men don't think about their life expectancy as much."

She says that men and women react differently to stress and to risk. "So as you see more and more women really become more risk takers in the workplace, it will be interesting to see if their investment philoso-

phy will change significantly as well," Cox says. "We'll see."

RETIREMENT SAVINGS

Trying to figure out what to do with your money today is difficult enough. But the cumulative effect of all this financial uncertainty makes for a troubling outlook for the future. Retirement planners know there are ways to hack a path through the what-if jungle of tangled temptations. You just have to have the right tool in the hands of the right pro.

Marjorie Fox, principal and founder of Fox, Joss & Yankee LLC in Reston, says she tries to take some of the guesswork out of the retirement manage-

ment process with financial modeling software, basically a detailed spreadsheet that she fills in with answers to a series of pertinent questions to help her build a vi-

sion of a successful financial future. "Here is how we frame the questions with a client," Fox says. "Where will you live? Or are you going to downsize

where you now live? How will you spend your time? What will it cost and how will you pay for it?" she says. "Knowing where they like to live and how they would like to spend their time says a lot about what it is going to cost. And then we have to figure out how to pay for it."

All of that, she says, plays into the line items in their spending plan in the retirement model. The modeling she does for her clients is valuable, but the questions she asks are designed to make sure that they have thought through all the considerations. "We are not there to second guess them," she says. "We are there to be that second opinion, that sounding board."

Clients organizing their retirement savings need to consider what an acceptable level of spending is, and place their needs, wants and wishes on a hierarchy, she says. "There may still be weddings to expense. There may be wishes to fund their grandchildren's education with a 529 college savings plan. Health care is more and more an important line item. So before we actually model, we have a process where we try to help clients work all that out."

She says that when a client comes to her, hopefully they have accumulated what they need for retirement. "Our role is making sure going forward that they invest consistent with their risk tolerance and are as tax efficient about that as possible," she says.

Today, saving for retirement has forced people to adjust their plan, Glassman says, by lengthening the time

Women, on the other hand, seem better able to handle the ups and downs because they know what they are investing in.

LouAnn Lofton, Author of "Warren Buffet Invests Like a Girl"



Bloomberg for iPad; stock information across several markets, including breaking news and industry information



Mint.com for iPad, iPhone and Droid; real-time access to all your financial account information

in which they need to work. Those who had a dream of retiring in their mid-50s needed steady and predictable income and investments to follow their dream. But they have seen the economic slowdown make that dream less realistic. "In today's environment, whether the stock market goes up and down from here, safe income investments—those that are guaranteed or insured—are paying so much less than a decade or a generation ago that I believe that is people's biggest retirement challenge."

These diminished yields, which Glassman calls a "yield drought," will stay low longer than people expect. "For boomers looking to retire, who felt like they could take five, six percent from their investments, they may find it a challenge because CDs are yielding one percent, and money markets are yielding zero."

A smart financial planner is a guide who is often compared to the most important professional to consult for the person or couple needing direction in a world where money management has become a dodgy venture not for the weak of heart. "It doesn't always make sense to use the doctor who says everything is rosy," Glassman says. "Use the one you trust who is smart enough and


has your best interest at heart."

Start financial planning early, Cox says. She advises families to initiate their children into the financial planning process the minute they start making money, usually with a Roth IRA. That way they can begin to understand the value of financial planning early. "The power of compounding is enormous," she says.

It's a different, ever-changing landscape that is good for financial planners because of all the uncertainty. Glass-

man says his business has grown 25 percent a year over the last few years based on people looking for objective advice from his firm—a fiduciary that can't earn com-

mission or fees outside of what their clients pay them. "Many assumptions that people as well as financial planners use were based on the past 40 or 50 years of past returns and data," he says.

"Forget past performance. Those assumptions can't be made moving forward because there is no time in the past 40 years when the U.S. Treasury was yielding this low. Or where the world was so globalized," he says. "Don't wait until there is certainty. Because we may live the rest of our lives and not ever be completely certain." 

Clients organizing their retirement savings need to consider what an acceptable level of spending is...

Marjorie Fox, Founder of Fox, Joss & Yankee LLC

SOFTWARE SOLUTIONS

Most financial planners use planning and investment software that they modify in-house to suit the unique needs of their clients. Here are a few of the more popular ones in use today:

Quantrix (quantrix.com): Business modeling and analytics solutions

White Birch Software (whitebirchsoftware.com): Planning software featuring integrated financials

Advent (advent.com): Investment management software including research and portfolio management, trading and order management, fund distribution

SmartFolio (smartfolio.com): Asset allocation, portfolio optimization and risk management

NorthStar Software (northstar.com): Lifecycle advisory capabilities to acquire, plan, manage and report client wealth based on industry and firm-based best practices