

## The Missing Piece in Financial Planning

*Find out how talking about income with your clients can put you ahead of the pack. It entails more than just allocating current resources – plan for diversified income streams as well as investments.*

What do you need to have in order to put together a financial plan? Money, of course, or access to it. And money, it seems, never stays still. It either grows over time, or shrinks away, but like water, it has to flow to stay healthy. So why aren't financial professionals taught to discuss the income and cash flow side of planning with their clients?

This might be one of the biggest AHAs I've ever had (at least as far as personal finance goes). I can hardly believe it even after having a couple weeks to let it sink in. Here are some questions to ask yourself and your clients:

1. What does it take to create personal savings?
2. What does it take to have money to spend?
3. What does it take to qualify for and pay for credit?
4. When you are not working because you have retired, or are unable or don't want to anymore, what do you need to live?

The answer to all of these, of course is INCOME. You need income to live today and throughout your life. When you're not working you still need a source of income to pay your living expenses.

Now let's look at the components of personal financial planning:

- Cash Management
- Tax Planning
- Risk Management and Insurance
- Credit Management
- Investment Planning
- Estate Planning
- Retirement Planning

For most of my career, I was asking clients about their source of income. We would discuss how they could allocate that income to save more money, and to minimize taxes, pay down debt, and accumulate an amount of money so that 'one day' they could 'retire' and live off this accumulated savings.

The problem is, this model means that you are looking primarily at allocating the existing resources. You ask your clients to focus on reducing expenses, such as spending, taxes, and interest rates on debt, while trying at the same time to put as much as possible aside and get a high return on that money so it can grow to large amount.

This conventional teaching is actually contributing to the number-one stress people have: running out of money.

Why? Because for their whole lives they have been looking forward to financial success by accumulating a nest egg of money, rather than looking at the real need which is to create income to live the way they want.

The missing component in financial planning is the creation of income, or cash flow, both today and in the future. How will your clients create the income they need now to live the way they want to, and how will they sustain an income when they are not 'working' at their job?

The answer is to discuss a wide variety of cash-flow generating ideas with your clients. Consider it a brainstorming session, where the sky is the limit. It can be a business vehicle, an investment vehicle, or

even a personal passion that can make money at Christmas craft fairs. The goal can be small or large – just get the juices flowing!

Money expert Tracy Piercy is a Certified Financial Planner, author, and founder of the personal MoneyMinding Makeover System. To learn more about this step by step system and to get the Free 12 Simple Steps program visit [www.moneyminding.com](http://www.moneyminding.com).

This article can be reprinted freely online, as long as the entire article and this resource box are included.

MoneyMinding® Inc. offers advisors a turn-key marketing and coaching program for advisors who want to deliver financial coaching to their clients for mutual profit.