

The Missing Piece in Financial Planning

Find out how talking about income with your advisor can put you on the road to financial security. It entails more than just hoping for a large nest egg – it involves making money from a variety of sources.

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 doesn't your financial advisor discuss the income and cash flow side of planning with you? Might it be that they haven't been trained to?

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 advisor:

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 as a financial advisor, 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 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 our whole lives we've 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 we want.

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

The answer is to consider a wide variety of cash-flow generating ideas. 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!

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