

“LUCKY” FINANCIAL PLANNING?

Recently, in our neighbourhood we witnessed a spectacular house fire where the home was completely destroyed. An obvious tragedy to the owner, yet a powerful reminder to be grateful for all we have – including our ability to plan ahead.

Usually these fire stories are reported along with appeals for donations for the unfortunate family who lost everything they owned. Everyone says “how sad” and pitch in with whatever they can. In this tragedy however, it was reported that the homeowner “luckily had insurance.”

Luckily??? Maybe thoughtfully? Or thankfully? But certainly not luckily?? Perhaps simply a poor choice of words, but then again, often what we say is how we think. Is it luck that someone lands a high paying job in his or her field of work? Is it luck that someone is able to retire in their early 50’s? Or live in a big home, drive nice cars and enjoy all the luxuries of a financially successful life? Unfortunately, we often hear people discussing financial success as lucky. Perhaps this is why many people are still “hoping” they will win the lottery to support them in their retirement. Same with the stock market: many people “play” the stock market because they think they are going to “get lucky”. They forget that what they are doing is making business decisions about companies to invest their money into.

There was no luck involved for this homeowner! They deliberately contacted an insurance provider and took precautions to protect their risk. This was part of their financial planning! If you are “hoping” you’re going to “get lucky” you aren’t taking control. Financial planning is about being in control.

There are many financial risks and any one of them could completely wipe you out financially and perhaps emotionally too. So, one of the first steps to establishing a solid financial plan is to understand your risks and to take precautions to minimize them. There is no luck involved in preparing in case a tragedy occurs. If you aren’t aware of where your risks are, or haven’t evaluated them recently, a review with a qualified financial advisor and reputable firm is in order. If a fire isn’t enough of a wake-up call to everyone of the magnitude and impact of financial risk, consider all the potential areas of exposure: death, sickness, loss of income, loss of money, old age, unexpected accidents or repairs, and on and on.

Obviously some areas can be covered by insurance: home, auto, disability, life, medical, critical illness, long term care, credit, business overhead, etc. But consider some of these in your evaluations:

- Source of income: Is there more than one? How much are you in control of its continuity? Haven’t we all seen families almost devastated by a downsizing?
- Investment protection: Do you have a loss protection plan or are you “hoping” for a recovery and planning on only positive returns? Why do you have the investments you have? Do you know someone who hung on to a “sure” investment only to find the money almost completely disappears?
- Your retirement: How many sources of income are you planning to receive? Are you planning to retire at a particular age or at a particular financial landmark? Retirement means you are financially independent so you can chose to leave the workforce. Is that your plan?

Financial planning is not about luck!!! You must thoughtfully plan where you want to be and carefully put the pieces together to get you there – including protecting yourself against potential risks!!

Tracy