Financial planning: worthy investment

IT ALL USED to be so simple. The typical breadwinner earned his money, bought a home, and tucked the rest into passbook savings. He borrowed for his children's education and he depended upon his employer and Social Security for retirement.

Today, despite both spouses working, many households are losing out to inflation, high interest rates, and unfathomable tax laws. Financial products proliferate the landscape and the cost of college education is rising as fast as the medical bills. Worse, retirement looms as a financial nightmare instead of the dream years.

In short, saving and investing one's money has become more challenging than earning it.

To meet this fiscal challenge and our uncertain economic times, more and more people, most of them middle-income, are turning to the services of a financial planner. A financial planner is sort of a fiscal coach who analyzes your financial circumstances and develops a sophisticated game plan — a series of objective strategies and specific recommendations designed to help you achieve your short-range needs and long-range goals.

"IT IS ALWAYS beneficial to any family to have an outside, disinterested third-party advisor on financial matters," says Hubert L. Harris, executive director of the International Association for Financial Planning (IAFP), based in Atlanta. "The financial planner is an objective generalist, rather than someone selling you a product." If you do need specific advice for a single area such as stocks or finding a tax shelter, then pick the appropriate specialist. If you need an overview, a big picture, then you need a financial planner.

What exactly will a trained planner do for you? Alexandra Armstrong, CFP, president of the International Association for Financial Planning, says that any planner, whether he or she works independently or as part of a team for a large financial services organization should begin by taking a "financial snapshot" of your estate.

Through personal interviewing and a lengthly questionnaire, the planner examines your assets, liabilities, sources of income, real estate, net worth, cash flow, investments, family status, tax bracket — anything that will affect your financial future. Be candid in your response to the entire plan is based on your answers.

Next, the planner indentifies the career and financial goals you have. How do you want the family estate preserved? Does money need to be put aside for education? Retirement? A trip around the world? to what degree are you willing to take financial risks to achieve these goals?

WITH THESE GOALS in mind, the planner then analyzes the data to determine if there is too much or too little insurance, if there are tax-saving strategies and shelters that have been overlooked, if you should open an IRA or a Keogh plan, or what are the best alternatives for investment.

In preparing a confidential, comprehensive, long-term plan, the planner must take into account projected changes in the inflation rate and interest rates, changes in the tax laws and new investment opportunities. a financial planner, says Armstrong, always relates each piece to the big picture.

While qualified financial planners are generalists by training, most are more knowledgeable in some areas than others. Like a good coach, a planner should be willing and able to

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