

Keeping up with the Jones's

By: Timothy J. Hummel, CFP®

It seems today that everyone is trying to keep up with someone else. We are a country in love with numbers, statistics, height, weight, and any other way we can figure out to compare and contrast ourselves to each other. And if we can't find a statistic that we are better than our neighbor in, then we start a new category. We all want to fit in with a different crowd than we are currently involved with; it is a part of the grass is always greener syndrome. The number that really bothers people is when a friend or relative tells them that their investment portfolio out performed theirs over the past however long. This is one that I don't understand.

When I sit down with potential clients I ask a simple question. What would you like to accomplish with this financial plan we are trying to put together for you. Sounds like a pretty simple question. I get all kinds of answers from, "I would like to have an average of 15% return over the next 10 years before retirement, and then maybe cut the risk of my portfolio down to where I can still achieve an 8% annual return through out retirement." Or someone will tell me they want to make as much money as they can without the risk of loosing money. Some would like to have plenty of life insurance to plan for the worst. This is not what we are looking to know. Of course you want to make as much money as you can without loosing it, and I am sure you would not complain if you made 20% instead of 15% in a given year. Notice that these are all numbers. Everyone wants to hit a certain mark.

When I ask what you would like to accomplish, here is what I (and most other financial planners) am looking for. I want to know what you want to do with your life. Where do you want to go on vacation or travel too? What is your lifestyle, will it change in retirement. Too many people try to shoot at numbers instead of meeting or exceeding their goals. Some will say, "Well, the number will help me reach my goals." This may be true, but it could be completely off. Everyone has different goals for almost every phase of their lives. These goals need to be planned for independently. This means you may not need to invest in the same high risk portfolio as your neighbor to achieve your specific goals. When your next door neighbor comes over for dinner and tells you that his portfolio returned 30% last year, you can be happy for him. You need to feel secure that you retirement plan, or you investment portfolio is tuned to the level you need it to be at to help you reach your individual goals. There is no reason to chase a number; this will get you into trouble.

So what should you do? Set your goals. You know what you have always wanted to do, or where you will want to go during retirement. You also need to know how you want to live during retirement. Are you going to downsize the house after the kids are gone, or will you stay in the same place? This could have a large impact on your retirement savings. Will you income needs increase, decrease or stay the same? Most people assume they will drastically decrease, this is not generally true. Ask questions, get help, there is no shame in this. Which is more expensive, not having what you want and needing to work your way through retirement, or paying a professional to assist you in

reaching your goals? Stop trying to keep up with everyone around you and start planning for what you want out of life.

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