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Plan Your Financial Life – Ready, Set, Goal

The key to long term wealth creation is effective planning encompassing basic steps, says the Institute of Financial Advisers (IFA). These are: have a clear idea of what you want, draft a plan to achieve that vision, ensure the plan complies with key financial principles and stick to the plan.

This year the annual Financial Awareness Week comes at a time when people are living longer, government assistance is likely to reduce, estate planning issues are increasingly complex and some find it difficult choose from the minefield of investment alternatives.

Yet at the same time the IFA says there is definitely a greater understanding of the need to take personal responsibility for financial affairs.

So how do we turn our dreams into reality? President of the IFA, Lyn McMorran says, “Everyone has dreams, but the key to realising those dreams is to set goals and then make a plan to achieve them. You can dream about being financially secure, but what does this mean?”

A good planning process should lead to a good outcome according to the IFA and in this case the result is deserved success.

McMorran says there are a number of key considerations that you need to take into account in the planning process. “These include the current cost of your lifestyle, the resources you need to support it, the length of time you have to save, issues that may arise and what you can do to protect yourself against financial losses.”

There are a number of stumbling blocks that McMorran says you need to be aware of and avoid. “These include poor budgeting, increased spending matching higher income, forgetting about inflation, poor liquidity, wrong time horizon, poor investment decisions, not planning for the possibility of things going wrong, capital expenditures, legislative change, procrastination and unconscious money beliefs and habits,” she says.

Questions you have may include the following: Is it fair to plan to use up my retirement savings when I retire rather than leaving money for my children and grandchildren? How can I be sure I won't run out of money when I retire? Is it better to pay for your children's student fees or to assist them buy their first house? Should I pay off the mortgage or save?

McMorran says the answers depend on your goals and your choices, but a financial adviser can help you define your goals, lay out the choices for you and help you make the decisions. She emphasises that it is important to get professional advice. “When you need financial advice, get it from professionals not your friends.”

The starting point is to assess your assets and liabilities, your income and expenses, your insurance and your estate planning. “Lifestyle assets provide enjoyment and satisfaction, but no income while investment assets provide income and potential capital gain, which is important for long term wealth creation.” says McMorran.

IFA's 5 point plan for achieving your financial goals is to start now by controlling your spending with a budget, eliminate debt, insure what you cannot afford to lose, protect your assets for the future and invest wisely.

ENDS

Tables to be published alongside the article

Core components of a plan

- 1. Existing financial and lifestyle position**
- 2. Attitudes, Goals and Objectives**
- 3. Budgeting/Cash Flow**
- 4. Risk management**
- 5. Estate planning**
- 6. Mortgage/financing**
- 7. Investment**
- 8. Retirement planning**

What to look for in a financial adviser

- ✓ **Experience and Qualifications (e.g. CFP^{CM}, CLU)**
- ✓ **Professional membership (IFA)**
- ✓ **Code of Ethics and Professional Conduct (IFA)**
- ✓ **Professional Indemnity Insurance**
- ✓ **No criminal convictions or adverse findings**
- ✓ **Independence – any interests and relationships that could affect their advice?**
- ✓ **Areas of specialty**
- ✓ **Nature and level of fees**

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