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10 Financial Planning Questions Answered

Questions on debt, investing, saving and your portfolio answered by an expert

How much should I really be saving? Can I just let my debt sit? Or should I just wait to work on finances until I think about purchasing real estate? Krista Neeley, the Regional Vice President of Appreciation Financial, answers questions you may have wondered about personal finances.

P: Why is financial planning important?

KN: Our financial health and strength is just as important as our mental, emotional, and physical health and strength. Taking time to better understand and empower yourself financially can be the backbone to creating the freedom, flexibility, and peace of mind you desire for your future. Having a strong, stable foundation for your finances is the easiest way to create a bright future in all other arenas of your life.

P: What are the basics of components of a solid financial plan?

KN: 10,10,10,70 Principle. It may sound complicated at first, however, it's a simple break down of what to do with every dollar. 10 % to invest in your future 10% to save for yourself (first principle of wealth building!) 10% to give to charity. A simple principle of finance, if you want to have more money, give more money. What you give always comes back to you! 70% is yours to spend!

P: What's a common misconception about financial planning? Why is it wrong?

KN: A common misconception is that finances are complicated and/or expensive. Finances will only grow if you start saving and stay committed. If you select a savings habit, program, or solution the best thing to do is stay committed long term, if you have time on your side savings does not have to break the bank or be difficult!

P: How diverse should a portfolio be?

KN: The biggest diversity I can suggest is being diverse in your tax codes. You do not want to have all of your savings or retirement income wrapped up in future commitments to the IRS. Save diversely in your tax codes first, then look at different investment strategies for each code. You should also have at least one savings vehicle that is stable, guaranteed, and protected from loss that is intended for RETIREMENT, the money intended for retirement should be secured if you want a secure financial future.

P: What is more important: a portfolio's longevity or its diversity?

KN: Both, you want diversity in your tax codes and investment strategies, however no account will be valuable unless it has the time to grow effectively.

P: If you want to manage your own finances, what are pitfalls you need to avoid?

KN: Avoid any fees that have no long-term benefit. High fees can eat up your account value and are the quickest way to unnecessarily deplete your savings. Fees can be beneficial if they are for something specific (i.e.: riders, benefit, guaranteed returns) however simple management fees can be destructive over extended periods of time.

P: Someone is starting from scratch, what questions does a person need to ask?

KN: Asking what the fees are, company ratings, historical returns, income options, benefit options, and my favorite, ask the adviser offering the product why this strategy would best meet your financial goals.

P: How do you balance paying off debt and saving?

KN: Savings should be a long-term solution and habit (initiated at a young age is best), and debt should be a short-term situation. Promising to pay yourself (saving) 10% of your income is vital, you cannot expect to feel or gain wealth when you blow every dime that comes to your pocket. Debt can be eliminated in chunks and should be done consistently regardless of immediate desires (like a Starbucks drink) or instant gratification (like eating out or impulsive spending).

P: How much should a person be saving?

KN: Savings should be a minimum of 10% of your income for yourself, 10% of your income for your future. If that feels like to far of a stretch start with 2%, 5%, 7% and build your way up to 10% in BOTH categories!

P: Why hire a financial advisor?

KN: Having a trusted financial mentor is helpful when navigating a steady and exciting financial future. There are ways to get support in your finances without it costing you a penny out of pocket, so seek agencies like Appreciation Financial or others who can offer you assistance without a direct cost.