



# Steps to a Bright Financial Future

By Diane Dillett

For a journey to be a success, a few basic elements need to be in place. First, you must know where you want to go and you must have an idea of how long it's going to take you to get there. Arriving at your financial goals is no different. The better you plan your journey, the smoother it will go. Here are some travel tips to help you arrive at your destination before you know it.

## Where are you now?

### Take a financial inventory

When planning a trip on the Internet, what's the first thing you enter? Your present location. You need to do the same thing when developing a financial plan. The best way to do this is to use a well-known tool known as an income statement.

This is easier than it sounds. Start with a piece of lined paper and your check register, and perhaps your credit card statement. Make a list of your monthly expenses and your monthly income. List clothing, contributions, groceries, meals eaten away from home, gasoline and other expenses. To get the most exact picture, enter a year's worth of information to include quarterly payments, real estate taxes, etc.

Keep a list of absolutely everything you spend. The "miscellaneous" category can be the best place to find money.

## Where are you going and when do you want to get there?

### Set goals

Your destination is probably the first thing you thought of regarding your trip. You also must determine your financial destination. Do you want to buy a house? Retire early?

Write your goals down and divide them into three categories: short-term, mid-term and long-term.

A short-term goal is to be reached within two years; mid-term goals are five years out; long-term goals are to be reached in 10 or more years.

On a smooth trip, you know the distance in miles to your destination. Your financial destination's distance is measured in dollars. So, develop dollar amounts for your goals. For example, if you were saving for a house, you would want a minimum of 10 percent of the total cost for your down payment.

For figuring college saving, you may have to do some homework. The cost of attending college has risen 5 percent per year on average since 1990. Today's first grader will need \$80,000 to attend a state college and you can double that for a private school. (Source: Aim Funds, February, 2000)

If saving for retirement is your goal, here's a quick way to approximate your dollar needs. Take

80 percent of your gross salary and multiply it by the number of years you expect to spend in retirement. For example, 80 percent of \$60,000 equals \$48,000. Multiply that by 25 years of retirement, and you get \$1.2 million.

## The scenic route or the shortest route?

### Evaluate and prioritize

Drive or fly? Window or aisle seat? Just as you make choices on your journey, we need to make choices on our financial path.

What if you have many goals? Where do you go first? Look closely and see which are most important. Tackle just one goal right now.

If you have no emergency fund, make that your very first goal. This is one area that is so often neglected. Yet, you're at great risk without it. Financial experts recommend that you keep six months salary in reserve.

Now that you have a goal, the next decision is how to fund it. Go back to that income statement. Is there a surplus of cash after the monthly expenses are met? Or will you need to reallocate some of your discretionary funds?

By eliminating just one \$8 lunch out each week, you'll save \$416 a year. Are you expecting a tax refund? Unanticipated money like this can be perfect to start your savings plan.

Don't let your financial future happen without you. Take control of it now.

## The trip begins!

### Get started

Your suitcase is packed—but wait. You find yourself getting delayed by annoying questions: Did I close the windows? Is the oven off?

I find that people have the same problem in starting their financial voyage. They tell themselves, I'll wait until I pay off my car. I'll get started right after the holidays. Unfortunately, for some, the perfect moment never arrives.

Give yourself permission to get started now.

You've selected a goal and you've found the dollars to begin. Now, what are your options? Smart investors spread their money among different types of investments. The basics include stocks, bonds, mutual funds and savings accounts depending on their level of risk tolerance and the length of time they have to reach their goals. When you're working towards a long-term goal, this kind of diversification becomes even more important.

You might simply deposit the money in a savings account. Or you might wish to contact a financial representative and discuss other options so you can learn more about investing.

My clients tell me that payroll deduction works best for them as a means to steady accumulation. That method is closely followed by automatic transfer from their checking accounts. They find that after two or three months, they no longer missed the money and were pleasantly surprised with their accumulation at the end of the year.

## Check your map. Monitor your plan

Where do I catch the next plane? How much farther can we go before we stop for gas?

Your plan is now on automatic. You receive statements about your account and are pleased to see it growing. Or has a market shift altered the growth of your plan?

What do you do with all the reports that come in? Don't hesitate to ask your advisor or call in to the financial institution who is holding your account. You need to have a clear idea of where your money is and what is happening to it. You don't want to be surprised. Are you on track to arrive on time? Will you have enough assets accumulated to meet your goal?

Controlling and managing your plan is an ongoing process.

Every journey is an adventure. You choose how much you want to learn and how many pictures you want to take. For a long-term financial journey, an advisor can be a very helpful traveling companion. He or she can help you stay the course and to learn on the way.

And remember, it doesn't matter where you are in life, how old you are or how late into the game you might feel. You can invest for the long term. Remember these words of motivational speaker Jim Rohn: "The rich invest their money and spend what's left; the poor spend their money and invest what's left."

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