Financial planning analyst

A lot of people don't like to think about death, which is why many estates go unplanned. But if someone dies without a will, their survivors may end up in a long expensive fight in probate court.By Alia HoytNot all investment professionals are fiduciaries — we've got four questions that smart investors need to ask a financial adviser before putting him or her in charge of their investments.By Dave RoosLand trusts have been used for both good and bad. They can be created for environmental conservation or to keep housing affordable. Or they can be a way to disguise the true owner of a property. Let's look at the pros and cons of land trusts.By Dave RoosAfter you leave a job, what do you do with your 401(k) if you're laid off or going to a job with no similar plan? You can take a transfer or rollover of your cash. We explain the difference between the two.By Dave Roos Financial planning is the process of taking a comprehensive look at your financial situation and building a specific financial plan to reach your goals. As a result, financial planning often delves into multiple areas of finance, including investing, taxes, savings, retirement, your estate, insurance and more. As you might expect, a financial planner typically offers financial planning services, though financial advisors often double as planners themselves. To find a local advisor who can help you build a holistic financial plan, try SmartAsset's free financial advisor matching tool. Financial planning is the practice of putting together a plan for your future, specifically around how you will manage your finances and prepare for all of the potential costs and issues that may arise. The process involves evaluating your current financial situation, identifying your goals and then developing and implementing relevant recommendations.Financial planning is holistic and broad, and it can encompass a variety of services, which we detail below. Rather than focusing on a single aspect of your finances, it views clients as real people with a variety of goals and responsibilities. It then addresses a number of financial realities to figure out how to best enable people to make the most of their lives.Financial planning is not the same as asset management. Asset management generally refers to managing investments for a client. This includes choosing the stocks, bonds, mutual funds and other investments in which a client should invest their money.However, the same professionals who offer asset management services can also offer financial planning. A financial planner is effectively one type of financial advisor. Advisors can earn certifications focused on financial planning, the most notable of which is "certified financial planner (CFP)." Understanding the Different Types of Financial PlanningA financial planner may offer a variety of services to you. These services will often be considered in concert with one another. This helps the planner put together an overall plan that considers all aspects of your current situation and future aspirations.Here are some of the services that you'll frequently see offered as part of financial planning: Tax planning: Financial planners often help clients address certain tax issues. They can also figure out how to maximize your tax refunds and minimize your tax liability. Certain advisors may also be able to actually help you with preparing your taxes and filing your annual taxes. Estate planning: Estate planning seeks to make things a bit easier for your loved ones after you die. Preparing a will may be part of a financial planner's services. Estate planning also helps prepare for any estate tax you may be subject to. Retirement planning: You presumably want to stop working some day. Retirement planning services help you prepare for that day. They ensure that you've saved enough money to live the lifestyle you want in retirement. Philanthropic planning: It's always nice to give something to people who need it or help a cause close to your heart. Financial planning can help you ensure you're doing it efficiently and getting all the tax benefits you're eligible for. Education funding planning: If you have children or other dependents who wish to pursue a college degree, you may want to help them to pay for it. Financial planning can help make sure you are able to do so. Investment planning: Though financial planning doesn't include the actual management of your assets, it can still help with your investment portfolio by mapping out how much you should be investing and in which types of investments. Insurance planning: A financial planner can help you evaluate your insurance needs. Some financial planners are also licensed insurance agents and can sell you insurance themselves. However, they'll likely earn a commission, which would create a conflict of interest. Budgeting: This is perhaps the cornerstone of financial planning. A planner can make sure you are spending the right amount given your income and can also make sure that you aren't going into debt. The exact services offered by a financial planner will vary based on the individual. Make sure the financial planner you choose offers the services you need.What Is a Comprehensive Financial Plan?The most important thing your financial planner will do for you is right their name: putting together a financial plan for you and your family.A financial plan is a complete overview of the steps you'll have to take to achieve the goals you lay out for yourself. These objectives could include paying for your children to go to college, giving to charity, paying for a comfortable retirement or maximizing the amount of money you pass down to your children.Your financial planner will help you create a financial plan after talking to you about your goals and needs. Then they'll engage in a variety of services, described in the section above, to help you achieve your goals. How Much Do Financial Planning Services Cost?The cost of financial planning depends largely on the advisor you work with and that advisor's fee schedule. Many financial advisors who offer financial planning services will do so on either a flat fee or hourly fee basis.A flat fee means you'll pay a single fee for all financial planning services. Your total fee will likely depend on the value of your assets under the advisor's management as well as the complexity of the financial planning services you require. An hourly fee structure means you'll pay a set fee for each hour of work that your advisor puts in.A financial advisor or financial planner who offers both financial planning and investment advisory services may charge a wrap fee. This means you'll pay a single rate for the advisor's services, transactional fees and custodial fees. Wrap fee rates are generally based on a percentage of the client's overall assets under management (AUM).Bottom LineFinancial planning is about looking at all elements of a person's financial life and coming up with a plan to help you as an individual meet your responsibilities and achieve your goals. It can include a number of services such as tax planning, estate planning, philanthropic planning and college funding planning. You might pay based on an hourly fee, a flat fee or an asset-based fee.Tips for Your Financial Plan Financial planning is extremely important, but it can be intimidating to do it on your own. SmartAsset's free financial advisor matching tool makes it easy to find a financial advisor that can help you out. In fact, it will connect you with as many as three advisors in your area, with the final choice of who to work with being solely up to you. Get started now. Before even talking to an advisor, you can think about how you want to potentially divvy up your investable assets. Use this free asset allocation calculator to figure out the right balance for you based on your risk tolerance. Photo Credit: ©iStock/Drazen_, ©iStock/Jirapong Manustrong, ©iStock/PeopleImagesPage 2Do you know enough about financial management to take care of all of your investing on your own? Or do you need help from a seasoned expert?That question comes up for millions of Americans each year.If any of these describe you, you could benefit from professional financial advice:1. You're retiring soon – Maximizing retirement income requires smart decisions around complex topics such as Social Security, 401(k) and IRA withdrawals.2. You manage your own investments – Individual investors should check their strategies with unbiased third parties. You may be overlooking opportunities in your portfolio.3. You have children – Whether you're saving for college or planning their inheritance, there are several ways to ensure your children are taken care of.4. You inherited money – Have you noticed lottery winners often declare bankruptcy? It can be difficult to manage sudden increases in wealth.5. You have a financial advisor – Depending on how you chose your advisor, there may be a better one for you. Family referrals are convenient but don't always produce results.6. You're divorcing – Untangling finances in a divorce can be messy. Impartial advice is key.7. You want to build wealth – If you're still decades from retirement, good decisions today can add thousands to your retirement accounts.See Your 3 Financial Advisor MatchesFinding the right financial advisor that fits your needs doesn't have to be hard. SmartAsset's free tool matches you with top fiduciary financial advisors in your area in 5 minutes. Each advisor has been vetted by SmartAsset and is legally bound to act in your best interests. If you're ready to be matched with local advisors that will help you achieve your financial goals, get started now. Whether your goal is to continue your education, buy a home or take that long-dreamed-of trip, a financial plan can be the road map to your next money destination. It can also be a safeguard for life's unexpected moments, flexible enough to shift as you move through new challenges and chapters.Here's how to begin building a financial plan that works for you now, and for whatever comes next.Empower your financial journey with personalized tools and resources.Illustration by BankrateTo build a financial plan for your next goal, start by figuring out where you stand."Add up all of your assets, what's in your savings and investing accounts and the items you have of significant value," says Tom Drake, a financial analyst and founder of financial education website MapleMoney. "Then subtract your debts. That net worth number can give you a starting point. You can get a snapshot of where you are, so you have a better idea of what needs to happen to get you to where you want to be."2. Know your inflows and outflowsNext, get a feel for your income and expenses. You can list out your sources of income and what date you receive them, as well as listing out all of your expenses, explains Cassandra Cummings, an investment advisor representative and founder of the Stocks & Stilettos Society, a community for women investors. This exercise gives you a sense of how money moves through your household."Start by focusing on your mailbox items," Cummings says. "These are those bills that you pay each month. Look at where the money is going, and figure out whether it really needs to be going there."After you know where the money comes from and where it goes, you can start identifying areas of improvement and build those into your financial plan.3. Set financial goalsNext, look to the future and figure out what you want your money to accomplish for you. Drake recommends thinking about your financial goals in terms of lifestyle accomplishments. Rather than just thinking about saving more, think about it in terms of building a college fund for your children, renovating your home to make it more functional for your family, or setting aside enough so you can visit your parents as often as you'd like."Your financial goals need to have a purpose behind them in order to effectively motivate you," Drake says. "Think about why you want to save up for your child's college, what it would mean to have a house or why you want to retire."Now that you know where you are and have an idea of where you want to be, it's time to set up your strategy to make it happen."Look at what you need to go toward day-to-day living expenses, and then work from there," Cummings says. "Break down how much you need to put toward debt repayment, and how much you should set aside each month to meet your retirement goals."You can use an online calculator to help you estimate your needs, as well as figure out what types of assets you need in your portfolio. If you're struggling to get a handle on strategy, consider speaking with a financial professional who can review the situation with an outside view and provide you with helpful insight in creating a plan.Why should you use a financial plan?One of the best reasons to use a financial plan is to provide you with clarity and an actionable approach to managing your money in a way that will help you now and in the future, Cummings says."Your financial plan maps out where you're going with your money and gives you a plan for getting there," Cummings says. "You can see it all laid out and visualize your next steps."Additionally, your financial plan can help you stick with your strategy when things get tough. Your plan can be a good reminder not to respond to the whims of the stock market, for instance. Plus, when you look at your plan and track your progress, you can see how you've improved and gain further motivation as a result.However, Cummings cautions, it's important to understand that your financial plan isn't chiseled in stone."It's really a fluid document that you can tweak as life events occur," Cummings says. "You don't throw it out the window, but you can make adjustments as needed. Be flexible and know the plan can change and be comfortable with that."Next stepsUltimately, your financial plan is all about your priorities. When building your plan, Drake recommends thinking about what matters most to you, and what you hope to accomplish in your life, both short- and long-term."Many people don't like to plan," Cummings says, but "a financial plan is necessary if you want to take control of your finances and put your money where it matters most."Once you have an idea of your priorities, you have the framework for creating a solid financial plan, and you're ready to start working toward your next goal.Learn more: Do you need help with your finances but don't know anything about the steps of financial planning? To alleviate the confusion, there are 223,400 personal financial advisors, according to the most recent (2012) Bureau of Labor Statistics Occupational Outlook Handbook, that can help you draw up a financial plan to get you back on track. A financial planner can assist with some or all of your money issues by helping you create a financial plan for retirement or college, as well as providing guidance with insurance, tax, investment issues and more. You might choose a financial planner for a limited purpose or for expansive help with your complete financial life. If you're considering hiring a financial planner, you'll probably want to know exactly how to make a financial plan. 7 Steps of Financial Planning Once you've picked a financial planner, there are a few financial planning steps you'll go through with your planner. Each planner might have similar or different steps, or they might perform these tasks in a different order. But in any case, here is a basic summary of how a financial plan is created: 1. Getting to Know Your Financial Planner Let's imagine that Brittany is your financial planner. The first meeting with Brittany might be similar to a first date. You'll want to know her philosophy, investment approach and what steps she'll take to help you meet your goals. In your initial meeting with Brittany, ask to review her investment policy statement. The investment policy statement maps out how she will handle your money, her strategy and her work approach to help you meet your financial goals. Make sure to take a look at a sample financial plan as well, if available. Related: How to Choose an Affordable Financial Planner 2. Asking Questions Once you've gotten to know your planner, you're ready for the next step: asking questions. Don't be afraid to do your due diligence and ask your financial planner questions. She is working for you, with your money, so dive in with these types of questions: Can you please describe your educational background, experience and licenses? What are your fees, and how are you compensated? Are you a fiduciary, and will you put my financial interests ahead of your own? What services do you offer? What type of investments do you recommend and why? What type of communication can I expect from you? After synthesizing the information from your first meeting with Brittany, it's time to proceed with the next steps of financial planning. Read: What's the Difference Between a CFP and a Financial Advisor? 3. Filling Out a Financial Planning Questionnaire Brittany will likely give you a questionnaire to detail your current financial position as well as your individual financial planning goals. The questions might start with your current income, expenses, assets and liabilities. Each advisor will have their own set of questions. Next, you'll probably respond to questions and make projections about the future. You'll discuss long-term financial income from Social Security and pensions, as well as projected future expenses. 4. Determining Your Financial Goals One of the important financial planning steps is focusing on your personal and financial hopes and dreams. With your financial planner, you'll discuss short-term goals, such as buying a home, and longer term concerns like planning for retirement or your child's college tuition. The second part of goal setting is attaching costs and a time frame. You'll address the $40,000 you might need for a home down payment in five years, as well as the $35,000 college fund needed in 15 years for your two kids. These intermediate term goals will be integrated with the later goal of amassing a nest egg for retirement. 5. Figuring Out Your Risk Tolerance In the questionnaire, you might address your risk tolerance. If not, you will likely talk about it with your financial planner as you both analyze your investments. Your risk tolerance determines how much risk you can handle in your investment portfolio. From your risk tolerance, goals and age, Brittany will design the investments for your financial plan. 6. Creating the Financial Plan With the financial planning questionnaire in hand, you and Brittany are ready to further clarify your goals, time frame and future steps of financial planning. She will educate you on any necessary money concepts, such as budgeting or debt management, and help you decide on a future course of action. Your financial plan is as personal as you are. From the questionnaire, Brittany might discover that you have a family, but no life insurance. She might also realize that you have a high risk tolerance, yet your investments are split 50 percent in stock mutual funds and 50 percent in bond mutual funds — a very conservative asset allocation. Those sample scenarios might drive your financial plan, and she might give you recommendations when it comes to setting goals, picking investments, choosing a retirement plan, cutting back on spending and much more. 7. Monitoring Your Financial Progress Regular communication and follow-up are important steps in the financial planning process. In fact, creating the plan is really just the first step. You'll have ongoing contact with your planner to find out whether you are on track to meet your financial goals. Part of this process is called benchmarking, where you match up your progress with your initial goals. Together, you and Brittany will use the results of the follow-up meeting to adjust your plan, your goals and expectations. If you want to save for your kids' college education, your retirement and a second home, then you might need to earn more money or cut back spending. Another alternative would be to adjust your goals. Keep reading: 31 Ways Financial Planners Can Make You Richer In the end, the steps of financial planning are only as good as the follow through. As you continue to work with your financial planner, you'll meet some goals, create new ones and adjust the old plans to achieve your financial needs.