



## Comprehensive Financial Planning: What It Is, Why It Matters

*Your approach to building wealth should be built around your goals & values.*

Provided by R. Scott Ramsay

**Just what is “comprehensive financial planning?”** As you invest and save for retirement, you will no doubt hear or read about it – but what does that phrase really mean? Just what does comprehensive financial planning entail, and why do knowledgeable investors request this kind of approach?

While the phrase may seem ambiguous to some, it can be simply defined.

**Comprehensive financial planning is about building wealth through a process, not a product.**

Financial products are everywhere, and simply putting money into an investment is not a gateway to getting rich, nor a solution to your financial issues.

**Comprehensive financial planning is holistic.** It is about more than “money”. A comprehensive financial plan is not only built around your goals, but also around your core values. What matters most to you in life? How does your wealth relate to that? What should your wealth help you accomplish? What could it accomplish for others?

**Comprehensive financial planning considers the entirety of your financial life.** Your assets, your liabilities, your taxes, your income, your business – these aspects of your financial life are never isolated from each other. Occasionally or frequently, they interrelate. Comprehensive financial planning recognizes this interrelation and takes a systematic, integrated approach toward improving your financial situation.

**Comprehensive financial planning is long-range.** It presents a strategy for the accumulation, maintenance and eventual distribution of your wealth, in a written plan to be implemented and fine-tuned over time.

**What makes this kind of planning so necessary?** If you aim to build and preserve wealth, you must play “defense” as well as “offense.” Too many people see building wealth only in terms of investing – you invest, you “make money,” and that is how you become rich.

That is only a small part of the story. The rich carefully plan to minimize their taxes and debts, and adjust their wealth accumulation and wealth preservation tactics in accordance with their personal risk tolerance and changing market climates.

**Basing decisions on a plan prevents destructive behaviors when markets turn unstable.** Impulsive decision-making is what leads many investors to buy high and sell low. Buying and selling in reaction to short-term volatility is a day trading mentality. On the whole, investors lose ground by buying and selling too actively. The Boston-based investment research firm Dalbar found that from 1994-2013, the average retail investor earned 5% a year compared to the 9% average return for U.S. equities – and chasing the return would be a major reason for that difference. A comprehensive financial plan – and its long-range vision – helps to discourage this sort of behavior. At the same time, the plan – and the financial professional(s) who helped create it – can encourage the investor to stay the course.<sup>1</sup>

**A comprehensive financial plan is a collaboration & results in an ongoing relationship.** Since the plan is goal-based and values-rooted, both the investor and the financial professional involved have spent considerable time on its articulation. There are shared responsibilities between them. Trust strengthens as they live up to and follow through on those responsibilities. That continuing engagement promotes commitment and a view of success.

**Think of a comprehensive financial plan as your compass.** Accordingly, the financial professional who works with you to craft and refine the plan can serve as your navigator on the journey toward your goals.

The plan provides not only direction, but also an integrated strategy to try and better your overall financial life over time. As the years go by, this approach may do more than “make money” for you – it may help you to build and retain lifelong wealth.

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#### Citations.

1 - fool.com/investing/general/2015/03/22/3-common-mistakes-that-cost-investors-dearly.aspx [3/22/15]