

8 Steps to Financial Freedom and Lasting Security

Step 2: Getting Essential Documents in Place

“You need to have your basic estate planning documents in place: a will, power of attorney, healthcare surrogate, living will, and possibly a trust. Without looking at everything, I can’t give you a recommendation on how you should invest your money. It’s like going to the doctor and not getting your pulse or blood pressure checked. Without looking at your situation comprehensively, I can’t give you good advice,” I told Clark.

When Clark first approached me, he said he was interested in investing his personal savings for his upcoming retirement. He said he would like his investments to produce retirement income and mentioned that he was planning a new home purchase. He said his final day at work was quickly approaching and he trusted me to give him good advice. I’m not sure if Clark understood the difference between an investment account and a retirement income plan.

While a regular investment account requires suitability for a client’s particular situation and investment objective, a properly formulated retirement income plan requires far more attention to detail, including information on assets, debt, social security estimates, pension benefits, and insurance, and such documents as investment and bank statements.

The planned approach was to meet with Clark and his spouse Katie together, analyze their life insurance, health benefits, long-term care, property casualty insurance, basic estate planning documents, tax filings, and other information. I wanted to learn about Katie’s and Clark’s goals and planned retirement lifestyle. Only then would I be able to get a good picture of their financial lives, so I could make proper recommendations.

My request for documentation wasn’t well received. Clark said he just wanted an investment portfolio, and I pushed back.

“Clark, I need to look at everything. If something happens to you, what’s going to happen to your wife? If you get sick, who’s going to make decisions? Who’s going to have power of attorney if you are incapacitated? Do you have a will? Without basic planning, your entire



retirement plan could fall apart. I can't give you recommendations without looking at your situation comprehensively."

The Retirement Income Plan requires a thorough understanding of all income sources, assets that can be liquidated to fund the plan, and a listing of all current and future expenses. Additionally, a good planner needs to review everything that could potentially knock it off track. Not having your basic estate planning documents in place can easily derail all your good investment planning in very short order, as can having too little property and casualty coverage, or not having an umbrella policy or the right amount of life insurance. Yet Clark persisted. All he wanted me to do was invest his money and he wasn't interested in comprehensive planning advice.

After several conversations, I told Clark I didn't think it was responsible for me to give him advice without understanding his entire situation and to call me when he was ready to move forward.

Maybe Clark thought the *Getting Organized Checklist* didn't apply to him. Perhaps he didn't think it was important, after all, he'd gone this long without working with a comprehensive financial planner. Maybe he felt protective or was embarrassed that he hadn't done any planning and didn't want me to find out.

Just a few weeks later, on the day of his retirement, Clark checked into the hospital. Tragically, Clark died four days later, never getting to enjoy a single day of retirement.

To this day, I don't know if Clark did any financial planning. If he died without a will (intestate), all of his assets would be subject to probate unless they were specifically titled jointly or had Transfer on Death. In Florida, if the decedent is survived by a spouse but left no living descendants, the surviving spouse receives all of the decedent's estate – after probate, which could take four to eight months or more. And without knowing if Clark had any life insurance, or whether Clark's pension benefits would pass to Katie, I can't know if she can afford their new home on her pension. All of these headaches could have been avoided with proper financial planning.

Once you've had a chance to review *Getting Organized*, check out the *Financial Planning Checklist*, which covers important questions regarding your overall financial health.



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