

Annual Review of Your Financial Strategy: Why Bother?

If you're a regular reader of the financial section of Exceptional Parent magazine, you're quite aware of the value and importance of creating a financial strategy. Hopefully you've met with legal, tax and financial services professionals who have looked at your financial picture. Perhaps all it took was to put some simple measures in place. Or you might have needed a more comprehensive financial strategy. Either way, it can be a tremendous sense of relief to put those financial worries to rest.

"But it isn't a once-and-done kind of thing," cautions Todd E. Holt, CFP, CLU, ChFC, CLTC, ChSNC* and Special Care Planner with Southwest Financial Group in Lubbock, Texas, a general agency of Massachusetts Mutual Life Insurance Company (MassMutual). "Many things can affect your strategy – our economy, new or revised tax laws, and changes in your life, to name a few – so we recommend that our clients review their strategy at least annually. We help them determine if they need to make any adjustments to keep on track with their goals."

This article looks at five aspects of planning and reviewing your financial strategy that can help make your efforts more rewarding.

About procrastination

Procrastination is a big word for such a tiny act -- a non-act, actually. But it can have huge repercussions, and it's usually at the front of our plans to create a financial strategy or review one we already have. "Many of us say 'I need to do that thing,' whatever 'that thing' may be," Holt explains. "Our intentions are good, but we don't realize how easily time goes by. We don't get the thing done, and sometimes something catastrophic happens. We waited too long, and now it's too late. It's happened to all of us."

For example, in regard to financial strategies, life insurance is often a good option to help a family meet a specific goal, such as funding a special needs trust or providing an inheritance for the siblings of a child with special needs. "If you wait to purchase a policy," says Holt, "you may become ill and won't be able to get it, or you'll pay a higher premium because of a health condition. Get it while you're well."

A good way to avoid procrastination is to get that annual review appointment on your calendar and keep it. "My clients have told me that each time they participate in a review, it becomes less difficult, less confusing, and actually more interesting," says Holt. "I think it has to do with their coming to a better understanding of the options available and seeing how their financial situation is changing over time."

Take care when planning

When you meet with your attorney, accountant, or other financial professional, such as a Special Care Planner, remember that you're the one who's ultimately responsible for directing those professionals and making the decisions regarding your situation "If you don't understand what someone is recommending, ask questions," says Holt. "You might have a conversation with a very competent professional, wait a week, then recap the discussion as you understood it and have it not quite right. So I tell my clients to ask questions until they fully understand. Confirm and reconfirm."

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Who attends an annual review?

Whether you're creating or reviewing your strategy, it makes sense to include others in the process – those who are stakeholders, so to speak: your spouse, children, a future guardian, caregiver, or trustee, and your attorney or other professionals.

“If someone will have a role in implementing any part of your strategy,” explains Holt, “they need to know what it will be. For example, if you've chosen a family member to be guardian or trustee for your child with special needs, of course they need to have agreed to that responsibility and know all that it entails.”

Your stakeholders' attendance at meetings depends on their level of involvement. Communication, once again, is key. If you can clearly relay information to them, confirm their understanding and willingness to be (or remain) involved, get their feedback, questions, and concerns, then they don't necessarily need to attend. However, your financial professionals should always welcome them if you feel you want them to attend.

Why review?

As mentioned earlier, a great many things can affect your strategy, including:

- a new job, the loss of a job, or a significant bonus;
- a marriage, divorce, death, or birth;
- children grow up, attend college, get married, and sometimes grown children move back home;
- a person you've named as a future guardian or someone you thought could provide future care is no longer able – or capable – to handle the responsibility;
- someone once thought to be irresponsible is now up to the task and eager to help;
- estate tax laws may change, giving you more – or fewer – opportunities to stretch your discretionary income; and
- new investment or insurance products may become available to put your money to work in better ways than your strategy currently uses.

“Sometimes a client comes to me and says, ‘Look, here's what we're doing, but my friend is doing this other thing. Maybe we should take a look at how it would work for me.’ I enjoy this kind of collaboration with my clients. The ideas they may bring to our discussions may work out well for them.”

Consider the challenges your family faces and how those challenges change over time. When something significant occurs, you may need to address how it affects your strategy. In some cases, you may need to make immediate changes, or you may be able to put off changes until you have your annual review. If you're unsure, give your financial professional a call to discuss your concerns.

What to check during a review

"Beneficiary designations can sometimes cause trouble," warns Holt. "Check your contracted instruments, such as life insurance policies, pension plans, wills, and other instruments where you've named someone to receive benefits. Sometimes these go overlooked, especially if it's something you've received as an employee benefit many years ago. Ensure that you still want the person(s) you've named to receive those benefits. Additionally, if any beneficiary you've named is a person with special needs, consult with your professional team to confirm you have the correct beneficiary designation to meet your strategy goals. Otherwise, the money received may make that person ineligible to receive government benefits.

"I also recommend that my clients look at current and future health care requirements and expenses, and what they might incorporate into their strategy to support those needs," says Holt.

It's also a good idea to meet with your attorney to review wills and trusts, and an accountant can determine if any tax law changes may affect you. And of course, a general review of the strategy itself should be done to ensure it's still in line with the goals you've set for yourself and your family.

Embrace the process

"Creating and reviewing a financial strategy can seem overwhelming at first," says Holt, "but it's only scary if you don't actively engage in the process. The more involved you become, the easier it will seem. And when you begin to see the results – when you feel less stressed and more secure about caring for your family's finances – you'll be glad you made the effort."

* The Special Care Planner received advanced training and information in estate and tax planning concepts, special needs trusts, government programs, and the emotional dynamics of working with people with disabilities and other special needs and their families. The certificate program was offered by The American College in Bryn Mawr, PA, exclusively for MassMutual financial professionals. State insurance departments recognize that the Special Care Planner certificate program provides essential information on the profession of special care by granting continuing education (CE) credits (varies by state).

A Special Care Planner through MassMutual's SpecialCareSM program can assist parents in drafting Letters of Intent and can help make a difference in the quality of life for an individual with special needs, their caregiver and other family members. Through SpecialCare you will learn valuable financial strategies, identify financial strategy solutions, access vital information, and meet certified specialists who will work with you and your professional advisors – your banker, accountant or financial planner, lawyer, social workers and health care providers – to review your financial picture and offer options to fit the needs of each situation. For more details, visit MassMutual's website at <http://www.MassMutual.com/specialcare>, or call 1-(800)-272-2216.

About MassMutual

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** Chartered Special Needs Consultant – a professional designation awarded to those individuals who've completed 120 hours of academic classes in addition to previously completing the Special Care Planner certification program. The designation was developed by The American College in Bryn Mawr, Pennsylvania. The certification program and the professional designation evolved from MassMutual's SpecialCareSM Program.*