

These steps help prepare for uncertain future

Trust and control are important in many areas of your life. Your money is no exception, particularly in difficult times.

The smartest money managers I know think about money in two ways. First, they're diligent in understanding the variables that they can control. Second, they work to manage the risk of things that force them to rely on trust.



Gary Brooks

Right now, the financial world is defined by mixed signals. There's plenty of evidence of more economic frailty to come. But there are also signs that investment markets are undervalued.

If you're uncertain about the future, focus first on the things you can control. Take the time to understand your money, what it means in relation to your goals and what decisions have worked for others over time.

- Are you living within your means and saving for retirement?
- Can you explain how your money is invested and why?
- Are your biggest risks protected?
- What life transitions should you be preparing for?
- How can you handle unexpected events or opportunities?

Without answers to these questions, uncertainty and mixed signals may set up permanent residence in your financial house.

With all the distractions we face in everyday living, it's easy to put off thinking about your financial situation and its long-term prognosis. However, it will be worth your time. It might even be therapeutic as you unveil answers to pesky concerns.

If you struggle with where to start, break the task down into smaller steps. A simplified focus on each of the parts will help you better understand the whole.

If you don't think that your own evaluation of your situation is adequate, reach out to objective resources. Educate yourself or get help from qualified experts.

Here's a starter set of tasks to help you determine where to go from here:

- Write down goals that will take planning, money and time to accomplish. You may not initially have an idea how much planning, money or time is required, but be as specific as possible. For example, "tidy up my budget so that I can contribute 10 percent of my income to my retirement plan annually by 2010."
- Make sure that the things you can't afford to lose are insured. What would happen to your dependents if disability or death eliminated your income?

- Pay off debt. Unless it prepares you to earn more money (student loans or business loans) or you purchase something that can be expected to grow in value (real estate, usually), think twice about the drag debt puts on your finances.

- Apply long-term perspective to short-term circumstances. Sure, investment performance has been ugly. But your long-term goals and expected life transitions likely haven't changed.

Whether you resolve to start for the first time or simply re-evaluate once-trusted financial decisions that were knocked out of whack in the past year, taking these steps can leave you better prepared for the next time an unpredicted scenario challenges your trust.

Let me know what aspects of your financial life you feel in control of and what you don't. I'm always interested to hear how people address financial concerns and opportunities.

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