

SUMMER 2019



Newsletter

EXCELLENCE IN INVESTMENT MANAGEMENT,
WORLD-CLASS FINANCIAL PLANNING, AND
COMPASSIONATE ENGAGEMENT

WES JOHNSON, CFP® ANSWERS
YOUR QUESTIONS ON

CREATING A SOLID FINANCIAL PLAN

What exactly is a financial plan and do I really need one? Why can't I just use an online financial calculator?

A financial plan can come in a number of forms. The most basic form of a plan—and I'm not sure if I would classify this as a plan—is just using an online financial calculator. If you have a 401(k) plan at work, your plan's website probably has a basic financial calculator that will forecast what your balance will be when you retire. That's only part of what a plan should do. A full-fledged financial plan will obviously forecast your investments, but it will take into account all aspects of your household finances. A plan starts with setting goals - for example, paying for college, paying for a wedding, setting a travel budget, setting realistic income goals for retirement that factor in inflation. Inflation may not be a huge deal if you're 70 years old, but if you're in your 40's, inflation will have a huge impact on your financial plan.

What are the biggest mistakes people make when developing a financial plan?

There are two big mistakes. The first, is not accounting for inflation. This affects younger folks more than older folks because a younger person's plan covers a lot more years. If you need \$50,000 to live on now, in 20 years, you'll need \$100,000 to have the same buying power and in 40 years, you will need \$200,000 to live on. Inflation can significantly eat away at your quality of life if you haven't planned for it.



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The second mistake people make is underestimating the cost of health insurance. If you retire at 65, you'll be eligible for Medicare, which has very reasonable and predictable costs. If you retire before 65, the cost of healthcare can be a deal-breaker for some plans. Let's say you want to retire at 60, you have five years before you're eligible for Medicare, so you have to buy insurance in the open market—that's assuming you can't stay on your employer's plan (most people can't). Buying health insurance as a 60 year-old is expensive. We usually assume \$1,000 per spouse per month for health insurance before age 65.

What other things should a financial plan include?

A plan should include all aspects of your household finances. There should be periodic reviews of life insurance to make sure you have the right amount and the right type of life insurance. You should review your home, auto, and boat policies. In most plans that we develop, we find that clients are either over-insured or under-insured in some areas. A plan should review beneficiaries regularly and make sure the beneficiaries on your

accounts match up with your estate plan. The other thing to keep in mind is that a financial plan will need to change as circumstances in your life change. There will be job or career changes, new additions to the family, divorces, changes in goals. A plan needs to be reviewed regularly so that it can be updated as your situation changes.

If I'm a great saver and live frugally, why would I need a plan?

We see a lot of situations where the clients are great savers and they don't need an elaborate plan to show them that they are saving adequately. There are a couple of reasons we still produce a plan for those folks. First of all, if they're great savers, it may be hard for them to loosen up and finally start spending some of their money in retirement. A plan will show them in writing that they are going to be fine if they take that cruise or vacation or buy a new car. The other reason we produce a plan for those folks is because at some point, they'll be faced with some big financial decisions to make—that could be estate planning decisions, gifting decision, nursing home scenarios. If they have a baseline plan in place, we can model out the potential outcomes of their financial decision. We can model out Scenario A and Scenario B and compare the two. So instead of just talking through the pros and cons of a big decision, we can quantify it for them.

If you don't have a financial plan, your financial advisor can help create one that fits your goals and needs. Talk to your advisor to start creating a financial plan that will help you stay on track and manage your financial goals.

ACT ADVISORS CLIENTS IN THE NEWS

South Carolina Federal Credit Union Awards \$50,000 in Scholarships



The 12 recipients were awarded between \$2,500-\$10,000 scholarships to traditional colleges and technical schools.

ACT Advisors is proud to have Scott Woods, President and CEO of South Carolina Federal Credit Union (SCFCU) as a client. He was recently featured in the news for South Carolina Federal's scholarship program which awarded \$50,000 in scholarships this year.

Applicants were evaluated on a range of qualifications and also submitted an essay on how they plan to use their education to Do More Together in the state of South Carolina.

"We believe in Doing More Together, and helping hard working students make college more affordable is just one way we bring that mindset to life," said Scott Woods. "We were particularly impressed with this year's winners and we know that they have bright futures ahead of them making a positive impact in our communities."

SCFCU had a diverse and talented group of winners this year. One of their winners founded a non-profit and has raised more than \$80,000 for homeless families in the Charleston area. One winner aspires to be a police officer so he can serve his community. Their first place winner fell in love with animals while attending Veterinary Camps with the Charleston Animal Society, and she's now a first-year student at Clemson in the Animal and Veterinary Sciences program.

CLEMSON PAW PARTNERS TO THE RESCUE



Just a few of the animals that Clemson Paw Partners have helped with foster families, forever homes, spay/neuter services and medical expenses. Want to see more? Check out their webpage below or Facebook page.

Two of our ACT Advisors clients are working tirelessly to create a friendlier community for animals in need. Margaret Thompson and Janet Cantrell are the driving forces behind Clemson Paw Partners, an animal welfare organization that raises funds through the help of local businesses and the community to help save the lives of animals. Donations help homeless animals and those in low income households obtain low-to-no cost spay and neuter services and other necessary medical care treatments. They are also focused on building a foster network, assisting with transport services and providing education of humane animal treatment.

To learn more about the great work they're doing or to get involved with Clemson Paw Partners, visit their website at clemsonpawpartners.org. Keep up the great work!



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