

The Benefit of Having Your Annual Financial Check-up



By **Alan Wainer, CA, CPA (Illinois)**, Partner Audit & Advisory, Family Business Services (SuRE)

As a family-business advisor, whenever I meet with clients, we invariably discuss their goals, objectives and yes, even their dreams. In many cases, there are obstacles that can put a dent in these plans. Changes occur constantly in life: marriage, the birth of a child, a major purchase, divorce, retirement, illness and so on. Isn't it curious that we check our house, our cars and even our bodies on an annual basis; however, when it comes to our personal financial affairs, we tend to ignore them until there is a problem or a major life event? Why do we do this? Well, that's a topic for a separate article, but I can provide you with a checklist for reducing your financial stress. (Think of me as your financial psychologist as many of my clients do.)

For your consideration, below is a list of my top 10 recommendations to jump start the process to improved financial health. Not only will your doctor be pleased with the results, but so will you.

1. **Set financial goals** (not just for first-timers): Both short- and long-term goals. Otherwise, it is like steering a rudderless ship. Articulate your thoughts by putting them on paper. Discuss them with your trusted advisor(s). Set predefined times to review and revise your goals accordingly. I review mine annually unless a major life event occurs in the interim.
2. **Determine net worth** (total assets less liabilities): What is your net worth today? Where you want it to be in a year from now? Where do you want it to be over the next five years? If you don't track it, you can't react to life events.
3. **Budget:** Do you know whether you are spending more than you earn? For example, look at your debt load and see which direction it is going. It is easy to have a false sense of security, given low interest rates, but they will not remain low forever. Develop a habit of tracking your cash flow. It is now much easier with the software packages that are available today. The payoff is enormous when you take the time to see if your money is being put to the best use.
4. **Minimize income taxes:** Take the time to spend with your accountant and ensure that the appropriate strategies are implemented to minimize your taxes.

5. **Managing debt:** Review the makeup of your overall debt load. Can you lower the interest rate you are paying? Would consolidating your debt help in attaining a better rate? Is there an opportunity to convert non-deductible interest to deductible interest? Do you have a plan to repay your debt or to at least bring it down to a manageable level?
6. **Account for up-coming changes in your life:** There is no time like the present to adjust your financial plan to take into account a significant change in your life. For instance, retirement is becoming a significant factor as the baby boom generation ages.
7. **Check your insurance coverage:** Evaluate whether you have enough insurance - health, life, disability, long-term care, homeowner's and auto - to name a few.
8. **Review your wills and powers of attorney (POA):** When was the last time you reviewed your wills and POAs? If you have had a major change in your life, such as having a child or going through a divorce, don't ignore it just because you don't like talking about it. Do you have a will and POAs? Are you willing to take the risk that your assets will not go to those loved ones? A properly drafted estate plan should give you comfort and put you at ease; not the opposite.
9. **Start your retirement planning:** What I have learned both personally and in dealing with clients is that the earlier you start, the better off you will be financially.
10. **What is your happiness factor?:** This plan is all about what you want to do with your finances. It comes back to what your objectives, goals and dreams are. If you are not satisfied with them, then it is time to re-evaluate them.

Remember this is an annual process. When you have completed your current year's checkup, set up an appointment for next year around the same time, (unless circumstances change in the interim), so that you stay the course. You will be much healthier, financially speaking!

About the Author

Alan Wainer is a partner in the Audit & Advisory practice at Crowe Soberman LLP. He is also the facilitator in the firm's Family Business Services Group, which is also known as SuRE. Alan and his fellow partners in the group are frequent authors and speakers on issues on Succession, Retirement and Estate Planning.

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