



How Much Is Enough?

(By Michael Collie, From Mountain Maturity, April 2005)

Determining your financial needs and goals is challenging at any age and stage of life. In the “new family” years, it often centers around budgeting, making ends meet and buying that first house. Then the “growing family” needs evolve into longer term goals like saving for college for the kids, beginning retirement planning and possibly starting a business. The “maturing family” then begins to focus on debt elimination and making significant savings toward retirement. While each of these challenges are very real and require a lot of planning, they are all very measurable. We can determine what college will cost. We know how much we need to pay off our mortgage. We know how much that dream trip or vacation home will cost. We know the maximum we can put into retirement each year.

In the years leading up to and during retirement, the greatest challenge becomes determining “how much is enough?”. This is so difficult because, unlike the prior financial goals in life, there is no easy checklist to fill out and no magical formula to compute. Furthermore, this question can only be answered by truly determining the purpose for the second half of our lives. Answering this question, however, can bring tremendous freedom to our financial lives and can yield endless significance in our personal lives. Imagine feeling so secure in your financial situation and having the peace of mind that allows you to focus on the truly lasting and purposeful areas of your life! Answering the following questions can help get you focused on how you want to utilize the assets and resulting net worth that you’ve worked so hard to accumulate up to this stage of life.

What are my assets and sources of income?

It is necessary to take inventory of everything you have and what the current values are. Also, what are your sources of income and are they likely to change at all throughout the course of your lifetime? This will help give you a clear picture of what your current resources are.

What are my income needs?

Now that you know exactly what assets you’ve got available and what income you’ve got coming in, you need to determine what additional amount, if any, you must have to meet your needs. Often, there is a surplus of what is coming in and what is actually needed for basic living expenses. Be careful to think about your true *needs* expenses and separate them from your *wants* expenses. As you evaluate your answers to the following questions, your priorities for the use of *wants* expenses may change. What standard of living do you feel called to live? Many people I’ve counseled have lived very meager lives, saved diligently, and then, when they have accumulated a significant amount of money and other assets, they don’t know what to do with it. They have always just maintained a modest lifestyle and that may never need to change, despite what they’ve been fortunate enough to accumulate over the years.

What is my surplus?

It is important to consider both our current needs and any potential future needs as we complete this step. We want to confidently ensure that we will be able to meet our future needs for the remainder of our lives. Using cash-flow projections, giving careful consideration to inflation, simulated returns on investments, and potential major expenses such as health care and possible long term care, can help provide this assurance.

What are my values and beliefs and is it important to me that I share them with others both now and after I’ve passed on?

It is very wise for us to view money and our assets as a tool to share our values with others. The old adage goes, “you’ve never seen a hurst pulling a U-Haul.” We certainly don’t take any of our worldly goods with us when we pass on. While our money and assets are not eternal in nature, the decisions we make about how to use them do have eternal consequences. Once we’ve accepted this fact, every financial decision should then correspond with our core beliefs. We can look at our surplus income and assets, beyond what we actually need to meet our basic needs, and think about how we want to use these things to accomplish our newly determined objectives.

How can I use the surplus beyond my needs to fulfill the greater purposes of my life?

This is the fun part! What have I always had a passion for? What has given me true joy throughout my life? What wisdom do I want to pass on to my children and grandchildren? All people answer these questions differently. Some will begin giving to their eventual heirs now so that they can experience the joy of doing so while they’re alive, others will start a foundation for underprivileged families, some may donate time to homeless shelters, some may provide scholarships for those committed to bettering their future, some may give to foreign missions or their local church; the choices are endless! Furthermore, by including your loved ones whom you want to pass your values and beliefs on to in this process, what started out as your personal fulfillment has now become a tremendous tool to pass on your values and beliefs.

Let’s review what we’ve accomplished by going through this process. We now know what we’ve got. We now know what our current needs are and have a plan to ensure we meet these needs for the rest of our lives. We now confidently know what our surplus is. We now know what our values and beliefs are and have decided whether it is important or not that we use our surplus to make a lasting impact upon others. With these steps completed, we can begin to embark on a life full of great personal satisfaction that can truly be meaningful to others around us! These steps are not accomplished quickly and it can help tremendously to have a coach walk through this process with you. Interview several Certified Financial Planner’s™ and be sure that they share your values and beliefs. If they don’t, they may not see the value in setting and achieving both your financial and personal goals.

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