

A FINANCIAL GAME PLAN FOR FOOTBALL FANATICS

We're in the heart of football season, and it's a good time to develop a financial game plan for the coming year.

Each week, thousands of high school, college and professional football teams prepare a game plan for the coming contest. They scout out the opposition, study game film and put together what they hope will be a winning game plan. While you're watching some of those games over the weekend, you might start thinking about putting together a game plan for your personal finances.

Goals. Any football game plan or personal financial plan should start with goals. In football, the goal is simple: score more points than the opposition. The goals of a financial game plan are usually more complex, though people often don't realize that. Many believe, for example, that the only goal of a financial game plan is to make more money. Financial planners would say no, you've got it backwards: the question is, what are you making money for? To get out of debt? Retire early? Pay for college? Accumulate assets for charity or heirs? Buy your own business or vacation home? Several of these? Only after you clarify your goals can you draw up the details of the game plan as to much money you will need, when you'll need it and how you're going to make it.

Think through your goals. A goal for many people is to retire early. Yet work is an important ingredient in one's life, and some retirees are finding retirement boring. The decision to retire early, at normal retirement age or later, or perhaps semi-retire through part-time work, obviously has profound financial implications for your game plan.

Time. Just as a football game is played within time limits, so too is the financial game. Goals should have concrete timetables attached to them—for example, you need X dollars in X years for college.

Offense. In financial planning parlance, this might be thought of primarily as making income. Most people start with earned income from employment—perhaps the equivalent of running plays between the tackles.

You'll need to build on that running game with a passing game—let's call that saving (short passes) and investing (longer passes). Again, you choose a specific pass based on the goal in mind. For example, you don't want to throw deep pass (invest in risky stocks or commodities, perhaps) so you can buy a house in two years. That calls for a shorter, safer pass (saving). In investing, as in football, not every play is designed for a touchdown. The object is to keep those chains moving downfield.

Watch out for high-risk plays, especially when it comes to investing. Like the team that throws a long downfield pass into a bevy of defenders, many investors threw a lot of their money at risky tech stocks in the late 1990s in the hope of a quick score—only to be intercepted by a market collapse.

Diversified offense. Great offensive football teams can run, pass and kick well. So too, should your financial game plan. Don't rely on a single play. If you work in the tech business, for example, don't pile up company and industry stock in your retirement plan. Diversify. Otherwise, you have everything, from your job to investments, riding on a single industry's fortunes.

Defense. You don't want the other team to score and cut into the lead you created with your offense. In life, emergencies and the unexpected can ruin a good offensive game plan. Financially, the defense should start with an emergency fund and a smart budget that keeps spending (including savings) in line with income. Add to that insurance—disability (in case the running game breaks down), health, liability, long-term care, life and so on.

Revising the game plan. Like a football team, you need to keep track of your financial “score” to know how you're doing. And like a football team, you may need to revise your plan in the middle of the game.

Hire a coach. You can draw up your own game plan and hire your own assistants—insurance agents, tax specialists, stockbrokers and so on. Or, since you're the team owner, you can hire a coach—a CERTIFIED FINANCIAL PLANNER™ professional—who will design a game plan and supervise the assistants for you.

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