



Develop a Financial Dashboard

Whether you are working or retired, you are more than likely considering the rest of your life. Like most people, do you share the fear of outliving your resources? What financial expenditures are you expecting to deal with in retirement?

How you use your money is more important than how much money you have. Understanding the key principles of making successful financial decisions starts with creating a Financial Dashboard. A Financial Dashboard illustrates how much money it takes for you to be able to maintain your quality of life, looks ahead for pitfalls and dangers, and indicates whether you need to make

adjustments to the way you are approaching your finances.

A Financial Dashboard is created by a Financial Planner using modeling software for the task. It's complicated and takes specialized knowledge, which makes it difficult for you to tell whether it was done well or not.

We will help you understand the process enough to feel familiar; then we will cover the types of questions your Financial Dashboard should be answering. This arms you with the confidence to tell when your Financial Planner is doing enough to guide you with a Dashboard tool.

Developing a dashboard is a three-step process:

- 1. Expense Projections**
- 2. Income Projections**
- 3. Scenarios**

Let's explore each step.

1) Expense Projections

The first step is gaining a clear understanding of how much it costs to maintain your current quality of life or the one you want to live.

1. Take a look at your expenses over the past several months and average them by month or by year. We all have spending patterns, and if you think back over the years, you may find that every six or twelve months a new, unexpected expense comes up that seems unlike any other—but the amount and frequency are often similar. This average will give you a clear understanding of how much it costs to maintain your quality of life.
2. Then, note those expenses that remain the same by contract (for example, a mortgage, or an insurance premium).
3. Also note any expenses that will end after a certain number of years, such as a loan payment.

Each of these details will be helpful for a Financial Planner as they are projecting your spending into the future.

2) Income Projections

The next step to creating your Financial Dashboard is to determine where your income is coming from. Most retirees will have Social Security, pensions, or investments as their sources of income. Social Security and pension income are easily determined as they are fixed each month. Once you determine your fixed income, you will have a clear understanding of how much you need from your investments to maintain your quality of life.

Not all of your income from investments will come from your gains; some may be from the principal. That can be just fine—it all depends on your specific scenario. This also means that the more you draw from your nest egg, the less base there is for a return. You can find plenty of generalized “wisdom” on the Internet, but it is much more useful if you create a model of your own unique situation, with the help of a qualified Financial Planner, and make good decisions based on that information.

3) Scenarios

Having accomplished a baseline to your Financial Dashboard and a clearer view of your finances in front of you, it will be time to add important layers and to make the model thorough.

The purpose of this is to project enough “What If” scenarios to give you perspective and understanding. This will help you make decisions now that will set you up for success over time.

The first thing to insist on is adding a scenario for long-term care expenses in the future. This should be for yourself and your spouse if you are married. These expenses can range from \$3,000 to as much as \$18,000 per month, and may last a short while or several years. Without these possibilities put into the plan, these costs may blindside you in the future and derail all of your hard work.

After running these scenarios, you should insist on an analysis of any of the following questions that pertain to your situation:

- ✓ When is the ideal time to retire?
- ✓ When should I start Social Security benefits?
- ✓ How can I best maximize Social Security benefits?
- ✓ Should I invest in a long-term care insurance policy or not?
- ✓ If so, should it be a traditional policy, an asset-based policy, or a hybrid?
- ✓ Should I convert my traditional IRA accounts to Roth IRA accounts?
- ✓ How should I invest my assets?

Include any other questions that are unique to you.
