



PRATO CAPITAL

# FINANCIAL PLANNING

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## **Why have a Financial Plan**

Plans are used for many things. When building your house, blueprints are the plans used. When driving on vacation, a map, whether electronic GPS or paper, is the plan used to get to your destination. When getting on an airplane, a flight plan is used by the pilots to safely arrive anywhere in the world.

A financial plan is very similar to all these other types of plans. A financial plan is the guide you use to get to your financial destination. Although most people today agree on having a plan to save for retirement, there are other reasons to plan and save - buying a house, college for children or grandchildren, or perhaps just for personal enjoyment like travel or some higher education to name just a few. By taking the goals in your financial life and having a plan, it becomes possible to see what is realistic and becomes easier to stay on track and ultimately achieve those goals.

At Prato Capital Management, we see the financial plan, or as we call it the Financial Life Plan, as the foundation for all we do. It is your individual guide for your financial life and allows you to make educated and informed financial decisions about your future.

## How to Start Your Financial Life Plan

Starting a financial plan can seem overwhelming but we are here to make the process as easy as possible. To start the plan for your financial future, it begins with setting goals, like purchasing a house or vehicle, saving for college or retirement, or even going on an Alaskan cruise. Some financial goals like retirement are more long-term and planning for vacation, a car or even a home are more short-term goals.

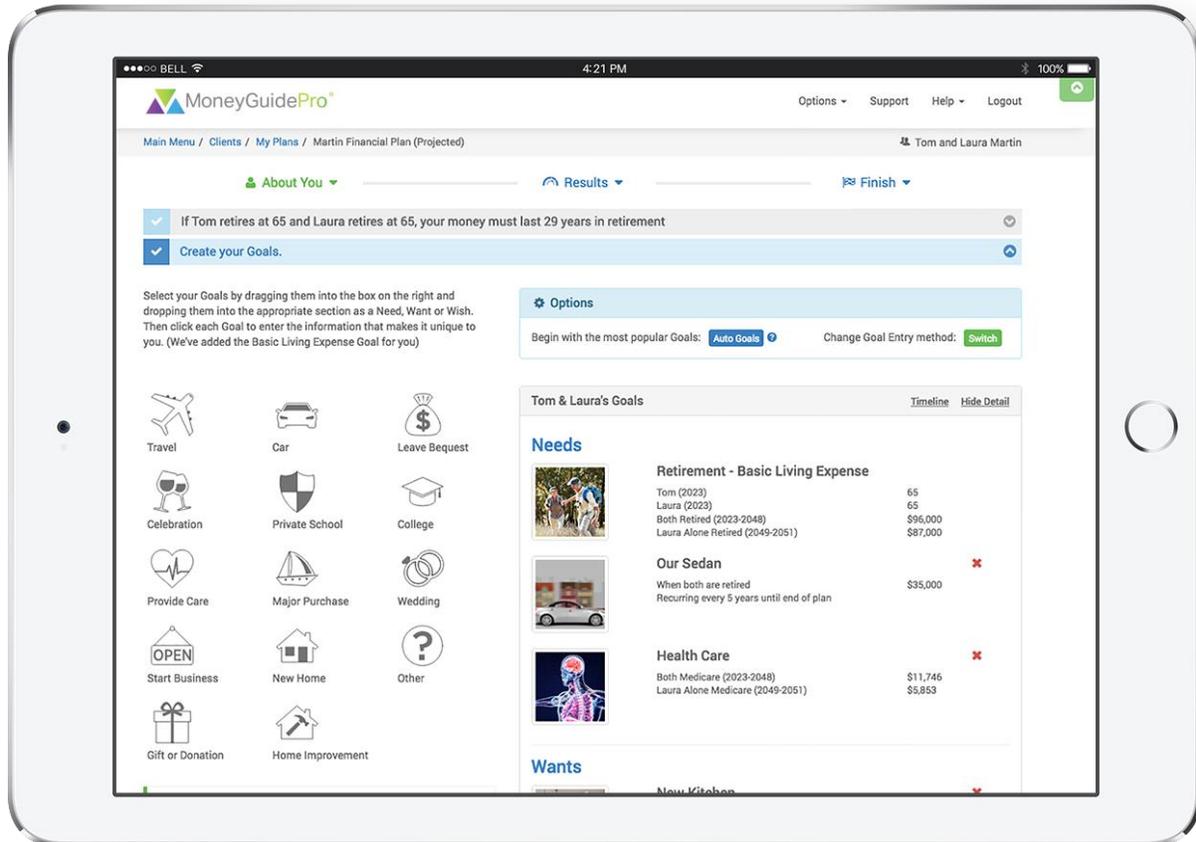


Figure 1: Image from MoneyGuidePro®  
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In Figure 1 above, some examples of goals for retirement are shown. The financial planning process used at Prato Capital helps you decide which of your goals are more important than others. For example, by breaking down the goals for retirement it makes the planning process easier to set priorities and then see how they can impact your long-term goals. Although planning for needs like health care and basic living expenses in retirement may seem like common sense, other items may not be so obvious. Our job is to help you find the right balance of individual needs, wants and wishes for your financial life plan.

## Impacts to Your Financial Plan

Many factors can have positive and negative impacts on your financial plan. The first factor everybody thinks of is the returns on your investments. While the investments provide the growth needed for any financial plan, there are other factors that can influence your plan:

- Spending
- Inflation
- Taxes
- Savings
- Insurance
- Estate planning
- Health Care

## The Science and The Art of the Financial Plan

Every individual financial plan is part science and part art.

The science of the financial plan includes the returns on investments and savings. Academic and financial research shows where the worldwide financial markets have been. Knowing where the financial markets have been allow us to forecast the potential returns and risk to expect in the future.

The art of the financial plan starts by applying the knowns of your current investments, future income from pensions and social security, expected cash from sales of a business or home, and your projected savings. After considering your tolerance for risk and discussing the factors that can impact your financial future, we can produce a plan for long-term and short-term goals that is remarkably accurate. This is your financial life plan.

At Prato Capital, we regularly review your financial plan with you, letting you know where you are on the path to your goals. As your needs in life change, your financial plan will change as well. We can change and update your financial plan easily either with a phone call or by scheduling a visit to the office.

## Value of Your Financial Plan

At Prato Capital Management, we are here to serve you, our clients, in achieving your financial goals. We firmly believe the financial life plan is the first and most important step in taking control of your financial future. Knowing your financial plan and letting us help you set realistic goals for the future provides a peace of mind and helps to keep you on track for all your financial decisions.

Benjamin Franklin once said, "By failing to prepare, you are preparing to fail." We believe that a financial plan is the first step in any financial preparation.