

your financial house®

Make Sense of Your Money-from the Ground Up

Take a “Room-by-Room” Approach to Finances

Create a Blueprint for Your Financial Future

By Greg Powell, CIMA

This paper features a common-sense context for financial planning. If you’ve ever built a house (or lived in one), you’ll be able to grasp these essential concepts immediately. The paper discusses a new way of looking at your money that will make sense right away. It also includes details on how Your Financial House® gets built, the elements of a financial blueprint, and a room-by-room description of the process with your financial advisor or “builder.” It concludes with clear next steps for getting Your Financial House under construction today.

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As each individual situation is unique, questions relevant to personal finances and specific to the individual should be addressed to an appropriate professional to ensure that the situation has been carefully and appropriately evaluated.

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Visits to your financial advisor's office can be exciting, because they help you feel confident that your money's being managed and monitored properly. Meetings like this give you a way to look into the future and feel good about the road you've chosen. Or they can be (take your pick): confusing, boring, uninspiring, defeating, frustrating, or outright irritating.

In the latter case, it's usually because

- 1) The financial advisor uses so much jargon, waves around so many charts, and rattles off so many numbers that it's difficult or impossible to follow.
- 2) The financial advisor hasn't taken the time to understand your real reasons for needing the services of a professional.
- 3) There's simply no way to wrap your head around the so-called comprehensive strategy, much less put it into action.

One woman came to see me, having never been very interested in money management or planning her financial future. "Bob did all that," she told me, "and when he died, I knew I wouldn't be able to just do it on my own. I knew I needed some advice.

"But when I visited Bob's advisor, he wasn't able to help me make sense of what they'd done together. In his office, I found myself nodding my head, because it all seemed in order. By the time I got home, though, it was all a jumble in my mind."

Another couple came in, having read many personal finance books and done their best to put several important pieces of the puzzle together, but wanting some assistance. "We just can't see the whole picture at once, plus we're worried by everything we're reading in the paper and seeing on TV these days. It's hard to tell if we're really on the right track and protected from major losses."

Every day, I hear stories from people who've had experiences that left them less than enthusiastic. If you've ever been through something like that yourself, know that it doesn't have to be this way.

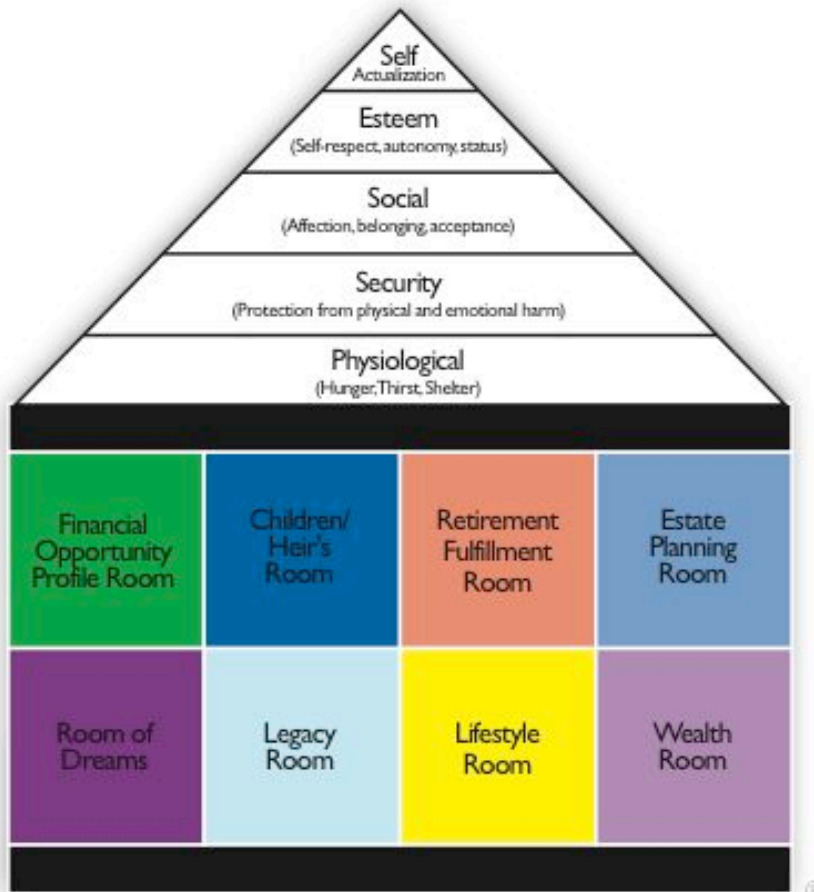
Your Financial House™ is a new way of looking at, talking about, and understanding your personal finances. It gives you and your advisor a means to discuss, integrate, and implement previously complex planning tools and strategies.

How does it work?

Take a look at the illustration on the next page.

your financial house[®]

the blueprint for financial growth & security



A financial planning tool provided especially
for the clients of:

So Simple, Even a Four-Year-Old Gets It

Believe it or not, the illustration on the previous page is based on something my daughter, Lydia, and I made together. We were sprawled out on the floor with paper and a box of crayons, and Lydia asked me to draw a house. With artistic ability only a preschooler could love, I outlined it for her: a square with a triangle on top.

Lydia started to color. First, she made rooms within the square. When I asked her what those were, she said, “Daddy, I’m making these places for my special things.”

“Like what?” I asked.

“This one’s for my stuffed animals . . . this one’s for my family . . . this one’s for my . . .”

As we worked side by side (and Lydia gave me instructions for which colors to use), I was reminded of a “quilt chart,” a tool financial advisors use to select investments—and something they usually show to clients to explain various financial strategies. But in my experience, without some helpful context, the quilt chart is usually just another meaningless visual aid.

I started thinking, *What if this house I’m drawing with Lydia could become an instrument for helping people get more out of the planning process? What if I could turn this into a simple metaphor to which even a four-year-old child could relate? What if we could talk about a “financial blueprint” instead of the dull “financial plan”? What if...? What if...?*

The result was Your Financial House. It brings all the aspects of financial planning—including investments, retirement, estate arrangements, and more—under one roof. And it does so in a way that anyone can understand immediately.

Here’s the gist: If you’ve ever built a house or watched one go up, you know a lot of forethought and personal taste went into the construction. Before workers started pounding nails, running wires, installing plumbing, or putting up drywall, the owner hired a builder. The owner decided how many rooms there should be and explained how they’d be used so architectural plans and detailed schematics could be made. Then construction got underway.

Building Your Financial House is no different.

As the client, you’re like the owner, and your financial advisor is like the builder. The first meetings cover important issues, such as your vision for the house, how big the rooms should be, what you’ll be doing in the house, even some of the building materials. Together, you and your builder do the following:

- 1) Brainstorm what should be included in your detailed plan, the “financial blueprint.”
- 2) Identify any existing strengths and weaknesses in the current financial structure.

- 3) Get choices and solutions for problem areas.
- 4) Understand how each room in Your Financial House can be constructed to fit your life now and in the future.

To help the builder understand who you are and the kind of house you'd like, you talk about the foundation first. What's already there? What are the features of the site where you'll be building? Are there impediments that need to be considered or particular areas that you want to feature?

Using a personal assessment tool called A.S.K., the builder prompts you to describe your *anxieties*, your *strengths*, and the areas of *knowledge* you think you need to lessen those anxieties and enhance your strengths. (A little different from the “okay-let-me-see-your-portfolio-and-make-some-changes-today” approach, isn't it?) Only after the builder understands these points is he or she ready to go to the next step, which is to talk with you about each of the rooms of the house and, ultimately, to create your financial blueprint.

Wondering what each of these rooms is all about? Let's take a walk through Your Financial House right now.

Room of Dreams

What's become of the American Dream?

It used to be that most everyone believed we all have an equal chance of making our own way in the world, that in the United States, succeeding is a matter of determination and courage, and hardship is followed by reward. Nowadays, though, many people are cynical (not entirely without reason).

Your Financial House, and particularly its Room of Dreams, is about recapturing that authentic spirit, about putting the American Dream—*your* American Dream—within reach. What's the universal symbol of this dream? I'm sure you realize it's a house.

And now it's Your Financial House.

What's your vision for your life? If you have defined goals, what are they? How do you see your life evolving? What opportunities, career changes, and family developments do you hope to see in your lifetime? What's important to you to achieve, experience, and acquire?

All of these questions and more are part of the conversation about the Room of Dreams, which is really the room where values and goals reside. They're a cornerstone of the house, and it's crucial for your builder to understand you and your vision to develop a financial blueprint that will truly take you there.

Legacy Room

Moving to the right, we next enter the Legacy Room, which is all about how you want to be remembered. After you've fulfilled your dreams, how would you like to live on through the lives of others? How do you want your family to think of you? Are there charitable organizations you'd like to benefit? Are there religious or other spiritual endeavors you want to endow?

Regardless of your age, it's time to think about your legacy, your final goal. Your Financial House itself has a legacy, just as actual homes do. Think about the legacy of, say, Monticello, Thomas Jefferson's hilltop plantation, which continues to educate and inform the public about this country's history, potential, and conflicts—just as it did in Jefferson's lifetime. In his day, he was a huge collector of artifacts and information, so anyone who came into his parlor could see the amazing things being sent from the frontier by Lewis and Clark, for example, or wander into his library and learn any of the five languages he spoke fluently, or study any of his interests, from architecture to viticulture. Today, visitors can walk the grounds, learning about Jefferson's eccentricities, paradoxes, and genius. The house extends Jefferson's reach and fulfills his vision of education and inspiration for hundreds of thousands of people every year.

Or what about Graceland, a more contemporary house with a completely different kind of legacy? Elvis Presley fans flock there as a kind of pilgrimage, an homage to the man and his music. Even people who don't have a special fondness for the King can enjoy the kitschy décor and the narrative from Priscilla Presley that takes you right back in time. It fairly puts you in the mood for some meatloaf and late night jam sessions. The King lives on.

Likewise, the Biltmore Estate, the Frank Lloyd Wright homes across the nation, the Hearst Castle, and so on—all keep the past alive and meaningful to people who visit them today. No doubt you can think of many more houses that have legacies, even ones that are less famous than the historic homes I just mentioned. There's probably a house in your own area that is known for its previous owners and what they did there. Your Financial House can have its own kind of legacy, whether grand or modest, or anything in between.

Lifestyle Room

As you and your builder talk about the Lifestyle Room, you'll explore your current lifestyle (do you enjoy it? do you want to maintain it or change it?), as well as your future lifestyle. You can see how the Lifestyle Room ties in with the previous two rooms, right? This room has to do not only with your budget and spending habits, but also with how you're spending your time, creating your quality

of life, enjoying your hobbies or travel, and sustaining your physical health and activities.

Maybe you're wondering what all of this talk gets you. Here's the bottom line: Conversation about these rooms helps both you and your advisor get clear about what you'll be building together. It creates better understanding on both sides of the table, so the advisor can hear what's important and real to you, and so you can see how those things are reflected in and made possible by the financial blueprint. Building Your Financial House, unlike traditional financial planning, connects the dots between abstract financial strategies and your real life.

It's just like when you're constructing a house. You don't want the carpenters and electricians to be bothering you with, "Now, here, come take a look at all these wires and the kinds of nails we're using. I'd like to walk you through every little thing to show you exactly how we're doing it."

No, you want to be able to say, "Just do it and give me the quality I need. This is how the room should work. I envision myself sitting in my favorite chair in this room in front of a fireplace," or "Here's where we want to put the flat-panel screen and theater seating, plus the wet bar for entertaining." Your first concern isn't how they're going to wire the room or install the plumbing. You want them to do their professional best—measure and plan and execute flawlessly—but you don't want to have to look over the schematics or spend a bunch of time admiring the stuff that's supposed to be behind the walls.

When financial advisors hand you a two-pound document they've labeled with terms like *asset allocation* and *Monte Carlo analysis*, it's as if they've asked you to review the wiring or the pipes. With Your Financial House, you receive a financial blueprint—an overview—and if you decide you'd like to see the detailed analyses, too, you have immediate access to them. Just realize that the lion's share of your time will not be taken up with lessons on investing or participating in number crunching; it will be about determining what's most important to you in Your Financial House.

Of course, that doesn't mean your advisor never crunches the numbers or looks at your current financial situation. In fact, all of that comes into play in the very next room.

Wealth Room

Before you meet with your builder, you'll receive a "punch list," a checklist of documents to bring to the first meeting so the builder can review your current financial situation. Naturally, these documents are treated confidentially.

In addition to reviewing the numbers (such as most recent payroll stub, buy/sell agreements, stock options, 401(k) statement, personal asset values, and debt

statements), the builder also wants to know about your other areas of wealth, the ones that might not show up on your *financial* balance sheet but that you'd definitely include in a *personal* balance sheet. Maybe one of your greatest assets is your health, or your family, or support in your community. So you'd be discussing not only your net worth, but also your self-worth, those things that are most important to you and that you've dedicated a great deal of your time and energy to developing in your life.

Financial Opportunity Profile Room

Now it's time to head upstairs to the Financial Opportunity Profile Room. This is where your builder helps you figure out how much risk you're willing to take and what aspects of your personality ought to influence Your Financial House, as well as delve further into your values. This happens by using various assessment instruments, which help you and your advisor know how best to communicate with each other and assists your advisor in working for and with you.

This room is important, because it helps the builder know what kinds of investments will be the right building materials for Your Financial House. If, for example, your builder can see that you'll need an 8 percent rate of return to construct the kind of house you've described, then he or she needs to select investments that are likely to perform at that rate. But if the risk associated with the investments is out of bounds given what you've learned about yourself during the risk assessment, then there needs to be further contemplation, either about the kind of investments to be used or about the kind of house you'll build.

On the other hand, your builder could determine that you can stand a pretty high degree of risk but that you don't need to go out on a limb to build Your Financial House exactly as you've described. Being able to take the heat isn't on its own a good enough reason to hang out in the kitchen.

You might notice that this room is right above the Room of Dreams. That's by design. Each of the upstairs rooms relates to the one below it so you can instantly see how each is correlated and affects the other.

Children/Heir's Room

The standard financial plan generally addresses children only in relation to college education and inheritance. But in Your Financial House, everything is taken into consideration. For example, you may have children or grandchildren with special needs, and that ought to be taken into account. Family members with alcohol or drug problems, who are in a bad marriage or have divorced—each of these issues and others like them really do need to be discussed and considered as

the builder develops the financial blueprint. Not including them would be a huge oversight.

Certainly, this room includes savings plans for the kids and figuring out what kind of inheritance might be given, and it's also where any special circumstances with family members reside and are addressed.

Retirement Fulfillment Room

Frequently, I hear, "I want to retire by age 55," or some other specific age. Great! That's a wonderful goal. But you have to ask yourself, "Then what?"

So many times, I see people retire then not know what to do with themselves. This is particularly common among people who've been in business for themselves or enjoyed high-powered careers. Their identity has been tied to their profession and work for so long that a sudden "freedom" from them can be completely deflating.

I'll never forget one couple who came to me after the husband had retired and was driving the wife nuts with his moping, fidgeting, and general disappointment with retirement. She quipped, "I've got to find something for him to do. We married for better or for worse, but not to have lunch together every day."

I've also seen entrepreneurs who, having made a successful go in one field and retired from it, got so bored that they decided to take up something else and didn't do the kind of due diligence as retirees as they would have when they considered themselves entrepreneurs—and they lost big because of it. It's a shame to throw money away just to give yourself something to do.

The idea in the Retirement Fulfillment Room is not only to identify your timetable for retirement, but also to figure out what will be fulfilling in life after work. Will it be a hobby? Volunteering? Travel? Something else? If it's going to be a new business, which one will yield the greatest return, both in terms of enjoyment and profits?

Estate Planning Room

The final room in Your Financial House is where you'll make sure that everything is properly accounted for and arranged so you can pass on your wealth, in conjunction with your legacy, to those you decide should have it. It's where you'll focus on relationships with family members, organizations, or other entities whom you want to receive a portion of your wealth after you're gone.

As you talk with your builder about this room, you'll explore such subjects as durable power of attorney, titling of property, and trusts—all of which are also part

of the Wealth Room—as well as many of the things that are also related to the Children/Heir’s Room, such as executors, custodians, and trustees.

The Estate Planning Room ensures that Your Financial House is still standing and that the promise of the Legacy Room gets fulfilled.

A Few Words about the Attic

You’ll notice that in the attic or roof of Your Financial House, there’s a pyramid of needs that’s common to every human being. This is based on a hierarchy created by the psychologist Abraham Maslow in the 1960s.

The pyramid shows the priority of needs. For example, if your physiological needs, such as hunger and thirst, are not satisfied, then they will be your primary motivators—you won’t spend much time thinking about getting a date or joining a club (social needs, which are higher up the pyramid). Once physiological needs are satisfied, you’ll focus on the next level, the next priority. The point is that if you want to reach the top of the pyramid, self-actualization—which means the ultimate fulfillment—then you must attend to each of the other levels of need first: esteem, social/belonging, security/safety, and physiological needs.

Each of these is good to keep in mind as you plan Your Financial House, describe your goals and objectives, assess risk, and choose your building materials. As you consider your options and make decisions, you’re wise always to take a look at how each choice addresses your essential human needs.

Then What?

After discussing each room with you, the builder will be ready to draft a financial blueprint, a detailed plan for building Your Financial House. The blueprint is presented to you in a binder. You’ll find a summary of the conversations you’ve already had, references for the building materials, and information on each of the rooms organized behind colorful tabs. Now you’re ready for construction to begin: Once you’ve signed off on the blueprint, you and the builder can choose specialists to get to work making Your Financial House a reality. Periodic meetings with your builder help you check in on the work that’s been done and how things are going. You might decide to change things as you go along, and that’s okay. Renovations are definitely in order when life takes a different direction than you’d anticipated or you simply decide you want something else.

Even before you receive the financial blueprint, you’ll probably find yourself saying something like, “I just never thought of it this way before, and now the whole thing makes sense. I can see how my personal taste influences the entire plan, how the rooms fit together, even how the whole house will look once it’s built.”

Creating Your Financial House can be just as exciting and rewarding as building a home. Choose your builder wisely, and always remember it's *your* house, your vision, your life. ☞

About the Author

Greg Powell is a Certified Investment Analyst with more than two decades in the business. In 2002, he was one of five investment advisors *Research* magazine inducted into its Advisors Hall of Fame, an honor reserved for those who are, according to the editors, “judged by their clients, their colleagues, and by industry notables as representing the very best [the financial services] industry has to offer.”

At that time, Greg and his team were with a major wirehouse firm ranking #1 in the nation in financial planning services. In 2005, he and his entire team left to form their own practice. At the same time, he founded fiSMART, LLC, a training company in Birmingham, Alabama, devoted to educating financial professionals and the general public about Your Financial House.

A note for financial professionals: If you're interested in learning more about how you can implement Your Financial House with your clients, and use our business model in your own practice, we suggest you [subscribe to our periodic publication, *Builder's Blueprint*TM](#), the official e-zine of Your Financial House. You're also welcome to contact fiSMART, LLC by [visiting the Web site](#) or calling toll-free, (888) 989-7871, to learn more about education and training for financial industry professionals and companies.

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