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A long and winding road

Creating your financial road map

Often, people don't set out on a trip or vacation without some idea of where they're going and how they're going to get there. Furthermore, once you reach that trip destination, you need to choose what it is you want to see and do there. Whether it be a map or a GPS, you must have some form of guidance if you want to arrive safely at your destination. So, why should your financial future be any different? You must ask yourself: Where am I now? Where do I want to be? How am I going to get there? A successful financial future begins with creating a roadmap, and requires you to set your destination, knowing your starting point, mapping out a path with potential rerouting or side tripping, and keeping your long-term destination in mind.

Setting a destination

Building realistic and attainable goals is arguably the most fundamental part of the process. Regardless of whether you are just starting out or close to retirement, it is essential to have an idea of where you want to be and the kind of lifestyle you want to live. At what age do I want to retire? At what age can I retire? Can I pay for my children's education? How much can I afford to travel? Which country would I like to retire in?

Setting goals that are realistic and achievable is a crucial first step to creating your roadmap. You don't get in a car or on an airplane without having some sort of destination in mind, why should your financial situation be any different? Think of it! The best way of doing it is when you write down and discuss goals with your spouse or significant other, prioritize, and create small milestones along the way.

The starting point

Before setting off on the open highway with the wind in your hair, it's important to take some time to see what you have for your trip; do you have everything packed that you'll need? What do you plan on getting along the way? Assessing your financial position involves writing down all of your assets and liabilities in one place. To map out your destination, you need to know where you are starting from; taking inventory of all your current investment and bank accounts, foreign and domestic taxes, insurance, various government pension credits, and liabilities can give you a picture of your starting point and help guide you to where you want to be. Keep in mind that your net worth is the sum of all your assets and liabilities. So gathering all your financial data and keeping current records is a key first step to building your roadmap.

Follow the path

Once you have determined your goals, what your destination is, and where you are situated financially, it is now time to map out a path to help you reach that destination. Much like how putting an address into a GPS provides a step-by-step highlighted route, so too does your financial map provide a step by step path that will lead you to your destination. Your path helps answer questions like what type of retirement accounts you should utilize, what are your foreign risk determinations, your monthly budget, how you should best contribute to your retirement funds, how you can best allocate savings for your children's education, are you prepared for a possible relocation, and what are various tax implications of all these things? Having a well-defined path and plan helps you

stay on course toward your end goal, particularly when that path is made much more complicated by living and working abroad. In order to utilize that part effectively try creating a spending plan that fits your lifestyle by distinguishing between your essential and discretionary expenses. A successful plan is only as good as what you put into it, both in data gathering and a determination to follow the plan to completion.

Rerouting

While cruising on life's highway, it is important to be mindful that we will not always be able to take the fastest route to our destination. Often, your first intended destination is not always the easiest to reach; many times there are detours and side trips that disrupt your route and must be accounted for. Things happen in life—job loss, sudden hospitalization, relocation, or death of a loved one are some examples of “detours” that can change your intended retirement or savings plans. Having a comprehensive plan allows you to navigate these detours and get back on course. But not all rerouting has to be negative or unplanned; many times, side trips are made such as choosing to pay off credit card debt before maxing out your savings. In this case, even though you are hitting a savings detour by paying off debt, it is a financially smart choice. So remember that you can not plan for every event, but you can mitigate your personal risk exposure as you keep your final destination in mind. Always remember to keep your plan current by updating it when you have family and lifestyle changes; this will help mitigate some of these “detours.”

Focus on the destination

The ride isn't always a smooth one. Maintaining a consistent strategy for the long-term will help you ride out the waves of volatility. The minute we get into traffic or hit construction zones does not mean we must reroute ourselves immediately and change our route. Staying consistent and keeping your destination set is the surest way to reach your financial goals. In practice it means that you regularly assess and maximize your savings strategy by reviewing and rebalancing investments. Review your financial goals on an annual basis at a minimum, or as life circumstances change.

Consistency is the key

Understanding the basics is a good first step to formulating a successful financial strategy. A financial plan is not a one-time project; it is a living document that is available to help you answer tough questions, to give you alternatives and to help guide you to that final destination. Take some time and talk about the goals you want to have in 5, 10, even 20 years. Gather your financial information such as past taxes and account statements to help determine where it is you're starting from. Much of this can seem daunting as you balance the responsibilities of living as an expat, but what is even more daunting is heading for a destination without any idea on how you're going to get there.