



The Value of Goal-Based Financial Planning
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As many of you are aware, 2016 has been an interesting year in the financial markets. To begin the year, the Dow Jones Industrial Average, NASDAQ and other financial indexes seemed to be on a roller coaster ride before leveling off in the spring and early summer. As we moved into the latter half of the year, we were faced with — as Marzano Capital Group Wealth Advisor Steven Gallo noted last week in his blog — one of the most tumultuous election years in our country’s history. This again affected financial markets leading up to and during the election. As election results came in, we saw markets across the globe react. Now, once again, things seem to have stabilized as we move past November 8th.

I point these factors out not to demonstrate how volatile the markets and financial indexes can be. Rather, I want to illustrate the importance of having a plan when it comes to investing. Over the past several months we have discussed how having a clear direction for your financial future can benefit you in the long-term. Today, I want to talk more about a specific method for investing – Goal Based Financial Planning.

Goal Based Financial Planning is an investment methodology in which performance is measured by the success of investments in meeting an individual's personal and lifestyle goals. This seems simple; however, it represents a significant shift from traditional investment philosophies, in which the success of financial performance is based on a return as an investment benchmark. Goal Based Financial Planning is not a new idea, but one that has gained popularity in recent years.

Some of you may be thinking “I’m already Goal Based Financial Planning. I’m saving for retirement.” This is true, but this investment philosophy goes well beyond one final goal. Goal Based Financial Planning allows you to bucket your money according to its purpose and when you will need a given amount.

In Goal Based Financial Planning, an individual (along with his or her financial advisor) takes into account the full set of resources the investor he or she has available, including financial assets, real estate, employment income, social security, etc. Also included are financial liabilities such as loans, mortgages, etc., in addition to the capitalized value of an individual’s financial goals and aspirations. This strategy considers the progress against goals which are categorized as either essential needs, lifestyle wants or legacy aspirations depending on their level of importance. It allows you to develop a deep understanding of your family’s current and future liabilities, then construct a portfolio that aims to achieve your financial goals.

For example, you may want to ensure that you have enough income to put children through school, or that you are comfortable in retirement. You may also want your money to grow so that you can afford

to take regular vacations. Or, you may want to do all those things, while also leaving a legacy behind for your children and grandchildren. Goal Based Financial Planning allows you and your advisor to take all factors into account when planning your long-term investment strategy.

This approach to portfolio management also has another added benefit. It also helps to prevent rash investment decisions by providing a clear process for identifying goals and choosing investment strategies for those goals. Staying on a predetermined path can help to take the anxiety out of investing by giving individuals the comfort of knowing that their investments are working toward a stated outcome, rather than worrying about the fluctuations of the market.

The success of a goals based strategy is not about outperforming benchmarks or competitors. Success is measured by how well an investor's portfolio is tracking against a stated goal. It's about being more relevant to your needs, not only in terms of product design but in terms of communications and reporting.

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