

DETERMINING YOUR FINANCIAL INDEPENDENCE NUMBER (FIN)

Years ago at our Financial Consulting firm, we used to do “Retirement Planning” as everyone looked to age 65 to stop working and live off their pensions and social security. Then, because, so many people couldn’t afford to really “retire”, or because they wanted to create a different lifestyle, take on a different career, or even actually quit working much earlier than 65 without giving up their current lifestyle, we started to do “Financial Independence” planning. But now, because the real issue is “Will I still be here when my money is all gone?” we do Longevity Planning.

But no matter what it is called, it all amounts to the same thing. Today, tomorrow, ten years from now, fifty years from now; you need to have enough earned income, unearned income, or income producing assets to provide for all your needs for as long as you live. This is your “Financial Independence Number” (FIN). And you can get to that point at age 45 or 85. Choice and chance will determine when that is.

As a financial advisor, I spend most of my time helping individuals and small business owners make wise choices with their money instead of leaving their finances up to chance. We first begin with determining their Financial Independence Number; as everything else we decide on is based on that. It tells us how much to save, where to invest, for how long to invest. What financial programs to use. And if you think that this kind of planning is appropriate for 40, 50, 60 year olds; it has now become a necessity for 20 and 30 year olds to do the same. If you look at life expectancy assumptions, 20 and 30 year olds should live way into their 100’s. Fifty year-olds planning for 40 years of financial independence is worrisome enough; but 30 year-olds planning for 70 to 80 years, is scary.

Interestingly although this next generation should live for a long, long time, two things will be the downfall of their financial independence. First, nutritionists tell us that this generation will not take care of their health. They will be obese, have type-2 diabetes, and other health related issues. This will increase the cost of their health care, subject them to times of disability during their working years; and the need for substantial long term care as they grow older. Secondly, although they should live longer than any other generation, they cannot wait to have or own or do anything. They want everything and they want it now. The house, the car, three children, a dog, the \$50,000 wedding, the big screen TV, the expensive vacations, dinner out four times a week. The only way to have all of this now is to go into debt, use charge cards, lines of credit, mortgages, home equity loans. And what goes hand in hand with this is a lack of savings and investing.

But you don't have to give up before you get started. Begin today by learning your FIN. Decide at what age you would like to stop working. Then determine in today's dollars what you would like to have for an annual income. Email me these two numbers, along with your current age; and I will email your FIN to you. After all, no matter how long you work or how long you live, living financially independent is the real goal.

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