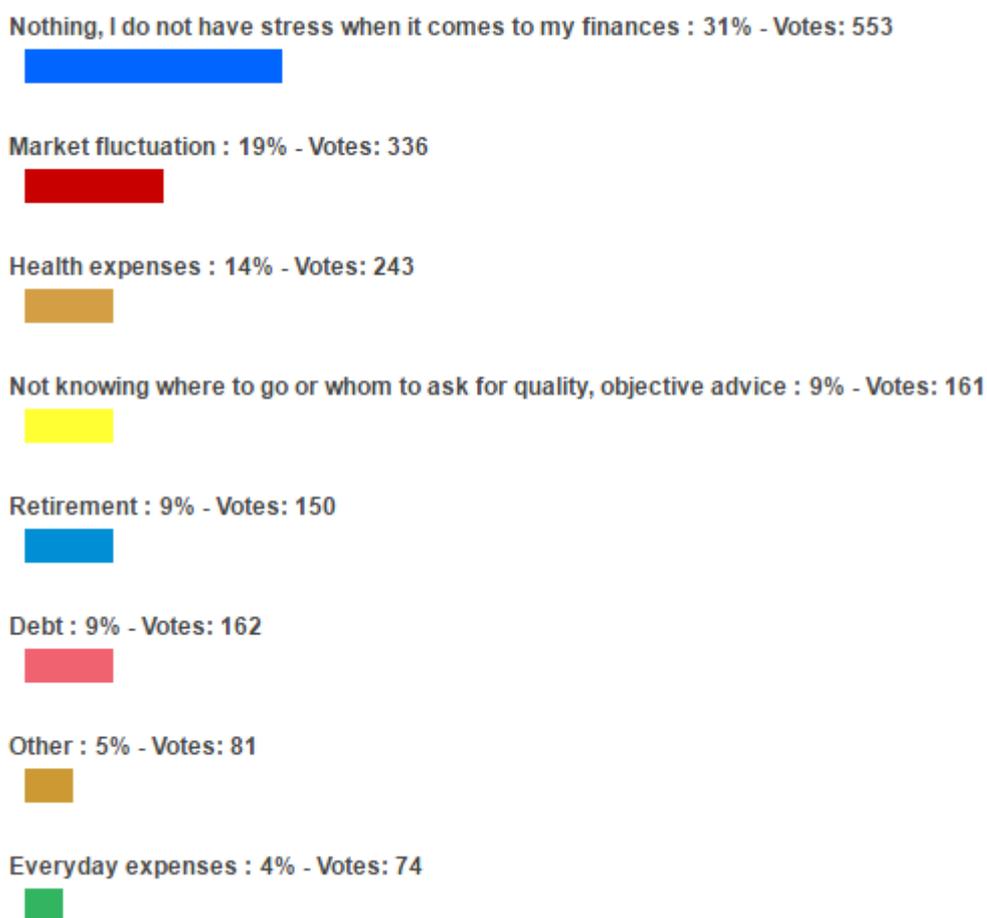


Most Individual Investors Have Financial Plan, Although Reasons Vary

“If you fail to plan then you plan to fail.” We have all heard some variation on this theme. Like so many aspects of our lives, this maxim holds true for financial planning. For many Americans, the state of their personal finances is a major source of stress.

Last week we asked our readers what, if anything, creates the greatest amount of stress when it comes to their finances:

Which of the following creates the greatest amount of stress when it comes to your finances?



Of the 1,760 people that voted by 8:30 a.m. Sunday, July 17, we were pleasantly surprised to see that 31% of respondents do not have stress when it comes to their finances. Another 19% said that market fluctuations were the greatest stress generator when it comes to their finances, while 14% said that health care costs were the primary contributor to their financial stress.

Weekly Special Question

One way to alleviate stress, especially when it comes to financial planning and investing, is to have a formal financial plan. So our special question last week asked why investors have a financial plan.

As we were hoping, the vast majority of the 173 readers who responded to the special question said that they have some sort of financial plan—87.9% versus 12.1% who said they do not have a financial plan.

Of those who said they do have a financial plan, 16.4% said their primary reason for having a financial plan was to achieve their retirement goals.

The next two most popular answers as to why someone has a financial plan, both of which yielded 11.8% of the responses, were to provide a roadmap for reaching their financial goals and to stay on track; and to be able to provide for their spouse after they were gone, pass on an inheritance for younger generations or an endowment to a favorite charity.

Lastly, another 9.2% said that they have a financial plan to eliminate stress from their financial lives or to provide peace of mind.

Here is a sampling of the responses:

- “As a retiree, my financial plan provides the foundation for my annual budget, investment strategy, future growth projection, and trigger dates for when to apply for social security benefits and exercising stock options. In a nutshell, it is my personal finance lifeline, without it, I would be floating aimlessly without direction and without sound advice from an advisor that knows my priorities. I treat it essentially the same as a business treats its annual forecast and budget cycle as a top-down approach that couples with a detailed daily/monthly monitoring of spending against my budget in various spending categories.”
- “Hopefully, to prevent me from outliving my financial resources (money). That is my primary concern.”
- “I do not plan, I prepare. I have learned over my lifetime that plans always change or fail; so why waste time planning? When I make financial decisions I simply ask myself if the choice will make me better prepared for emergencies, retirement, taxes, etcetera. I have found this causes me to exceed my expectations for a happy life by encouraging ongoing learning and unjudgmental thought about every financial decision instead of chastising my lack of progress every once in a while against some unachievable strait jacket life style that yields a hockey stick exponential chart. It also means I sometimes take risks for a greater reward than I would ever take within a plan. And that helps make life a little more exciting.”
- “I do not, never have and have no need. I have always lived well below my means and saved and invested. I do not use debt for anything other a home mortgage and no longer have that

either. I retired young and have grown my investments even in retirement.”

- “My first plan was to live on love. My young wife said she would handle the finances. A few years later she gave that task back to me in complete ruins. Putting it back together was a passion of mine. In these latter days one passion that remains.”
- “My plan (if it works) in retirement will provide an income adequate for both me and my wife for our lifetimes and have enough left over to help our children have a jump in their retirement lifestyles.”
- “Without a plan and goals, any result is OK and you’ll never know how you are going and when to take corrective action.”

Want to weigh in? Participate in our weekly member poll, updated every Tuesday, and see the results online at <http://www.aaii.com/memberquestion>.

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