

Financially InKlein'd™

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Your Financial Independence™

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Celebrate Your Financial Independence!

With the 4th of July upon us, can you think of a better time to celebrate your financial independence?

Whether you've achieved this lofty goal or have recently developed an initial Financial Independence Plan, be proud of who you are and what you've accomplished!

A Lifetime Journey

As I constantly remind my clients, achieving financial independence, unless inherited, is extremely difficult. The pursuit of this elusive goal must be skillfully planned, managed, and protected. It is truly a lifetime journey, with numerous obstacles, planned and unplanned, cropping up along the way.

As part of each of our personal financial journeys, we need to pause from time to time to reflect upon, appreciate, and celebrate our accomplishments. After all, the achievement of financial independence is the culmination of the attainment of each of these various milestones.

Assessing Your Accomplishments

It may seem like an obvious statement, however, in order to celebrate your accomplishments, you need to know what you've accomplished. Financial milestones are no different than other achievements we realize dur-

ing our lifetimes. They are all measured relatively—where we are today vs. where we were at some historical point in time.

More importantly, assuming you have a Financial Independence Plan, you also need to assess where you are today vs. where you should be.

Fortunately, there are two financial reporting tools available for making this assessment, namely, Net Worth and Projected Portfolio Assets Statements. A real-time account aggregation software system such as the one that I share with my clients enables automatic on-demand production of both of these important financial statements.

Net Worth Statement—Where You Are As Of A Specific Date

A Net Worth Statement is a listing of all of your assets and liabilities, together with the values of each, as of a specific date. The difference between the value of your total assets and your total liabilities appears on your statement as "Net Worth."

The preparation and review of your Net Worth statement as of comparable dates, say, June 30, 2008 vs. June 30, 2007, is an extremely valuable exercise to help you measure your financial progress. Review of multiple annual statements is typically a real eye-opener.

Projected Portfolio Assets Statement—Where You Are Projected To Be

Once you have prepared a Net Worth Statement and you know where you are as of a specific date, the next step is to compare this to where you should be. The best way to do this is to pull out a previously-prepared Projected Portfolio Assets Statement.

A Projected Portfolio Assets Statement provides you with a projected annual reconciliation of your portfolio assets, including projected additions, withdrawals, investment income, and growth, for your life expectancy. It is prepared using various assumptions, including investment return, income tax, and inflation rates, to name a few.

Schedule Your Celebration

Celebration of your financial accomplishments should be an annual scheduled event just like your birthday or a holiday. Furthermore, it should be included as part of your Financial Independence Plan action item list.

Besides coinciding with the 4th of July, I believe that mid-year is the ideal time to celebrate financial independence. Tax time is generally behind us, the kids are out of school, and we are not distracted by year-end holiday planning and celebrations. Party on!