"This isn't a money book, it's a life book. And you'll remember reading it for the rest of your life."
—**SETH GODIN**, author of ***What to Do When It's Your Turn***

THE ONE-PAGE FINANCIAL PLAN

A SIMPLE WAY TO BE SMART ABOUT YOUR MONEY

CARL RICHARDS

New York Times Sketch Guy columnist and author of ***The Behavior Gap***

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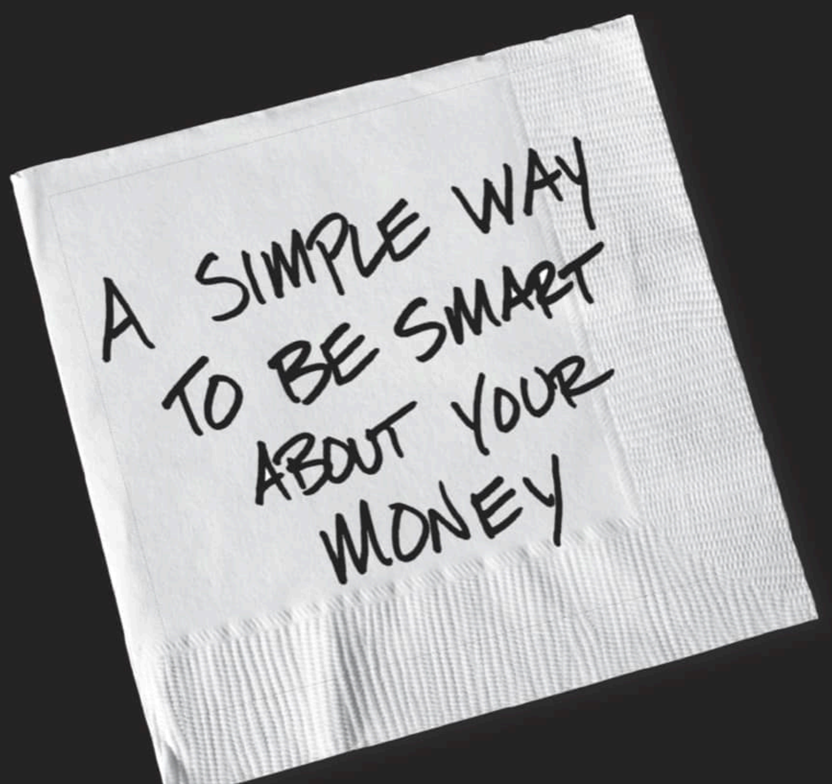

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To the Secret Society of Real Financial Advisors: Thank you for the difference you’re making in the world

CONTENTS

INTRODUCTION

NOT long ago I was e-mailing back and forth with Dan Heath. He's a writer—and a successful one at that. Together with his brother Chip, he has a few *New York Times* bestsellers under his belt—so he asked me what I was working on. I told him about two ideas I had been thinking about for books, and then, almost as an afterthought, I mentioned something I'd had in the back of my mind for ten years. It was a book I was thinking about writing someday called *The One-Page Financial Plan*.

"I'd buy that," he replied almost immediately.

Surprised by his response, I asked him to tell me more. I was curious since I'd only told him the title. What exactly did he think he'd be buying? Why the sudden interest?

"Creating a 'financial plan' just seems so overwhelming," he responded. "I'm going to have to meet with a lawyer and a financial planner and decide what my goals are for the rest of my life, and then face the overwhelming and depressing truth about planning for retirement (it seems you need to have $7.8 million saved by age sixty-five or else get ready to eat dog food), and then pick among a thousand mutual funds, but then there is the 401(k) plan at work with these Latin American government bond funds and such, and so the only rational response is *not* to create a financial plan."

It doesn't surprise me that he would respond this way, given how inundated we are with countless choices. Even a trip to the grocery store can lead to our feeling overwhelmed and exhausted. I have a friend in New York who lives a few blocks from a fancy mayonnaise store. How many kinds of mayonnaise do we really need? (My friend admits that she's tried numerous flavors, and they're all delicious.)

Of course, things get really frustrating when the stakes are higher than what we're going to put on our BLTs. Take my recent experience with my dog, Zeke. He was having some stomach problems (I'll spare you the details of how I knew), and it was clear we needed to take him to the vet to get him checked out. I'm probably a lot like you: busy. When Zeke got sick, my family was getting ready to leave on vacation, work was piling up, and the kids needed to be shipped back and forth between a bunch of activities.

But luckily the vet is located literally two hundred yards from my office. When I dropped him off, I told the vet I had a ton of errands to run. "Why don't I come back in a few hours once you've had plenty of time to fully check him out?"

When I returned, the vet informed me that they had time to do a full diagnosis and they'd run all kinds of tests.

Then she said, "You have three options."

That was the moment everything fell apart.

As soon as she said "three options," I felt myself start to panic. In fact, I felt like my head was about to explode.

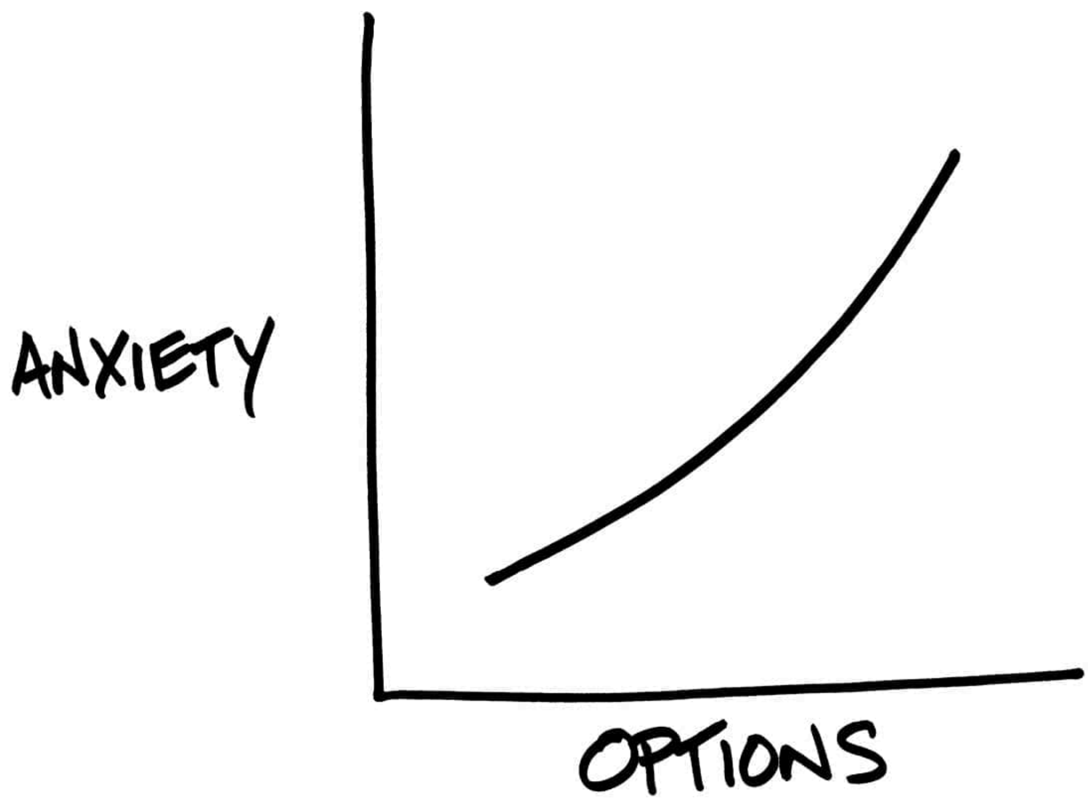
As I tried to collect myself, she started to walk me through option one. About halfway through her description of the treatment, I couldn't take it anymore. I held my hands up in the air, looked her in the eyes, and said, "Stop. Just tell me: If Zeke were your dog, what would you do?"

She went back to walking me through the options. I stopped her again. She did it again: more options.

Finally, I put my finger to my lips and I actually shushed her. Then I said, very slowly, "No. Really. I mean it. Stop giving me options I'm not qualified to evaluate. Please. I'm begging you. . . . Just tell me what to do."

Most financial books and magazines and Web sites are like that vet: they give readers a long list of options that just add to their confusion. No wonder my friend had given up on coming up with a financial plan: he didn't even know where to start.

And he's not the only one. Whether I'm eating dinner with friends or telling someone what I do, the conversation inevitably turns to how hopeless they feel about their retirement or investment plans. More than once, people have asked me the same thing I asked the vet: "Just tell me what to do."



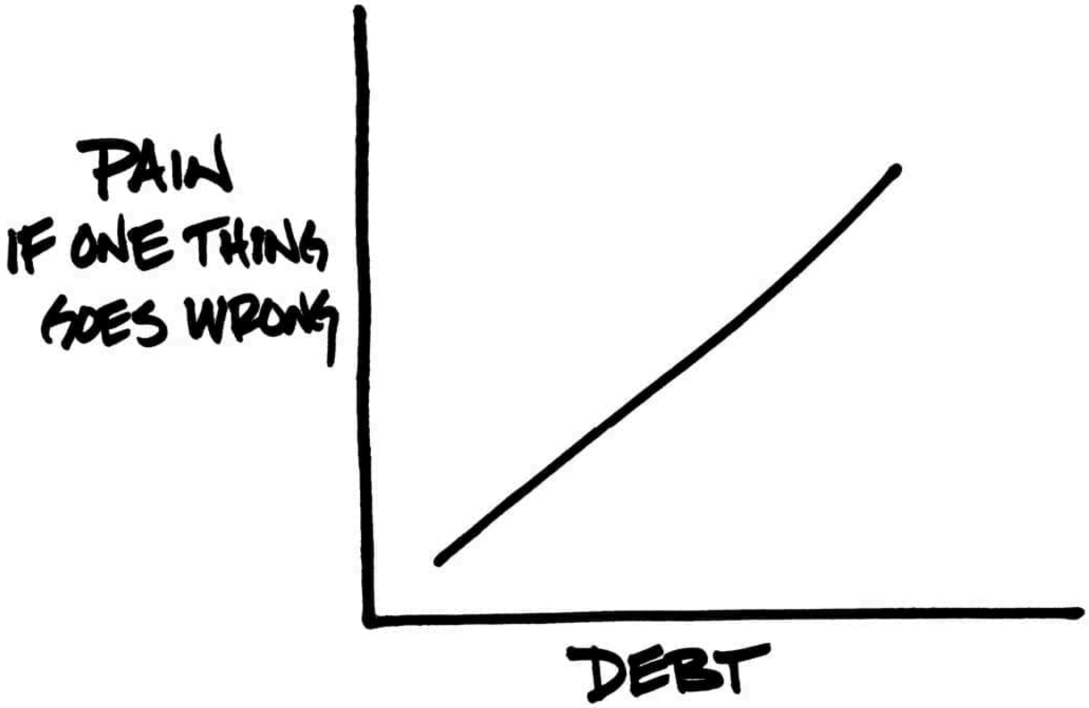
These people are smart. They're great at what they do. Many are total stars in their fields—experts in business, science, and the arts—and yet, when it comes to their own finances, they're stuck. They're often paralyzed by the fear of making the wrong decision.

It doesn't surprise me that my most successful friends are confused when it comes to savings and retirement. When they do something, they want to do it right. They don't just want good advice, they want the *best* advice. They've often got a shelfful of books about investing or finance, but they simply don't have the time to really dive in—so, rather than do the "wrong thing," they do nothing.

Of course, it's not just fear of making a mistake that holds us back from taking action—it's also the mistakes we've already made that we don't want to own up to. Often, just the idea of having to open our bank statements can be stressful so we let them pile up, hoping that something will happen to change our situation. Of course, what actually needs to change is our own behavior—but that's easier said than done.

There are many stories these days of people who lost their financial bearings during the housing boom and the crisis that followed—but when I lost my own house in 2010, it was a little bit different.

I'm a financial advisor. I get paid to help people make smart financial choices. I should have known that we couldn't afford a house that cost almost twice what we'd originally set out to spend. I should have known that there was something wrong with being able to borrow 100 percent of the purchase price. I should have listened to my gut when it told me, *Something's wrong*.



I'm a financial advisor, and yet I never sat down to figure out what it would take to make this work. I just wanted to believe our real estate agent, despite the fact that he was making money on the deal. And it was so easy to believe he had been right, at least at first. We loved our new house. The children went to an awesome public school, and we made some great friends. I could ride my bike to Red Rocks, the wilderness area outside of town. And for a time, the real estate market erased any doubt I may have had.

It just kept going up . . . until, well, you know.

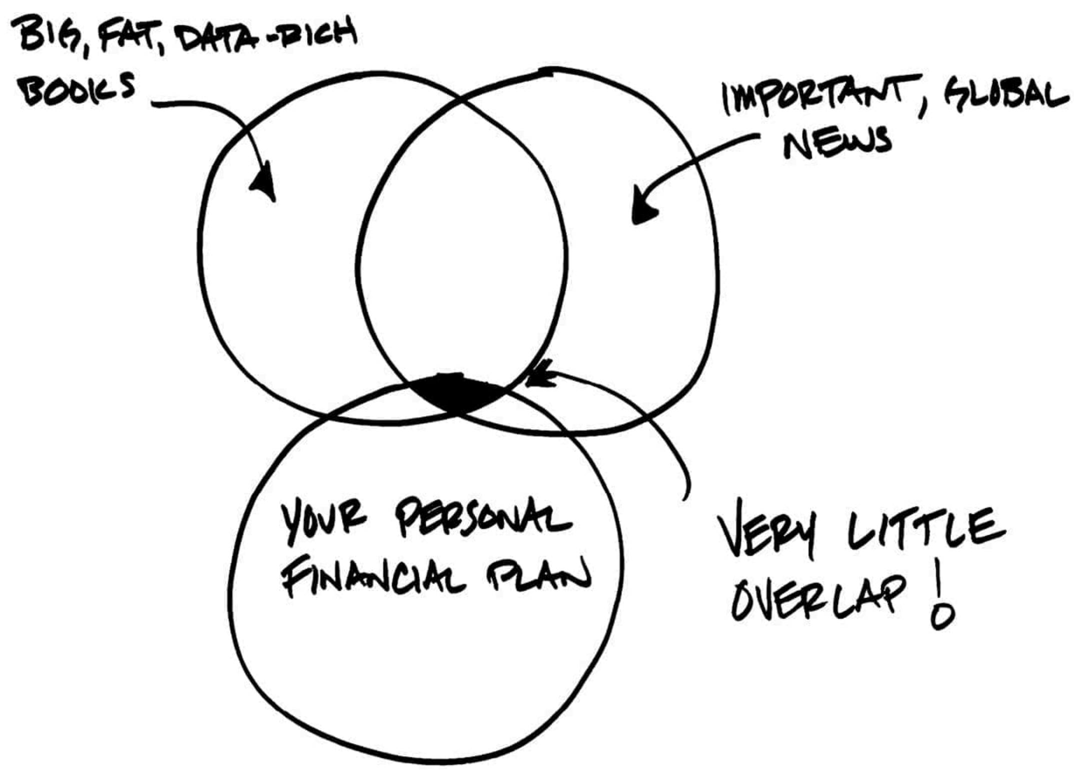
Yes, I'm a financial advisor. But in the heat of the moment, when my income was rising rapidly, when home prices were soaring with no sign of stopping, I wasn't thinking like one.

Some might say I wasn't even thinking at all. I was just following the crowd.

After I watched my house almost triple in value and used some of that equity to start a business, the real estate market collapsed faster than almost any of us realized. Within a matter of just a few short months, we found ourselves faced with the reality that we had to move back to Utah and that we owed more than the house was worth. After working with the bank for almost a year, everybody agreed that a short sale was the best option.

As devastating as that experience was, I learned something valuable: the best financial plan has nothing to do with what the markets are doing, nothing to do with what your real estate agent is telling you, nothing to do with the hot stock your brother-in-law told you about.

It has everything to do with what's most important to you.



Over the last two decades, I've had thousands of conversations about this topic. I've worked with hundreds of clients to create customized financial plans and talked to hundreds of advisors about their best ideas and techniques. And, as I'll write about throughout this book, I've learned from experience: I've made mistakes that no rational financial advisor should make—but, of course, I'm not just a financial advisor, I'm also human, and a big part of being human involves irrationality.

Irrational decisions and bad calls about money aren't "failures"; they're just what happens when emotional creatures have to make decisions about the future with limited information. They're not something to run from; they're something to be acknowledged, something we can learn from, and, yes, even something we can plan for. With that in mind, we're going to scrap any striving for perfection and instead commit to a process of guessing and making adjustments when things go off track. Of course we're going to make the best guesses we can—but we're not going to obsess over getting them exactly right.

How important is it to get started? "The average working household has virtually no retirement savings" was one of the startling conclusions of a 2013 report from the National Institute on Retirement. "When all households are included—not just households with retirement accounts—the median retirement account balance is $3,000 for all working-age households and $12,000 for near-retirement households. Two-thirds of working households ages fifty-five to sixty-four with at least one earner have retirement savings less than one time their annual income, which is far below what they will need to maintain their standard of living in retirement."[1]

Simply by reading this book and making some choices, you'll be better off than the vast majority of your neighbors.

One thing you won't find in this book is a silver bullet investment strategy. There's an entire industry built around the idea that successful financial planning requires finding the best investment: if we just look hard enough or have the right contacts, we'll be able to identify the next hot stock, sector, or mutual fund. However, the research is pretty clear that this strategy almost always leaves us disappointed. We simply aren't great at picking the next Google.

What you will find here is some advice that, at first glance, may seem out of place in a financial planning book. The first three chapters of the book help you think through the kinds of questions and conversations that typically come up when I'm helping my clients create a customized financial plan. Some of them might seem like the kind of questions you'd find in a self-help book, but, I assure you, this isn't a book full of empty promises and trademarked mantras. This is a book about answers.

But here's the thing: your answers shouldn't look anything like my answers or your neighbor's answers. That's why we're going to start with some questions not simply about *how* to save and invest your money, but about *why* you're doing it in the first place.

I know what you want to do: skip to the chapter where I answer the question "Where do I put my money and how much?" Pretty much every client I've ever worked with has walked into my office with an "Okay, kid, show me what you've got" kind of attitude, and to be honest, I was tempted to write that book for you. I could write about how to pick the best stock; I could write a book on "One stock that will change your life." I'd get to be on all the shows, but I wouldn't be helping you. I'd just be adding to the circus. But that's not why I wrote this book. My goal was to help my friend, or my mom, or the friends I've had lunch with.

Am I really supposed to fit my financial plan on one page?

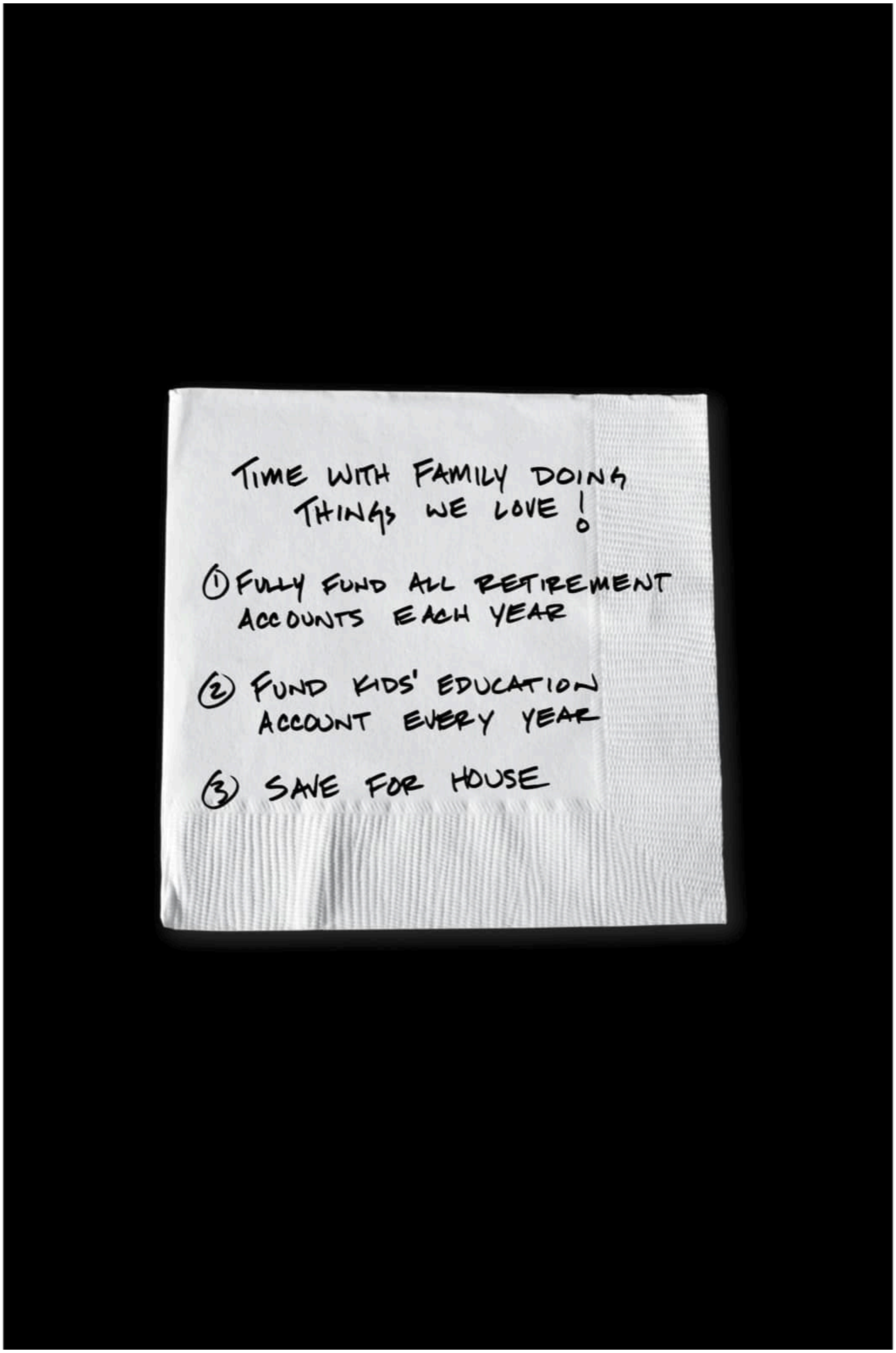
Not long ago, my wife and I were trying to make some really important financial decisions. We'd already spent a lot of time on the details—we'd set up savings accounts, bought insurance, and come up with an investment process. But whenever we had to make a decision, we were getting bogged down in all the details. Finally, out of a sense of frustration, I wondered, "What if I had to put it all on one page? What's the stuff that *really* matters?"

I noticed a Sharpie on my desk and saw card stock in the printer, so I pulled them out and just wrote down the three or four things that were really important to us.

The first answered the question “Why?—Why is money really important to us?” It served as a kind of statement of our values, something that would remind us why we were working hard and saving money.

The remaining three were specific things that we needed to do to reach our major financial goals:

1. We wanted to make sure we fully funded all our retirement accounts each year.
2. We wanted to put a certain amount of money into each of our four kids’ education funds each year.
3. All the money we saved beyond that would be set aside in an account to one day buy a house.


TIME WITH FAMILY DOING
THINGS WE LOVE!
① FULLY FUND ALL RETIREMENT
ACCOUNTS EACH YEAR
② FUND KIDS' EDUCATION
ACCOUNT EVERY YEAR
③ SAVE FOR HOUSE

That was it.

Then we set it aside.

About a month went by before we found ourselves facing another big decision and having a similar conversation. Then I said, “Wait a second. I think we’ve already done this.” So I went and found the one-page plan. After all, we’d already spent the cognitive energy to make these decisions. Why go through them all again?

There’s a couple of important things to keep in mind about your one-page plan.

No two financial plans will look the same. Yours will probably look a lot different from the one my wife and I created. That’s the point.

What’s perhaps most interesting about the one-page plan is what’s not on there. What about all the details about how much money you plan to invest each year or how much life insurance to purchase? Don’t worry: I’ll cover all these topics throughout the book, sharing strategies that will take the complexity out of all these decisions. Your one-page plan simply represents the three to four things that are the most important to you: some action items that need to get done along with a reminder of why you’re doing them.

I suggest using a Sharpie for a reason: you can’t be too precise with it. Using a thick marker and card stock forces you to make broad statements without worrying too much about how things look. You can’t fit very much on a page when you’re writing with a Sharpie: this constraint helps you focus on what’s really important.

Your goal is not to create a “one-page plan for the rest of your life.” Creating a financial plan is a process. My wife and I will look at our plan often—whenever we need to make a big decision, it will be there to guide us—but I’m sure we’ll be adjusting it often.

And as we adjust our goals, we’ll pull out a new Sharpie and card.

Think about your one-page plan as a snapshot, not an instruction book. If you’ve ever put together a kids’ toy, you’ll know that most of them come with a fifty-page instruction manual. Sure, the fifty-page plan is incredibly important—probably vital if you want the drawbridge on the castle to open or the rocket to launch—but what's arguably most important is the picture on the front of the box. The picture lets you know you're on the right track.

Similarly, it's equally important to make choices about your 401(k) allocation and paying down your consumer debt—and I'll walk you through making these kinds of decisions throughout the book—but it's also helpful to keep in mind why you're making all these decisions in the first place. The one-page plan lets you know whether you're on course to meet your goals, or whether you need to make some adjustments.

Remember, *The One-Page Financial Plan* isn't about getting things "right." It's about realizing that you will always get things at least a little wrong. You'll lose the job you thought was secure, you'll take a financial risk that doesn't pan out the way you thought it would, you'll have twins when you were only budgeting for one. In other words: life will happen. I've found it's best to create a financial plan that takes uncertainty as a given—that sets you up to make adjustments as quickly and painlessly as possible so your disappointments won't spiral into disasters.

This book is also about getting really clear about what you want so that you won't be so swayed by your neighbors' new car or ads for that fancy new smart phone—all those "American dream" promises that might have nothing to do with what's most important to you. I've let myself get caught up in those promises, too, so I know how tempting it can be to trade in your own values for the ones that everyone is telling you you should have. But when the paint on the car starts to chip and the gadget gets tossed into the closet with all the others, you can't help but wonder if you've been pouring all your hard-earned money into the wrong things.

Some more good news: none of the foundational work I'm suggesting you do takes very long. In fact, it's the kind of conversation you can have with a spouse or a trusted friend in about an hour. Once you've gone through that process, I'll switch gears and provide some simple strategies for everything from saving for retirement to rebalancing your 401(k) each year. While I don't believe that any financial plan should be one size fits all, I know that you're busy—and so, I have provided some basic exercises and tips that should help keep your financial plan as simple as possible.

My goal in writing this book is to pull the curtain back a bit: to show you how real financial planning works, to give you an experience of what it's like to work with a real financial advisor. Whether you're working with an advisor or on your own, this book will help you understand the basic steps for creating a personalized plan that takes into account your unique values and goals.

Before we dive in, I want to share a few things I've learned from my two decades as a financial advisor and four decades as an irrational human that I