

# How can I plan and pay for the “lifestyle” I want?

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When engaged by a new client, we invariably want to know, “What lifestyle would you like to maintain once you’re financially independent?” This is a subtle way of asking folks to provide a budget and the word “budget” carries unpleasant baggage for some, conjuring visions of when we were newlyweds living on very restricted incomes and having difficulty paying the bills each month.

Following the economic meltdown that the world has experienced, we sometimes feel a lack of control and anxiety in the form of “Will we be okay?” or “how have our plans changed?” Many clients have had us update their financial independence analysis (FIA) only to discover that they are still in good shape financially and this has reduced anxiety considerably. Others have learned that, absent a very robust recovery in the near future, they need to make some adjustments to their current lifestyle. Knowing this is also less scary than not knowing and worrying.

Even the very wealthy find that having a handle on lifestyle spending can be empowering. Good estate planning for those with a high net worth usually involves recommendations to make gifts, either outright or in trust, for the benefit of family or charity, during lifetime with the goal of reducing the taxable estate. And, almost always, no matter what the size of the assets

involved, we’re asked the question, “But what if we need the money later on?” So, having a good understanding of the relationship between lifestyle costs and available income and assets permits some powerful planning.

Just as with a not-for-profit, a business, or a government, a budget is not intended to be a hard wired mandate. Consider it to be a “best effort” planning tool. Arguably, a budget is the foundation for financial planning: planning to spend less than you earn and putting dollars aside for some future goals, such as a vacation home, a special family trip, or college education for your children or grandchildren.

Here are some tips to help you achieve your lifestyle goals:

- Use a budget to monitor your spending and income.

We can provide you with a budget guide that identifies categories of income and spending, and there are plenty of good websites, e.g. [www.Kiplinger.com/tools/budget/](http://www.Kiplinger.com/tools/budget/) or [www.personalbudgeting.com](http://www.personalbudgeting.com). A good idea would be to acquire software such as Quicken [www.quicken.com](http://www.quicken.com) or Microsoft Money [www.microsoftmoney.com](http://www.microsoftmoney.com). These are very user-friendly and can also help with other financial matters such as tax preparation and balancing your checkbook. We are available to provide some guidance. We also recommend that you speak with your other advisors, including your estate planning lawyer and

accountant, who can provide guidance. You can go either “go crazy” and make this a tedious process, or you can take a more relaxed view and not be compulsive about tracking every penny. If you “spend less than you earn,” you are already halfway there.

- Pay yourself first!

“Pay yourself first” may be the most successful adage to come out of this process. When you have identified a future financial goal, think about setting aside a specific dollar amount regularly, in the same way you think about paying your electric bill.

The discipline to achieving lifestyle goals is similar to the discipline we develop when we exercise regularly. With regular exercise, we feel healthier and we have a better outlook on the future. By practicing habits of financial discipline, we become more confident about achieving our lifestyle goals. And that, too, makes us feel better!

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