FINANCIAL PLAN
INC.

THE PLAN
Summer 2018

Our newest CFP® Practitioners

Congratulations Gabe and Justin!

At Financial Plan we take the CFP® (Certified Financial Planner™) letters seriously. We believe they demonstrate not only competency and knowledge in the context of real-life financial planning situations, but the two-year course of study required to pass the exam further challenges the diligence and work ethic of the test-taker. The test itself requires commitment and a breadth and depth of knowledge that goes far beyond what might be considered common.

Our policy is that all Financial Plan lead advisers must attain the CFP® designation, which is no small requirement.

All this to say we are thrilled to announce that both our Associate Advisers, Gabriel Twining and Justin Gross have officially passed this grueling exam (with flying colors, we might add), and are now CFP® practitioners.

Next time you see these guys, give them a big congratulations- they put in the hard work and earned their marks.

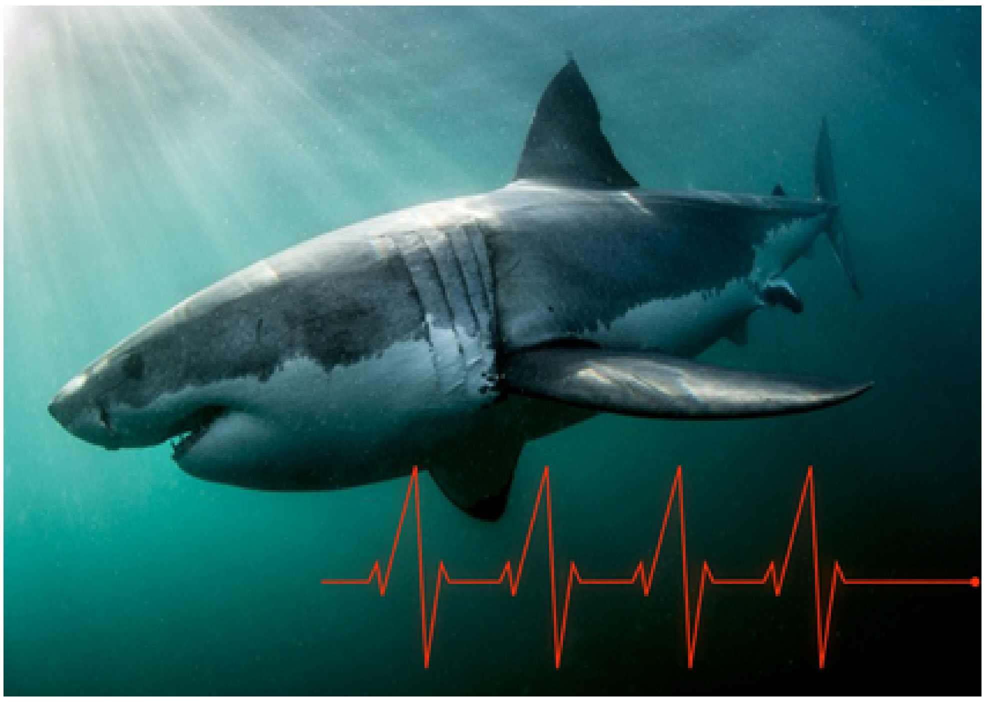
We are very proud of the fact that we now have an impressive six CFP® practitioners on staff at Financial Plan. Quite a rare find.

The Risk Illusion

By James Twining, CFP®

As emotional beings, we are susceptible to illusions and phobias. Never mind that the snake under the bed turned out to be a sock, or that the monster in the closet was a hat and overcoat. At times our irrational fears seem so real that no amount of reason can calm us. At the same time, there are real perils that we tend to ignore.

What is more frightening when swimming in the ocean: a heart attack, or a shark attack? The heart attack is 1000 times more common, but you are thinking about that Great White shark, aren't you? (Queue "Jaws" music: dun dun dun dun dun dun….!!!)



To investors, the shark attack is market risk, with the same visceral pit in the stomach, as you look at your account statement and see that your investments have dropped in value. During the last two bear markets, some aggressive investors lost over 50% of the value of their investments.

While the shark attack/market risk is a real risk, it is NOT the one we should focus on. After all, most people who have avoided panic and simply held a diversified equity portfolio during a bear market have fully recovered, and then some. Rather, what we should be more concerned about is the more common and dangerous heart attack, and for investors that is withdrawal risk: the risk that by drawing down your assets too aggressively to pay for excessive spending, you will completely deplete your assets before you die.

Caution: Investors who are overly fearful of market risk are more likely to become a victim of withdrawal risk! Imagine swimming in the ocean and you are SO afraid of the potential shark attack that you give yourself a heart attack. Investors eliminate market risk by selling their equities and placing their assets into bonds and cash. This lowers returns, and makes it more likely that a given withdrawal amount will cause complete portfolio depletion.

The moral of the story is to accept some level of market risk (go ahead and swim in the ocean; shark attacks are rare), and by so doing lower the more dangerous withdrawal risk (calm down and don't give yourself a heart attack.)