You Can't Out Plan Bad Habits

/ Follow these tips for financial success /

>> I've been fortunate enough over the last month to have two different clients — both of whom have been with me 12 to 15 years — finally at the point where they are ready to turn in their paperwork and retire.

>> Both of them were happy that they could retire with confidence. They were optimistic about their future and what they want to do to lead a meaningful life as they transition to this new phase with all kinds of opportunity ahead of them.

Our goal at Millennial Group is to help clients move to this new phase of life with the financial resources necessary to reach their dreams and their significant tomorrows. If clients have reasonably good health, more time available than they have ever had and sufficient financial assets, they can look forward to an exciting phase of life where they'll be able to pursue activities, travel, hobbies and time spent with family.

Both of these clients are usually our most successful clients. They are millionaire-next-door-type clients who have amassed a large amount of wealth, far in excess of what they ever thought they would have. This is largely due to the fact that they have very good financial habits and have done the right things over a long period of time.

It occurred to me that as much as we try to inspire a vision of what retirement is going to be like and confidence to take the actions necessary to get there, it doesn't work if the clients don't cooperate and do their part.

I've found that there are five major habits which allow clients the opportunity to be successful in their financial lives. None of these are brain surgery, and none of them will come as a surprise. And as much as they sound easy to do, it's very difficult for most people to implement these on a day-to-day basis in their own financial lives.

1. Spend less than you make. This is the hardest one for today's "Now" generation that wants everything, wants to keep up with the Joneses and is having a hard time delaying gratitude. This is also a very hard habit for clients to pass on to their children, especially as easy as credit is to get in today's environment.

2. Save and invest consistently. We know that the two places where people accumulate the most wealth in America is the equity in their homes and in their 401(k) plans. This is largely due to the fact that these are habit-based behaviors. Every month, no matter what, you make your mortgage payment, and over time you build equity in your home. And every paycheck, before you see it, money is deducted from your 401(k) plan and deposited to your account. These habits over long periods of time allow people to accumulate wealth.

3. Keep debt levels low, and pay down or pay off debt quickly. One of the largest problems we find with people trying to accumulate wealth for retirement is having too much of their monthly income going towards debt service. This is especially true as clients approach retirement. It's a lot easier to maintain standard of living and do the things you've always wanted to do in retirement if you're not making a large mortgage payment or if you're not paying large monthly amounts on credit cards or student loan debt on behalf of your children.

4. Have a disciplined diversification to your portfolio. Setting up a reasonable asset allocation and diversification is relatively easy based on your age and investment goals. Staying disciplined with it over long periods of time is very difficult. Witness how many people wanted to get into tech stocks in the late '90s right before they dropped significantly, and how many people wanted to bet on the real estate market in 2006 right before it dropped significantly.

Likewise, very few people wanted to buy stock in March 2009 when it was at the cheapest point it had been in 12 years. But buying when prices are low is part of maintaining a diversified portfolio. Being diversified means you'll have the risk of never making a killing in the market; you will never have all your eggs in the one basket that's going up at that point in time. But, you'll have the blessing of never getting killed in the market because you'll never have all of your eggs in the one basket that's going down.

5. Don't make emotional decisions. We find that when clients make financial decisions based on emotion, such as fear or greed, they tend to make the wrong decision at the wrong point in time.

In talking with both clients recently, they were very thankful that they had accumulated the wealth necessary to be able to retire to their ideal scenario. And, both of them were thankful to us for the advice and guidance we had given them over time. Both of them stated that one of the best things that we had done was give them the confidence to take the steps necessary to get to this point.

However, when I look at the results of the planning process, I would conservatively guess that even our best advice and guidance over time probably only accounts for one-third of client success, and two-thirds of client success is based on their own actions and habits. No matter how good or how wise the advice is that we give clients, we can't out plan bad habits and people who don't follow our advice.

As much as I like to think that Millennial Group is very good in providing financial advice and guidance, especially as it relates to helping people plan for a successful retirement and manage their resources to get there and keep them there successfully, the real outcome of client financial success is up to them and whether or not they build the habits necessary to get to a life of significant tomorrows.

Securities and advisory services offered through Cetera Advisors LLC, member FINRA/SIPC. Cetera is under separate ownership from any other entity. Investments in securities do not offer a fixed rate of return. Principal, yield and/or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. No system or financial planning strategy can guarantee future results. Therefore, no current or prospective client should assume that future performance or any specific investment, investment strategy or product will be profitable.

/ *Jesse W. Hurst II is a Certified Financial Planner and co-founder of the Millennial Group.*