HYPE VS. REALITY:
10 Financial Planning Tips to Help Cut Through the Clutter

During periods of stock market highs, the temptation to plunge into potentially risky investments can be strong. We've all heard stories of investors making a killing on various risky investments and the lure of keeping up with the Joneses can be hard to resist. However, blindly following others' investment decisions can be a bad idea. Investing is like basketball: flashy players often command the spotlight and attention, but in the long run, the most successful players are those with a solid grasp of the fundamentals.

With this in mind, the following is a list of common financial adages to consider as you make long-term decisions.

1. Cash management

Keep emergency cash reserves on hand equal to about six times your normal monthly living expenses.

2. Home purchase

The cost of a new home should be less than three times your gross annual household income.

3. Homestead debt management

Your mortgage principal and interest + property taxes + property insurance should be less than 28 percent of your gross annual household income.

4. Life insurance

Depending on your age and lifestyle, the amount of life insurance your family carries should be 10 to 15 times your gross annual income per insurable life.

5. Upside vs. downside math for investors

If an investment is down 10 percent, it will need to make up 11.11 percent to get back to even. Down 25 percent requires 33.33 percent up; down 50 percent requires 100 percent up; and so on. When making investment decisions, consider your risk tolerance for this type of market volatility.

6. Investing's rule of 72

Divide 72 by the annual interest rate to determine how long an investment will take to double. For example, 72 divided by a 6 percent rate of return would equal 13 years.

7. The age rule for investing in stocks

To calculate what percentage of your portfolio should be invested in long-term, aggressive assets, subtract your age from 120. If you're 50, for example, consider investing 70 percent in stocks and 30 percent in bonds or conservative assets.

8. Retirement savings

Put aside 10 percent of your gross income each year toward pre-tax retirement savings.

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9. Retirement's 4 percent withdrawal rule

This rule applies to those who wish to fully preserve their assets at death, leaving their estate entirely intact for the family. If this is one of your goals, you should only withdraw a maximum of 4 percent of your investment asset principal each year in retirement, assuming a moderate-risk investment allocation.

10. Retirement nest egg

The general rule is to have at least 25 times your current annual gross income saved prior to retiring.

A word of caution

These tips are intended only as general guidelines. The intention of highlighting them is to provide a starting point of items to consider. While these adages may be helpful in readjusting your thinking, remember that it is important to look at your entire financial picture in relation to your specific goals.

Try to remain realistic and grounded, not competitive. You may not know the whole story behind your friend's cousin's windfall. He or she may have come into an inheritance or may have had an unexpected work bonus. Maybe that person just got lucky.

Before making any major financial decisions, consult a wealth advisor who can help make informed decisions based on the reality of your personal financial situation. For additional information, contact Mariner Wealth Advisors.