



Financial Planning:

Building Your Personal Roadmap

What is financial planning?

When you hear the phrase “financial planning” what comes to mind? These two words can conjure up a variety of emotions and expectations. You may even experience different perceptions at various life stages. Perhaps you’re at a stage of life where you feel you have sufficient savings to cover your future financial needs. Or maybe you’re just starting out in your career and feel confident your employer’s benefits and pension plan are going to be enough to provide you with the security you need.

But simplifying the decisions you make today can have a huge impact on your goals and financial future. If life is a journey, it can be the difference between embarking on it with a road map and starting off without a clear direction. Plus, it can provide you with the protection you need when you experience a few of those pitfalls that you’re bound to encounter along the way.

Financial planning is living life with intention. It’s creating your own personal financial roadmap and using it to guide your behaviors. It’s understanding what’s important to you and aligning your daily habits and decisions so that you can realize your personal and professional goals.

Embarking on a financial planning journey is empowering. It enables you to take charge of the wealth that you acquire today and over time. No matter where you are currently in your financial life, you can benefit from having the right guidance to support you in your decision making.

Financial planning is:

- ☒ Based on individual needs
- ☒ Adaptable for each life stage
- ☒ Creating a roadmap to help you reach your goals
- ☒ Comprehensive: considers all aspects of your financial picture and how they change over time

Financial planning is not:

- ☒ The same for everyone
- ☒ Complex and time consuming
- ☒ Only creating a budget and savings plan
- ☒ Just about picking investments and trading stocks

Building a financial roadmap

Financial planning starts with awareness and curiosity: You realize that you have the capacity to make decisions today that can set you up for financial success in the future, and you are interested in exploring this more. Next, it encompasses identifying the different pieces of your financial picture.

Depending on your unique situation, these pieces might include your income, savings, essential and discretionary expenses, investments, debt, financial obligations to others, and insurance choices. After that, it involves understanding how the pieces of your financial picture work together today

to contribute to your current situation. And, lastly, using calculations and projections, financial planning provides a framework to help you realize behaviors you can change today to best position yourself for the financial future that you desire.

Each of these elements is fitted together like pieces of a giant jigsaw puzzle, taking into account your age, the age of your dependents and the number of years until you aspire to reach specific financial goals, like retirement.

Six key financial planning factors



Income
Key sources of income



Expenses
Essential and discretionary



Insurance
Life, health, disability and long-term care



Investments

Asset allocation strategies



Debt

Good debt and bad debt



Financial obligations

Children, grandchildren, dependents



A good financial plan is designed to help protect you from unexpected bumps in your life journey. These may include death, loss of income or the inability to complete activities of daily living. Such risks can be mitigated by carefully factoring in protective elements, such as an emergency fund, life insurance (permanent and term), health insurance, disability insurance and long-term care insurance. Ultimately, a comprehensive financial plan incorporates all of these dimensions and estate plans, including wills and trusts, where required.

Together, these elements provide a strong foundation for building your personal financial roadmap. The specific ones

you prioritize, however, depend on where you are today and what your goals are for tomorrow.

Just as you engage an experienced guide for hikes, vacations, or other life journeys, Certified Financial Planners™ (CFP®), or experienced financial advisors, have the specialized training and competence to guide you on your financial journey, so you can prioritize what's most important to you. As your advisor, they can also help you navigate the ups and downs of life with confidence and provide the support you need to make the right decisions to reach your goals.

Tailoring the roadmap to your individual needs

Financial planning is an immensely personal endeavor. There is no one-size-fits-all type of plan for each person. It depends on where you are in your life journey. For example, someone going through a mid-life divorce would have very different income and protection needs than a young corporate executive with a growing family.

Financial plans may include



Setting up a retirement savings plan for a first-time earner



Reviewing retirement goals and income requirements



Creating a budget and emergency fund for new partners in a relationship



Assessing insurance needs and coverage at different points in time, as life changes



Establishing an investment plan for someone who has received an inheritance

Comparing Maslow's Hierarchy of Needs to financial planning

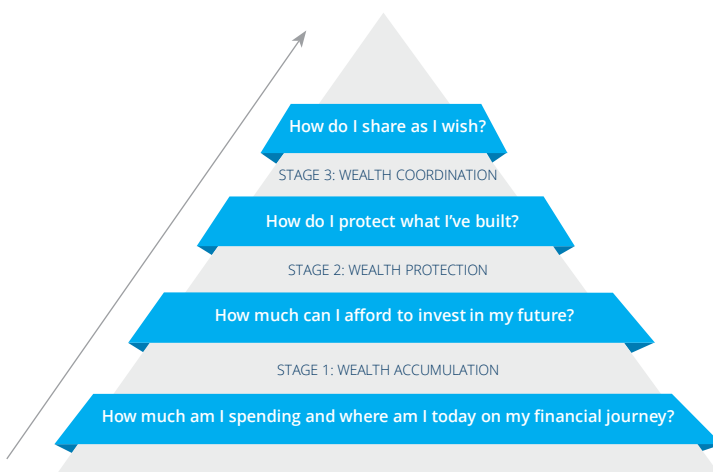
Consider thinking of financial planning as similar to Maslow's Hierarchy of Needs. Maslow claimed that all humans have essential needs that must be met, such as air, water, food and shelter, that are often depicted as hierarchical levels within a pyramid. When immediate and primal needs are satisfied, humans ascend the pyramid and experience new and different needs, wants and wishes that they desire to have fulfilled.

Similar to this psychological theory, all people have financial needs. After their foundational financial needs are fulfilled, they ascend to higher levels of identifying and realizing their financial wants and desires, i.e., seeing their kids graduate from college or maybe buying a vacation property that could someday become their retirement home.

Maslow's Hierarchy of Needs



Procyon Financial Planning Pyramid



Like Maslow's Hierarchy of Needs, financial planning can be viewed as a progressive process that can also be depicted as a hierarchical pyramid.

A fluid, collaborative journey

Regardless of where you are at this moment in terms of your personal financial planning pyramid, you have choices and opportunities. There is no perfect financial plan. There is simply a plan that is right for you, given your personal situation. Having developed hundreds of financial

plans for clients, we at Procyon believe there's no right time to enter the journey, but sooner is always better than later. Your entry point is your own, regardless of where you've been, or how long you've been there.

Three client snapshots

To help bring financial planning to life, what follows are anonymized case studies of clients, at different stages, who turned to us for help. In each case, we worked with them to develop a personal financial plan to help them realize their dreams and solve their challenges.



1 Small business owner with young family

Situation: Jeff came to us with a good problem. He had a rapidly growing business, but it left him with limited time to spend with his young family or on managing his finances. He was using the services of four different advisors, but no one was leading the effort.

Jeff and his wife Jennifer were raising three small children. They were concerned about how they would be able to cover the cost of college tuition, protect their assets from lawsuits and have the proper insurance to cover their growing family. Furthermore, their investments were scattered across multiple firms with considerable overlap and no communication between the various advisors. Their CPA and attorney were also not dialed into any coordinated strategy.

Financial plan: Procyon worked with Jeff and Jennifer to help them gain control over their life by developing a sound financial plan based on their shared goals. That didn't mean replacing their current advisors or investments, but rather synthesizing all of them into one coordinated strategy.

Their primary concern was their children's future education, so that was covered with a well-funded 529 college savings plan. Asset protection for the couple was also addressed

with a series of trusts, along with a portfolio in just the wife's name. Various ownership structures for the business were evaluated to maximize shareholder value and charitable efforts for the couple and their family. Plus, following a full evaluation, the cash value of their life insurance policy was swapped into a better, more resilient policy with a higher death benefit and a lower premium.

By monitoring their cash flow and coordinating their advisors and CPA, duplication and excessive costs and fees were eliminated. Their investments were also allocated to properly reflect their life stage and risk tolerance and ensure they could be systematically directed into high-value opportunities. In addition, by timing the gifting of some of their private company stock to a donor-advised fund (DAF), they were able to make the charitable contribution they desired, as well as save on taxes.

What began as a stressed-out couple, unsure of where their scattered assets stood, ended with a calm, happy family confident of their financial future.



2 Mid-career corporate executive

Situation: Alex came to us as a mid-career public company corporate executive. Single, she enjoyed her career and the nicer things in life that her mid-six-figure salary allowed, but she also wanted to ensure that she was on track to someday shift gears. In particular, she had a desire to make a difference in the world by being able to more robustly support a few of her favorite causes. She was also tired of paying taxes, growing weary of cold northeastern winters and increasingly concerned about her aging parents who live in a different state.

While Alex had accumulated significant wealth, over 50% of her net worth was tied up in her company's stock in a combination of direct stock ownership, bonuses, RSUs and stock options. She had a long-established relationship with a CPA who did her taxes every year but had never gotten around to seeing an estate lawyer.

Financial plan: To help Alex reach her goals, Procyon worked with her to develop a personal financial plan that included the setting of measurable milestones. Those milestones enabled her to determine an exact financial goal or "number" she was working towards, as well as the timeframe.

Working with her CPA, tax-efficient strategies were implemented to gradually reduce her risky exposure to her company's stock. Plus, investing in a Qualified Opportunity Zone (QOZ) helped her to delay taxes and generate income. In addition, she funded a charitable remainder trust (CRT) with low-basis company stock and can use the annual annuity payments in retirement knowing the charitable causes she wishes to support will benefit. The remaining portion of her

investment portfolio was customized to complement her company stock position, provide diversification and reduced risk.

To help Alex to further meet her charitable life goals in a tax-efficient manner, Procyon helped her set up a donor-advised fund (DAF) that put her in charge of donations to her charities. Plus, by eliminating some of the tedious details of managing her complex situation, keeping her apprised of her portfolio performance and notifying her about important due dates, the team at Procyon helped her free up some time to serve on the board of a local non-profit.

On a personal level, Procyon helped Alex find a local attorney to put some basic estate planning protections in place for herself and her heirs. After a complete review of her insurance coverage, she was also advised to further protect herself by taking out long-term care insurance and her various insurance policies were consolidated with one carrier, resulting in improved coverage at a lower price.

The result was that after a few years, with a well-diversified portfolio, and feeling in charge of her life, Alex hit her "number" a few years early and was able to purchase a second home where she eventually plans to retire. Somewhat surprisingly to Alex, having a financial plan gave her new inspiration to continue working a while longer. She told us she no longer feels as she is just working for herself, she is also working to help fund her causes and feels confident in her life's plan. In her own words: "Every dollar I earn now can help benefit my causes that much more."



3 Suddenly single and nearing retirement

Situation: Mary, suddenly single at age 60, was deeply concerned about whether she was going to be okay. A proud mother and soon-to-be grandmother, Mary's life goal had always been to raise her three kids well, get them off to college and be able to retire and live a peaceful life on her own terms. She had worked for years at the same company, often in roles that did not interest her, because it offered the stability and flexibility she needed as her family's primary caregiver. It also enabled her to work close to home, given her husband, their family's principal breadwinner, regularly traveled for work.

But then life happened. Shortly after her third child was in college, Mary's husband told her that he wanted a divorce. It was unexpected and a shock. Plus, he had always handled the family finances and interacted with "their" advisor. So, after a very difficult divorce, plagued with so many questions she couldn't get a good night sleep, Mary decided she needed to talk to an independent professional.

Financial plan: After meeting with a CFP from our team, Mary felt listened to and heard for the first time. She realized that she was no longer alone and that it would be possible for her to regain financial stability despite having undergone such a huge life change.

Procyon reviewed her expenses as a newly independent woman. This review covered what her current income provided and how her income picture might change if she switched careers or retired. In addition, her Procyon advisor helped her find a new CPA to work with going forward.

A financial roadmap was created for Mary based on a review of the savings and investment strategies she had followed for years along with her half of the money from the divorce. Plans were put in place to enable her to make strategic financial decisions and so she would not end up being a financial burden to her family if her health deteriorated. Additional discussions helped her weigh the potential benefits of downsizing and review whether long-term care insurance made sense for her, given her specific financial situation.

With a personal financial plan and appropriate investment strategy, Mary was able to regain control of her finances. And, after a difficult period, Mary emerged with renewed hope and optimism, confident that she would indeed "be okay."

Human capital versus financial capital

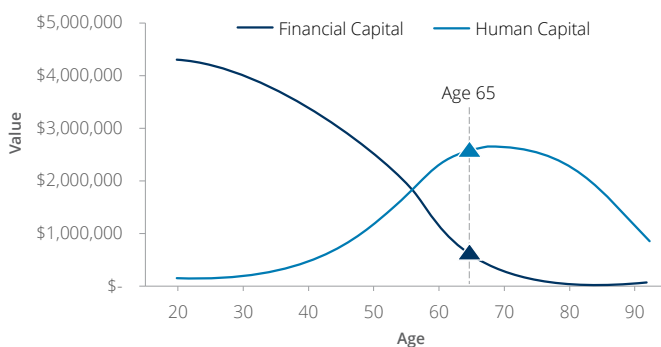
As the examples above indicate, everyone's financial plan needs to take into account unique life stages. It also needs to factor in the value of their "human capital versus financial capital." While this may sound like a complex analysis, what it boils down to is quite simple. It simply means you need to factor in both what others will pay you for your skills and knowledge versus what you have accumulated as your net worth.

For example, if you are young, what you have most is human capital – the amount of money you've yet to earn over the course of our life. It's therefore wise at that stage to invest in yourself by doing things like going to college and furthering your education. Then, over time, you can work to turn that human capital into financial capital, something that requires careful saving, spending, investing decisions.

For some, human capital is like a bond (e.g., a public-school teacher with tenure and a defined benefit pension) and

for others it's like a stock (e.g., a small business owner). It's therefore essential to factor both someone's human capital and financial capital into their asset allocation strategy and overall financial plan.

A balancing act



You begin your working life with a greater amount of human capital than financial capital, but, gradually, your financial capital grows as your human capital declines.

Bringing it all together

For every financial plan, it's important to understand an individual's goals and how they relate to one another. It's also important to understand the potential risks in their investment choices and how to coordinate them in terms of cost, value and other considerations.

At Procyon, each decision we make with our clients relates back to their goals. Risk is viewed in terms of probability and its potential impact on their ability to reach those goals. Procyon is dedicated to helping clients understand the big picture and developing a holistic financial plan that will serve their long-term goals – not just focused on investments.

We are committed to winning the trust of our clients, not just in the good times, but through challenging times as well during their whole life journey. While flexibility and service

are among our hallmarks, we also believe it's crucial to be systematic, methodical and consistent when executing a financial plan. A complete understanding of our clients' motivations and desires – along with the solid foundation of a sound financial plan – helps us to guide our clients successfully along their life journey.

Every 1,000-mile journey begins with a single step – Procyon helps ensure that step is in the right direction.

Call (844) PROCYON today

Procyon Partners provide our clients with the knowledge, experience and support they need to simplify the financial complexity of their lives and make confident, informed decisions.



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