



38 FINANCIAL ASSUMPTIONS THAT MAY COST YOU

We encourage you to take a read through these 38 financial assumptions. In our experience, many of these are often misunderstood and misrepresented by both investors, advisors and the media. Each represent a potential gap in your thinking and possibly your financial plan.

ESTATE PLANNING

1. Trusts are too complicated.
2. When our children are mature adults (21, 30, 35, 40+?) they should be able to manage the assets they inherit. If they can't, it is their problem.
3. Life expectancy is when you are expected to die.
4. I love my kids the same and it is important I treat them equally when it comes to my estate planning.
5. Discussing end-of-life care is a burden to my kids. They have their own busy lives and I don't want to bother them.
6. Unless my estate is over \$22 million, no need to worry about taxes.

INCOME PLANNING

7. Annuities are never appropriate.
8. Don't spend principal; live off of interest and dividends.
9. I should take social security income as soon as I'm eligible because it might be not around to pay my benefits. Moreover, I might die and I'll miss out on benefits.
10. Family health and longevity is a good predictor of my future health and lifespan.
11. Living expenses reduce when you are retired.
12. Defer taking withdrawals from IRA's until you are required.

PROTECTION PLANNING

- 13. I'll buy insurance when I can afford it.
- 14. Long term care insurance is too expensive and policies don't provide sufficient coverage.
- 15. Cash value life insurance is a terrible investment.
- 16. Term life insurance is always less expensive than cash value or permanent life insurance.

RISK AND INVESTMENT PLANNING

- 17. More Risk, Greater Return.
- 18. Buy low - sell high.
- 19. Choosing highly-rated mutual funds will offer the best chance of investment success.
- 20. Paying taxes on long term capital gains is bad.
- 21. Hold onto a stock that has dropped in value from its highest price because it will rebound.
- 22. Inflation is really low. I don't need to worry about it.
- 23. If interest rates rise, bond values will go down. Therefore, bonds are risky to own during rising rate environments.
- 24. Index funds are low-cost and, therefore, the best investment choice.
- 25. U.S. stocks are less risky than international stocks and provide better returns.
- 26. Investors make rational decisions.
- 27. I'm approaching retirement so I can't afford any risk in my investment portfolio.

SUCCESSION PLANNING

- 28. Business succession is so complicated and expensive, we just can't afford the expense or the time.
- 29. I love what I do, will work forever and will never retire or slow down.
- 30. I'll start thinking about passing on the business when I get close to retirement.
- 31. I've built the business for my family and they will succeed me.

- 32. If I get sick or become disabled, our banker, key-employees and customers will stay loyal.
- 33. My employees don't care about retirement or other benefits. They are only concerned about their net pay.
- 34. I know I need to address business succession, but I'll deal with it when things slow down.

BEHAVIORAL

- 35. Rules of thumb help us make decisions.
- 36. History gives us a good sense what might happen in the future.
- 37. Statistics help us make financial decisions.
- 38. I need a mortgage so I can take advantage of the mortgage interest deduction and reduce my taxes.



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