

# FINANCIAL FACTS

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## H. JOSEPH SGROI, CLU, ChFC & ASSOCIATES

### FINANCIAL PLANNING

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**FREE INITIAL CONSULTATION**

## Financial Planning

*By H. Joseph Sgroi, Chartered Financial Consultant*

Today practically everyone has heard of the term "Financial Planner." Prior to 1980, quite the opposite would be true, when there were very few practitioners. Today, there are many who call themselves Financial Planners and still few who are true practitioners. Every bank, insurance company and stock broker offers financial planning as a part of the service, but is it really financial planning or a method to facilitate the sales of their company's products? Unfortunately, it is too often the latter as the insurance company financial planner recommends a complete program of insurance offered by his company, and the stock broker recommends a portfolio of stock as the ultimate solution and Certificates of Deposits are the main answer from the bank.

What then is a Financial Plan as formulated by a true Financial Planner? Generally what I will describe is the correct procedure as advocated by true practitioners and espoused by the International Association for Financial Planning. When a person makes an appointment to see a Financial Planner, he is told to come prepared to bare his financial soul. Every facet of his income and asset structure will be analyzed and organized into a fact finding format amenable to what-if change analysis. During this first interview, which normally lasts at least two hours, the client is also motivated toward the establishment of short, intermediate and long term goals.

Armed with this information, the Financial Planner analyzes the client's needs and wants. His goal is to arrive at an optimum solution to these need and want goals, within the constraints of current and projected family income. The financial plan will contain analysis of Life, Health, and Disability Insurance, to make sure the family can survive a disaster without severe loss of standard of living. These are products brokered to provide the best coverage at the lowest cost, not just a parent company's line. The Financial Planner then proceeds up from the basics to the accomplishment of other goals. Estimates are made of College Costs less Estimates of Financial Aid and alternatives presented to meet these contingencies. College Financial Planning is an area in which very few offer help and yet thousands of after-tax dollars can be saved. Other short term needs (weddings, asset acquisitions, condos, cars, etc.) are placed into time and importance perspective; and a program of short term investments laid out to satisfy these goals. Short term money (needed in 2 yrs. or less) should almost always be in high yielding, fully liquid money market accounts. These should be non-commissionable accounts with check writing access (\$250.00 or \$500.00 minimum check). The best taxables are currently between 7.2 - 7.8% and the tax frees are about 5.0 - 5.6%. Of course, NO product recommendations can be made until complete facts are gathered and the client is hatted up on

just what his tax bracket is and what is the best way to accomplish his short, medium and long term goals with this data in mind.

As you can see, the implementation of a plan will take place over an extended period. During this period, the relationship between the Financial Planner and his clients will be bonded. Annual reviews, progress reports and situation change disclosure are imperative. You can see why some Financial Planners charge large fees and deserve them ... as long as they are doing their job.

Before you commit to an appointment, check on the credentials of your Financial Planner. The most important things to look for are Integrity, Complete Independence (not just another one company approach) and Technical Competence. Do not succumb to pressure calls at your home or business. Quality financial planning is rarely done properly in your home. Schedule the appointment only at his/her office. It's much more professional and you'll be able to observe his/her work environment and build a relationship with which you will be comfortable. After all, it is your money and your financial future that counts.

*Mr. Sgroi is a Chartered Financial Consultant who founded his financial planning firm in January 1971. His beautifully renovated building is located in West Seneca directly across from Southgate Plaza.*

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