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BY WILLIAM PIEPER, BANK OF HAWAII VICE PRESIDENT AND WEALTH  
MANAGEMENT CONSULTANT

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## Financial Stability in an Economic Storm

Much of the media today is focused on the rapid decline of our economy, with magazine articles, blogs and books currently addressing what to do during these volatile times. The truth of the matter is, there are certain principles that, if employed, will ensure financial stability in spite of the external economic environment. Here are some financial planning principles that will help keep you on track toward your goals.

- *Prioritize Financial Goals* You will always have competing demands for your money (e.g., children's education, purchasing a new home, retirement). It is necessary to determine what things are the most important to you. What goals are "nice to have" versus those that are "need to have?"

- *Cash/Debt Management* Managing cash and debt is essential to building a sound financial plan. Putting away 10 percent of your gross income every month, paying off consumer debt in a timely manner, and sticking to a spending plan are good habits to have to avoid unnecessary debt. It is also imperative that you establish an emergency fund with at least six months of net income in a safe, liquid investment should an unexpected emergency or other situation arise.

- *Protection from the Unexpected* Your ability to earn an income is your No. 1 asset. You want to be sure that if you become incapacitated, you will have enough income to survive, so it is important to evaluate your current life insurance policy. It is possible you may get more coverage for less, since mortality rates are at all-time lows. Take time to review and, when necessary, update your estate plan. There is nothing more frustrating than to have a large portion of a person's estate going to taxes and fees rather than the beneficiaries.

- *Be "Tax Conscious"* It is possible to lower the overall amount of taxes you will have to pay by being "tax conscious." Increasing contributions to your retirement plan will not only add to

your retirement savings, but it will reduce your taxable income. Charitable contributions of your time and money can also be part of a healthy financial plan. Not only will you reap the tax benefits, but you will be helping others reach their goals as well.

- *Asset Allocation* In order to maximize returns and minimize portfolio volatility, a systematic, disciplined investment approach must be taken. Proper allocation among different asset classes and styles is the most important factor in portfolio performance. You must develop the appropriate investment mix of assets that satisfies your tolerance for risk, corresponds with your objectives and needs, and fits your time horizon, income needs and tax picture. This balancing process includes an analysis and measurement of the risk and returns of different classes of investments that you might choose, as well as a projection of the potential interactions of risk among those classes. This analysis is critical to structuring your portfolio effectively. In addition, a review and rebalancing of your portfolio may be required when personal circumstances, such as marriage, retirement or loss of a spouse, occur.

- *Choose the Right Advisor* It is important to obtain professional guidance as you chart your course toward your financial goals. With the assistance of qualified and knowledgeable professionals, you will be able to make educated decisions that affect your future—and the future of others in your care. A good financial planner, a certified public accountant and an estate attorney are essential for managing a successful financial plan, so take the time to interview them before making any decisions or investments.

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