

FINANCIAL PLANNING TO MEET YOUR GOALS

THREE PHOTOGRAPHERS AT DIFFERENT STAGES OF THEIR LIVES AND CAREERS GET EXPERT ADVICE FROM FINANCIAL PLANNERS ABOUT HOW TO PREPARE FOR THE FUTURE AND RIDE OUT THE UPS AND DOWNS OF FREELANCING. BY MINDY CHARSKI

Freelance photographers would hang a different shingle on the door if financial planning were their passion, but that doesn't mean they shouldn't take tasks like budgeting, saving and investing seriously, especially given their volatile incomes.

It's always wise to seek advice from pros who can customize one's personal financial plans using a comprehensive approach, but to help freelancers along, PDN gathered tips from financial experts who have worked with professional shooters. Each shared advice for freelancers in their 20s, 30s and 40s; the characters are fictitious but their financial circumstances are typical.

Here we present the case study of a mid-career photographer in his 30s. This month on PDNOnline, you'll find financial advice for a 20-something photographer trying to build a nest egg, and a photographer in his 40s worried about saving for retirement.

Pat is a 30-something photographer earning \$60,000 who is focused on saving for retirement and the kids' college educations.

You may have more defined financial goals by mid-career. Put them on a timeline, suggests Aaron D. Schindler, managing director of Wealth Advisory Group in New York, and allocate more money toward more immediate ones. The financial advisor and former photographers' agent finds many people who come to him have most of their savings going into their retirement plans, a worthy intent but a flawed strategy.

"If I'm putting the majority of my savings in a place that is 'gated'—once it's there I'm not supposed to touch it for 25 to 30 years—but I have goals I need to achieve in 1 year, 5 years, and 18 years. How am I going to achieve those earlier goals?" Schindler says. "It's important to understand what you can save and to kind of 'pie chart' where the goals with savings are allocated to."

You should still be keeping money you'll need in the short term—five years or fewer—in cash or investments that can be quickly converted to cash, including Treasury bills and money market funds. For longer-term goals, your investment options include stocks, bonds, mutual funds and real estate. And, of course, it's always important to invest in your business. "One's business should be the engine behind building wealth," says Schindler. "Your profit margin on your business better be higher than the stock market."

To help save for college tuition, which usually outpaces inflation, consider investing in a 529 plan. In these accounts, named for the section of the Internal Revenue Code that authorizes tax-advantaged savings plans for college expenses, the money grows tax free when used to pay for school. "I think 529s give people a disciplined approach to set money aside," says financial advisor Greg Powell, who is president and chief executive officer of Fi-Plan Partners in Birmingham, Alabama.

There are other benefits: You're not limited to participating in the plans offered by your state, though some states offer tax breaks when residents invest in their home state's plans. Should your child not go to college,

you can name a sibling or other family member as the beneficiary. Likewise, many plans allow contributions of \$50 or less.

The investments in 529 plans are largely mutual funds, and many of these professionally-managed portfolios can switch your money into more conservative investments. (Age-based options don't necessarily prevent big losses, however. In April 2009, mutual fund analyst Greg Brown of Morningstar wrote that in 2008 "several plans had maintained too-aggressive asset allocations for students nearing or in college.")

While 529s are clearly designed to help pay college expenses, you do have a way out if change your mind. Though you will pay taxes and a penalty on the earnings, you can withdraw the assets for non-educational purposes. Visit www.collegesavings.org to compare the various plan options and pay particular attention to their fees.

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If you don't think you can fund both the retirement and college accounts right now, many financial advisors say retirement should win out. "On your child's college education there are opportunities and different ways for them to go to college. For your retirement you don't have much fall back," Powell says. After all, the kinds of scholarships, loans, and other funding sources you can tap for college aren't available to get you through your golden years. "I always ask, 'Do you want to be dependent on your children?'" Powell says. "So not only are you saving for your retirement, but you're also saving so you won't be a burden on your children."

Keep contributing some amount to your retirement accounts as regularly as possible. "When business tightens up it's hard to stick to that long-term retirement goal," Jupille says. "It's easy to say, 'I'll shorten it up this year but I'll make it up next year.' It's difficult to go back sometimes."

You may need to make sacrifices like putting off a new marketing campaign. "You've poured your life into this business and that's great, but you need to think about yourself a little bit, too," says Robert Jupille, wealth manager and president of RTJ Financial Management in Santa Monica, California. "It's easy to lose sight of that."

This is also a good time to ensure you're holding a diversified portfolio since stocks, bonds, real estate, and other investments go in cycles. "You want to diversify across the board so that you've always got certain asset categories that will be up in case you need to liquidate and use that money," Powell says.

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