

## Risk Management Ideas By Gary Case

A cornerstone of an integrated financial plan is an articulated statement of risk management. Recognizing and managing risk is often touched upon but seldom dwelled upon. In his book, "The New Retirementality," author Mitch Anthony refers to money we must have to meet life's unexpected turns. In other words, what happens when everything doesn't work out the way you hoped and imagined it would? As much as possible, we want (and rightly so) to protect ourselves against catastrophes to our bodies, our money, and our material things. From a budgetary standpoint, that means having a "safety income" built into your survival budget. From a broader financial planning view, it means recognizing the risks you face and intelligently managing them.

Financial risks can be associated with physical, familial, circumstantial, relational, and other categories in our lives. For example, divorce carries the financial risk that can hasten financial ruin, guarantee that your assets will be cut in half, and diminish your savings capacity. Of course, an antidote to this risk is to work out marital problems when possible, recognizing the financial as well as the non-financial risks involved.

Fundamentally, articulating a risk management philosophy first involves identifying that risk exists. Once risk identified, we can choose how to best address it, through avoidance, managing it through mitigation reducing it, avoiding it, or transferring it. Denying that risk exists is NOT managing risk, although we tend to gravitate towards that emotion when confronting risk in our lives.

It is my impression that many people go through life with a haunting, eerie feeling about their financial lives. They are afraid of those aching questions that never quite make it to the surface of a conversation: Am I walking a financial tightrope with my debt and spending? What if my income took a hit, would my lifestyle fall like a house of cards? Is it OK to spend some money to have fun once in a while? Am I going to be financially (therefore emotionally) stressed and miserable in my later years?

Addressing survival and safety from a financial perspective by articulating a risk management philosophy can help you locate yourself, much like a GPS device can help you locate yourself if you are lost in the woods. The next few columns will address various facets of risk management and help you on your way to finding optimum financial self.

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