



MAKE

11 Innovators in Technology and Entertainment; Film Icon Brian Grazer Opens Up; How Autism Helps Tech

GROW

The 10 Most Important People in Fintech; Keeping Athletes from Bankruptcy; The Sports of the Future

LIVE

How IBM's Watson Can Save Your Life—and Your Children's; Eight Great Fall Weekends; New Power Suits

Worth[®]

THE EVOLUTION OF FINANCIAL INTELLIGENCE

YOUR
TECH
LIFE

THE ENTERTAINMENT & TECHNOLOGY ISSUE

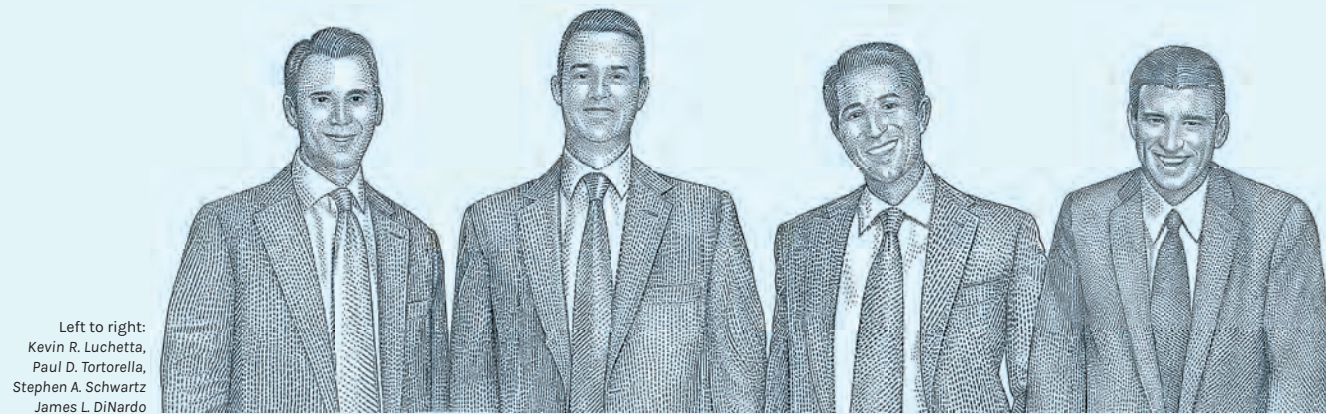
WORTH.COM

37

VOLUME 24 | EDITION 04

How can flipping the fundamental financial planning equation help me?

BY JAMES L. DINARDO, CLU®, CHFC®, CFP®, MSFS®, PARTNER



Left to right:
Kevin R. Luchetta,
Paul D. Tortorella,
Stephen A. Schwartz
James L. DiNardo

PIONEER FINANCIAL AT NORTHWESTERN MUTUAL – PARK AVENUE

245 Park Avenue, Suite 1800, New York, NY 10167

646.459.6366

TEAM

Kevin R. Luchetta, CFP®, AEP®, Partner
Stephen A. Schwartz, CFP®, AEP®, Partner
James L. DiNardo, CLU®, ChFC®, CFP®, MSFS®, Partner
Paul D. Tortorella, Partner

FINANCIAL SERVICES EXPERIENCE

Kevin R. Luchetta, 18 years
Stephen A. Schwartz, 15 years
James L. DiNardo, 15 years

ASSETS UNDER MANAGEMENT

\$1+ billion

COMPENSATION METHOD

Asset-based fees and commissions (investment and insurance products)

PRIMARY CUSTODIAN FOR INVESTOR ASSETS

Accounts held at Northwestern Mutual Investment Services LLC, an introducing broker-dealer, member FINRA, SIPC. Accounts carried, and all transactions executed, cleared and settled through Pershing, A BNY Mellon Company, member FINRA, NYSE and SIPC.

PROFESSIONAL SERVICES PROVIDED

Financial planning, investment advisory, risk management and money management services

MINIMUM FEE FOR INITIAL MEETING

None required

MINIMUM NET WORTH REQUIREMENT

\$1 million

EMAIL

kevin.luchetta@nm.com
stephen.schwartz@nm.com
james.dinardo@nm.com

WEBSITE

www.pioneer.financial

A

firm's value may be defined by its ability to pull a thread through four key phases of financial planning: risk management and insurance planning, wealth accumulation, tax-efficient investment planning and estate planning.

At the core of each of these financial-planning phases is a simple yet often overlooked equation that serves as the cornerstone for measurable financial success:

Gross income - taxes - expenses (we refer to this as the "burn") = savings.

Knowing this basic equation provides a foundation for effective financial planning and decision-making. Furthermore, the equation predicts far more than merely how much your family can save.

The most consequential (and controllable) variable in the equation is the burn. With regard to risk management and insurance planning, the burn dictates how much long-term disability and life insurance you should have at any given time. We typically recom-

mend that clients replace lost income due to death and/or disability in an amount at least equal to the burn!

The burn also tells us how much emergency cash clients should hold. We typically prescribe 3 to 24 months of a client's burn as emergency cash.

A topic that is much more enjoyable to discuss than insurance planning, the burn also guides clients as to how much of their annual income needs to be replaced during retirement. For example, if a family's burn is \$120,000 post-tax during the wealth accumulation phase, clients should save enough to generate an equivalent burn in retirement.

We start by recording the client's balance sheet, which serves as the starting line. We then fact-find with clients and ask probing questions to understand how much the client currently saves.

Despite the simplicity of this fundamen-

1) how much retirement income they need to replace, and

2) how much the client can effectively save toward retirement.

Ultimately, we are able to "flip" the equation and determine what the client can spend, while at the same time staying committed to his or her financial goals. Said another way:

Gross income - taxes - required savings = recommended family burn.

Working with clients to flip the equation is a controllable yet difficult behavioral change. It goes against almost everything clients face day to day and it can be quite challenging to remain fiscally disciplined. But, as they say, "If it were easy, everyone would be doing it." Putting clients through the exercise and uncovering this vital data point is where a financial advisor can provide the most value in helping clients achieve financial security. ●

“

Knowing this basic equation provides a foundation for effective financial planning and decision-making.

”

tal planning equation, we find that few individuals have a meaningful understanding of their burn. This is true across all income levels. Some clients admit to having no idea what it actually costs to run their family affairs. Others merely guess, and grossly underestimate their actual burn.

We proceed to recommend simply that clients list their top 15 fixed expenses, lumping in the total monthly credit card bills as one line item. On average, "the top 15" fixed expenses represent 85 percent of a client's burn!

Once we understand this crucial data point, we can help clients determine:

James L. DiNardo offers advisory services as a representative of Northwestern Mutual Wealth Management Company (WMC), a limited purpose federal savings bank, and a wholly owned subsidiary of The Northwestern Mutual Life Insurance Company, Milwaukee, Wis. (NM). Northwestern Mutual is the fleet name for NM, its subsidiaries and affiliates. Investments held with or managed by WMC are not insured by the FDIC, are not deposits or other obligations of, or guaranteed by WMC or its affiliates and are subject to investment risks, including loss of the principal. James L. DiNardo is an insurance agent of NM (life insurance, annuities and disability income insurance), and Northwestern Long Term Care Insurance Company, a subsidiary of NM, and a registered representative of Northwestern Mutual Investment Services, LLC (NMIS), an NM subsidiary, broker-dealer, investment advisor, member FINRA, SIPC. Pioneer Financial is a marketing name used by a group of Northwestern Mutual representatives (not all of whom are affiliated with WMC) including DiNardo (referred to as the "firm"), and is not a legal entity, partnership, investment advisor, broker-dealer or affiliate of NM. The information contained in this article is not a solicitation to purchase or sell investments or securities. The views expressed herein are those of the author and may not necessarily reflect the views of Northwestern Mutual. Certified Financial Planner Board of Standards, Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™ and federally registered CFP (with flame logo), which it awards to individuals who successfully complete initial and ongoing certification requirements.

⬇ ABOUT US

PIONEER FINANCIAL AT NORTHWESTERN MUTUAL PROVIDES FINANCIAL SERVICES TO HIGH NET WORTH AND EMERGING HIGH NET WORTH INDIVIDUALS, FAMILIES AND BUSINESS ENTERPRISES.

Pioneer Financial's team of 20 associates/staff serve clients nationwide from their Park Avenue office in New York City. Kevin R. Luchetta, Stephen A. Schwartz and James L. DiNardo are wealth-management advisors and CERTIFIED FINANCIAL PLANNER™ practitioners. The practice is focused on assisting clients through comprehensive financial planning that includes asset management, retirement funding, risk management, estate preservation and distribution. ●



Kevin R. Luchetta, CFP®, AEP®
Partner

Stephen A. Schwartz, CFP®, AEP®
Partner

James L. DiNardo, CLU®, ChFC®, CFP®, MSFS®
Partner

Paul D. Tortorella
Partner

Pioneer Financial at Northwestern Mutual – Park Avenue

245 Park Avenue, Suite 1800
New York, NY 10167
Tel. 646.459.6366

kevin.luchetta@nm.com
stephen.schwartz@nm.com
james.dinardo@nm.com
www.pioneer.financial

REPRINTED FROM

Worth
THE EVOLUTION OF FINANCIAL INTELLIGENCE

Pioneer Financial at Northwestern Mutual – Park Avenue is featured in Worth® 2017 Leading Wealth Advisors™, a special section in every edition of Worth® magazine. All persons and firms appearing in this section have completed questionnaires, have been vetted by an advisory group following submission by Worth®, and thereafter paid the standard fees to Worth® to be featured in this section. The information contained herein is for informational purposes, and although the list of advisors presented in this section is drawn from sources believed to be reliable and independently reviewed, the accuracy or completeness of this information is not guaranteed. No person or firm listed in this section should be construed as an endorsement by Worth®, and Worth® will not be responsible for the performance, acts or omissions of any such advisor. It should not be assumed that the past performance of any advisors featured in this special section will equal or be an indicator of future performance. Worth®, a publication of the Worth Group LLC, is a financial publisher and does not recommend or endorse investment, legal or tax advisors, investment strategies or particular investments. Those seeking specific investment advice should consider a qualified and licensed investment professional. Worth® is a registered trademark of the Worth Group LLC.