

Establishing Personal Wealth Goals and Preparing a Balance Sheet

Most individuals and families of wealth hold a financial position that is the equivalent of a small business, but few approach their personal finances in that manner. Establishing wealth goals and preparing a personal balance sheet are the first steps in developing a comprehensive goals-based wealth management plan. Unfortunately, a surprising number of individuals put off taking those steps, leaving their wealth in benign neglect and subject to the vagaries of the markets, tax code and estate laws.

As we prepare to put 2020 — a year of unprecedented economic, political and social uncertainty — behind us and look ahead to 2021 with cautious optimism, it is more important than ever to take those first steps. If you have already established short- and long-term financial goals, now is an opportune time to re-evaluate them in light of the events of the past year.

The value of goal setting

In good economic times, sound financial practices like establishing financial goals, keeping track of assets and liabilities, and maintaining a comprehensive wealth management plan can help individuals and their families stay on track. In times of economic or social uncertainty, these practices become touchstones for stability, supporting the resilience necessary to weather difficult times and providing the confidence required to stay the course and remain optimistic about the future.

Defining your personal wealth goals

In the context of goals-based wealth and investment planning, defining personal goals is really about answering these questions: What do I want to achieve now and in the future, and how much money will I need to do that?

For many people, identifying long-term goals can be the most challenging part of the process. Most of us do not plan decades in advance and tend to focus instead on life's immediate problems and opportunities. Shifting our focus 10, 20, even 40 years out can be overwhelming, especially when the current environment is uncertain.

However, making that shift has both immediate and long-term benefits. Imagining the future you want for yourself and your family puts short-term distractions into a more realistic perspective. In addition, the process can stimulate meaningful conversations with partners and loved ones that help clarify your purpose and direction.

Don't overlook the aspirational components behind your goals. The interests, passions and sources of inspiration driving you toward a particular goal hold valuable clues about your values and what you might want to pass on as part of your legacy.

Getting started

When you first begin to consider your wealth goals, it is useful to think in terms of your hopes and dreams for the future. Don't let finances limit your vision. A goals-based wealth review is an iterative process, and your Glenmede team will work with you to align your goals with a realistic wealth management plan later. What's important now is to identify the things that matter most to you. Here are some suggestions to get you started:

- Focus on 3 categories

Identifying personal goals is more manageable when you break them down into the three major components of your financial life:

1. **Your Lifestyle:** What does your best life look like today? In 10 years? In 25 years? Where are you living? What are you doing? How do family, friends, work, hobbies and outside interests factor into your life at different stages?
2. **Your Legacy:** What do you want your wealth to accomplish after you're gone? What assets and personal values would you like to pass on to your family, loved ones and charitable organizations?
3. **Your Philanthropy:** What are you passionate about? What charities or organizations do you endorse? How do you want to support those interests during your life and after you pass?

We recommend starting with your lifestyle goals. Once you are comfortable with the process, move on to legacy and philanthropic goals.

- Write down your ideas

Whether you scribble on sticky notes or set up a spreadsheet, the act itself has value beyond merely recording your goal. Writing down your hopes, dreams and objectives is the first step toward realizing them.

Eventually, your Glenmede team will write a short summary of your goals for personal spending, legacy gifts and charitable causes. This will memorialize your intentions in a document that is reviewed and edited annually or as circumstances and goals change.

- Dare to dream big

In our experience, most people underestimate their ability to achieve their financial goals. Don't limit your imagination at this stage in the process. Stretch goals may be attainable with the right strategy and wealth management plan in place.

- Expect some goals to change

Life isn't static. Your circumstances will inevitably change over the years in ways you can't foresee, and your goals will change with them. You aren't committing to these goals forever. You just want to plan based on your best thinking at this particular moment in time. You can always adjust your goals and your wealth management plan to reflect the realities of life at any stage.

Creating a personal balance sheet

While businesses maintain comprehensive financial statements that track total assets and liabilities, people tend to focus on individual assets and can miss the big picture. A personal balance sheet gives you a consolidated view of your current assets, liabilities and net worth. In the context of goals-based wealth management, your long-term objectives tell you where you want to be; your balance sheet tells you where you are right now. It is the baseline for the wealth management process.

Getting started

If you have never prepared a balance sheet, the prospect can be daunting. In reality, Glenmede clients can partner with their Relationship team for guidance and/or get started online using our WealthView technology. Whatever your choice, you will still need to assemble the relevant financial data. Here are some suggestions to help make the job easier:

- Pull together statements reflecting current values or outstanding principal balances for:
 1. All personal assets, e.g., cash; bank accounts; private and public securities; mutual funds; other investments; deferred compensation; savings plans; vehicles; art, jewelry and collectables; real estate; personal property.
 2. All personal liabilities, e.g., mortgages; auto/vehicle loans; personal loans; credit card balances.
 3. Other. Check with your accountant or your Relationship Manager to make sure you are including all your assets and liabilities.

- Take advantage of tax season

The first four months of the year are the perfect time to focus on your personal balance sheet. You and your accountants, tax preparers and other financial professionals are already accumulating most of the information you need to file your taxes. Set aside time to arrange for special asset valuations you might need for art, jewelry, collectables or other personal assets, or contact your insurance agent to obtain recent values.

- Leverage your accountant, tax preparer, bankers and brokers

Let them know you are putting together a basic personal balance sheet and ask them to send you any relevant year-end documents or information you might need.

- Get familiar with WealthView

WealthView is Glenmede's online personal financial management tool. It accommodates all types of assets, including those managed outside of Glenmede, such as savings plans, private equity, bank accounts and real estate. It can also incorporate liabilities, including mortgages and future taxes on deferred compensation. You can use WealthView to create your balance sheet, but even if you take a different approach, WealthView has powerful capabilities like secure document storage and dynamic price updates for all your assets that give you real-time 24/7 access to your comprehensive financial picture.

Summing up

Establishing personal wealth goals and creating a balance sheet are the first steps in developing a goals-based wealth plan. Glenmede provides you with the tools and upfront support you need to take those initial steps.

Make it a priority in the new year. Planning is one of the best things you can do to realize your dreams and ensure your family's financial well-being far into the future.

For more information, contact your relationship manager or visit us at [glenmede.com](https://www.glenmede.com).