Rochester Wealth Strategies

439 S Main St, Suite 250
Rochester, MI 48307
(248) 434-6550

Are Your Finances Too Transactional?

By Xenia Woltmann

How many decisions have you made today? Did you decide what to wear? What to eat? What to do? Many decisions we make are simple and do not have long term consequences, but some do. If you choose to eat healthier meals, it may prevent health issues down the road. If you forget to wear your lucky jersey on game day, your sports team may not make it to playoffs. When we dig deeper, we realize that many simple decisions may have a long-term impact. Financial decisions are not as simple as they seem. Many people separate their finances into buckets but forget to consider how one impacts the other. Cash and debt choices tend to be more transactional in nature, with investments being more complex and planned.

Recently, many homeowners have decided to refinance their mortgage. Some choose to refinance for a lower payment, others for a reduction in the cost of interest. There is an immediate benefit seen and the decision is simple. If you decide to refinance, consider the bucket analogy mentioned above. You may find that you are benefitting the “debt bucket” but neglecting the others. In the long run, this may cause you to not have enough saved in cash if there was an unexpected expense (car repair, medical needs, etc.) which would cause you to have to borrow or pull funds from other areas. As simple as this sounds, you would be surprised by how many individuals do not have an emergency fund.

If you choose to focus on the “debt bucket” without considering the “investment bucket,” you may find that down the road, you must work longer or spend less in retirement because there was not enough saved. This does not mean that you should not refinance. It means that when you make financial decisions, it is important that you consider the impact of your overall financial plan. Make sure that all three buckets are considered in the short and long term.

Another decision is how much to save for retirement. For example, many companies have a website that allow their employees to input their retirement age and determine what percent they should contribute to be on track with a green light for retirement. As an employee, you may choose to contribute 6% of your pay. But how does the system know you are saving enough? Does it know that you intend to buy a second home in retirement? Pay for college? Does it know your plan to pay off debts? What about Social Security? The website is not necessarily inaccurate, but it is a transactional tool used to simply help you determine how much to contribute.

It is important to look at your entire financial picture when making decisions. Utilize your advisors and always consider the long-term effects.

Contact us: info@RochesterWealthStrategies.com *www.RochesterWealthStrategies.com*

Xenia Woltmann is Vice President of Rochester Wealth Strategies LLC, an Independent Registered Investment Adviser located in Downtown Rochester. RWS is a Fiduciary and Fee-Only financial advisory firm. (248) 434-6550