FLORIDA TODAY **TUESDAY, APRIL 14, 2015**

Successful investing follows basic planning

When a task looks ominous or intimidating, I'll often break it into small pieces. Usually starting with the fun part and then rewarding myself along the way with chocolate.

It's exciting to look at the future and list long-term and short-term goals. When saving for a house that you're going to buy in the next five years, the investment should have very little risk so a major market downturn doesn't derail it. Conversely, when saving for a retirement that is thirty years away, it's okay to invest aggressively today and shift as the date approaches.

Take an inventory of all assets. List bank accounts, real estate holdings and itemize retirement accounts.

Separate taxable investments like stocks, bonds and mutual funds and include current market values and cost basis. Know why you have each of your investments and how they have performed.

Examine retirement accounts and determine whether it would be simpler/cheaper/smarter to combine some or all of them into a Rollover IRA.

Review the details of annuities and insurance and don't overlook portable group insurance. Annuity contracts and life insurance policies have beneficiaries that can supersede a will. Understand the cost, cash value, current market value, maturity date and any riders. Check for long term care insurance provisions.

If you have an ownership interest in a small company, estimate the value, percentage of ownership and formulate a liquidation or succession plan.

List all debt as long term or short term and review the interest rates charged by each account.

You now have a current snapshot of your total financial picture.

Estimate future cash flow (some call it a budget) by realistically itemizing future income and expenses. Don't save at a lower interest rate then your debt is costing you. Separate expenses as fixed or discretionary. Extraordinary expenses like cars and roofs should be separated so you can save for them rather than finance them.

Once you have this framework, you will know how best to invest. The tradeoff between return and risk exists and when the market declines, high return portfolios are hit the hardest. The high may be higher, but the low may also be lower. Be sure that you will stay the course with your investment plan and continue to sleep well at night.

A financial plan improves your investment decisions. After all, investments must be tailored to personal goals and objectives, time horizon and risk tolerance. Changing your course when markets turn down and selling when prices are low is a mistake that investors can't afford to make. After all, good chocolate can be expensive.

Mary Ellen Baldwin, CFP® is an independent, fee-only registered investment advisor at Baldwin and Associates, located in Indian Harbour Beach. You can contact her at 321-428-4555 or Mary@MEBaldwin.com. Send your financial questions to Business@floridatoday.com.