



Summertime Reminds Us to Be Flexible

Your financial plan must be adaptable – you don't set it and forget it

As summer heats up, it pays to take a good look at how flexible you are. When you plan for the future, you need to be adaptable. No one knows what tomorrow holds.

This is certainly true in the world of work. In a few short months, we will celebrate Labor Day. President Grover Cleveland signed it into law as a federal holiday in 1894 to placate unions, following a bloody and tumultuous strike at the Pullman Co., which made railcars. Today, the break on the first Monday of September is less about labor and more about recreation, cookouts and the mental end of summer.

To some, labor merely is about a job or the lack thereof. For others, the concept of labor transcends a job. It's about a career, economic stability for self and family, satisfaction, fulfillment, success, a sense of mission, a calling. Consider a young person attempting to think about a future of work that may span 50 to 60 years or more. How does one grasp a fast-changing world to formulate a job or career strategy, and an investment strategy to accumulate capital needed to fund their secure future?

Don't be Left Behind

Have you ever participated in one of those "future think" company planning sessions? You know, the one that asks where you want the company to be five, 10 and 15 years hence?

A senior executive of a firm recalled the effort to formulate a five-year plan when he was in top management at a Fortune 500 company. When the plan was completed, the chief executive officer told her team, "If we execute this plan exactly as we have laid it out, in five years we will be out of business."

Having deflated the egos of those who labored to produce a creative plan, she explained that the world and marketplace in five years would be totally different. If they did not change the plan as they went along, they would be left behind, becoming obsolete and less profitable.

We see example in the stories of:

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- Microsoft, one of the glowing success stories of the last century, now competing with Apple and Google. Personal computer sales, the historical mainstay of Microsoft, have been eroding for years as users switch to smartphones and tablets.
- Canada's Research in Motion was a global leader in wireless innovation, having revolutionized the mobile phone industry with the introduction of the BlackBerry in 1999. The company, now known as BlackBerry, found itself on the ropes as the iPhone became the "must have." Now, in terms of the worldwide smartphone market, Apple is #3, behind Samsung of Korea and Huawei of China.
- Sears for years was an appliance sales leader with its Kenmore brand. For a myriad of reasons, Home Depot, Lowe's and a host of other competitors cut into Sears' profits. Last year, Sears filed for Chapter 11 bankruptcy protection.

Remain Flexible

The message? Flexibility counts. Anticipating change counts, with plan B or even C at the ready. A plan whether a career plan, a financial plan, or a life transition plan is a road map. Every road is subject to disruption, detours, potential dead ends and rabbit trails.

Yes, you want a concept of where you will be in one, five, 10 years and beyond. But any plan must be dynamic, fluid and adaptable. You cannot set it and forget it.

Every money manager has a turnover ratio, on average selling a certain percentage of stocks every year. Stock buys may disappoint and underperform. Other stocks may reach a targeted sell point and be sold in favor of a better bargain.

Asset classes may underperform or outperform in the short run and then change direction. Assumptions may appear wrong near term and turn out to be sound in the long run. Diversification is important, as crystal balls are fallible.

Everyone, whether a breadwinner, a stay-at-home parent, a retiree, or an investor, should have a contingency plan to deal with personal setbacks, career reverses and market disruptions because stuff happens. Change is the only constant. Well, death and taxes, also. Have you reviewed your "what if?" plans lately?

Labor Day will signal that the fourth quarter is less than a month away. Have you reviewed next year's tax strategy? Already we hear of end-of-year Christmas and holiday promotions. Have you started planning for next year?

May your summer be flexible.

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