

Your Annual Financial Review: 5 Questions Worth Asking

As we enter the busy economic season of Q4, new economic outlooks are being released and shaping the conversation around the year ahead. The Fed's rate decisions, alongside updated economic forecasts, are examples of how quickly the economic picture can evolve. With so much change, your annual financial review is an ideal opportunity to step back and consider the bigger picture of your long-term financial plan. This article explores five questions worth asking.

The Importance of Annual Reviews

This conversation is extremely valuable to you and your financial plan. While you have the clearest understanding of your life, your financial advisor has the clearest view of your financial plan and the markets. The review is where those two essential components come together. The questions below can provide you with more clarity on the strength of your financial plan.

Five Questions Worth Asking

1. *"Am I still on track to meet my long-term goals?"*: Your annual review is an opportunity to make sure your goals, priorities and plan are still aligned.
2. *"Does my risk level still fit my life and my comfort?"*: As your circumstances change, it is worth revisiting whether your current level of risk still feels appropriate.
3. *"How is my plan prepared for the unexpected, including market swings and new forecasts?"*: Talk through how your plan is positioned for uncertainty. Forecasts provide useful context, but they are predictions, not certainties, and even the experts often disagree with one another. Your financial plan should account for this uncertainty rather than depend on a single forecast.
4. *"What has changed in my life that my plan should reflect?"*: Changes to your income, household, job, location, or retirement plans may mean your financial plan needs to change too.
5. *"What should we be thinking about before year-end and heading into next year?"*: Ask about upcoming deadlines, financial decisions, and opportunities to consider before year-end and in the year ahead.

Understanding Your Financial Behavior

When forecasts and headlines start to make you question your plan, it helps to recognize the biases that can show up:

- **Anchoring:** It's easy to fixate on a past account high or a single forecast number. Once a number becomes an anchor, it can shape how we interpret new information, even when circumstances have changed.
- **Loss aversion:** A decline can feel more painful than an equal gain feels rewarding. For example, a 10% drop in your account often stings more than a 10% rise feels good, which can make the urge to react feel stronger than the urge to stay on course.
- **Recency bias:** The latest headlines or recent market movements can start to feel like the whole story. In reality, economic trends are shaped by years of past data and changing expectations, and your financial plan operates within the larger context of your entire life. The economic news certainly matters, but it is only one part of the picture.

If you notice these biases coming up, it's a great time to talk through your concerns with your financial advisor rather than making sudden changes to your plan.

Closing

The best annual reviews are a two-way street: your advisor brings financial planning expertise, and you bring your questions and life context. Headlines and forecasts will keep changing, but your long-term goals are what keep your plan steady. The goal is to make sure your financial plan is still built around what matters to you. Use your annual review to raise questions or concerns and make any changes that your life or goals may require.