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OK, last week you figured out where you want to go financially speaking.

Next, to stake out the course you'll need to know where you are.

That is, how much do you have in assets now, how much do you add, how much do you have in debt, how much do you pay in debt service, and what future income sources await you?

Knowing how much you have in assets is straight forward though possibly time consuming if you have lots of separate accounts and properties.

This is when some of you may regret having investment accounts with various institutions. It's in my opinion a misunderstood form of diversification which leads to needless amounts of administration on your part.

Next, how much do you add to e.g. retirement accounts every year? Include any employer match; in the end it is money you'll be able to spend one day.

You'll also have to assume a rate of return on these assets going forward. Historically, stocks have returned about 10% per year. With lower interest rates it may be prudent to assume below historic returns on bonds. Maybe 4%.

Then, allow for future income sources. If you have a pension, congratulations, you're among the 31% of current workers who do according to personalcapital.com.

Incorporate social security which you can start as early as age 62, as late as 70, or any time in between. Special rules apply to widows, unmarried divorcees (married at least 10 years), and spouses.

Unless you're high income I think it's reasonable to expect social security to pay you what they currently stipulate (you can go to www.ssa.gov to view your statement). For high income earners you may want to shave a quarter off the promise, just in case the rules change in some way to reduce the benefits or increase the social security taxation for these earners.

Once you have all this figured out you'll see if expected income matches desired income.

If 'yes', rock on. If 'no', retiring later helps quite a lot. Increasing savings by spending less works, too, though I think it's harder as it involves sacrificing current lifestyle for future benefits.

So, there is the starting and end point of a wealth plan. Begin with the end in mind, sort out where you are and where you're headed.

But, as they say of best laid plans, something else might happen. That's when insurance may help. More on that next week.

Good luck.

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This information is hypothetical and is provided for informational purposes only. It is not intended to represent any specific return, yield, or investment, nor is it indicative of future results.

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