

How to Keep Your Finances on Track During Major Life Changes

Whether you are starting a new career or launching a business, here's how to make the transition go smoothly.



A mentor and a good support system make it easier to launch a new endeavor.

Beginning a new phase of life is a risk. You might come out on the other side successful and achieve a level of fulfillment and wealth that most people only dream of. But you will also encounter obstacles that throw you off course, and there is no guarantee that you will be successful. If the jump into the unknown is not well planned and contingencies are not accounted for, you can miss the mark altogether and land in a place worse off than you began. Here's how to prepare for a major life transition:

Create a liquidity plan. Measuring twice and cutting once is not advice to be taken lightly. Failure typically comes from a lack of planning for contingencies. A new business, a move to a new state or switching to a completely new career can be scary. The tool that can keep you afloat through the uncertainty is a healthy base of cash. A typical person needs three to six months of cash reserves, but if you are about to take an above average risk, consider increasing that cushion to 18 to 36 months of cash reserves. That additional liquidity could turn a short-term venture into a successful long-term endeavor.

Create three separate five-year plans. With the power of spreadsheets you can see how a new endeavor might take shape. While you are striving for the best case scenario, it's important to look at two other possibilities:

- **A “what you think will happen” projection.** This should be your baseline plan given the most likely outcomes. You can use this as a guide and to measure how successful your goal or plan is.
- **A “I hope this doesn’t happen” projection.** This is the projection that should be your reminder of what you are trying to avoid. It is helpful to understand what could derail your plans so you can constantly evaluate if you are moving in that direction. If after working through this projection you have major concerns, consider adjusting your implementation plan.
- **A “wouldn’t it be nice if this were to happen” projection.** Use this as your motivator and reminder of your stretch goal. If you exceed the baseline plan but did not reach this best-case scenario, figure out what needs to be adjusted to reach your ultimate goal.

Find a mentor. Before you start a new business or enter a new career field, seek outside help from individuals who have already reached the goal you desire. Many successful people are willing to share with others the lessons they learned and mistakes they would have been better off avoiding on their journey to success. Harness a mentor's expertise and knowledge when making decisions about your new endeavor. There is immense value in working for and learning from the best.

Hone your skills. The 10,000 hours required to master a skill should not be taken lightly. Do not try to rush success by taking big risks before you have fully developed your skills and talents. You only get one chance at a first impression.

Join a peer group. If there are others who are successfully doing what you desire to do or started their project around the same time as you, try to connect with them. They might have valuable resources, lessons, tips or tricks, and can also serve as a sounding board or collaborative inspiration for that next great idea.

Polish your soft skills. Technical skill will only get you so far. Your social skills can be just as important to reaching long-term success as your intellectual prowess. Consider reading "How to Win Friends and Influence People" by Dale Carnegie for some ideas about connecting with others.

Have a good support system. Without the proper coping tools and support, you could struggle and even lose your way. Involve your family, spouse and other relatives in your long-term vision. With buy-in from loved ones, you will have a great resource to provide comfort and support when things don’t go as expected. Faith can also be a powerful tool when you are facing the unknown or failure. Set aside time for reflection and soul nurturing.

The world has been molded and shaped by people no different than you. We all have the opportunity to choose a new path or career. Some advance planning and a solid support system will help you cope with any setbacks along the way.

***Brian Preston and Bo Hanson** are fee-only financial planners who host the podcast, “The Money-Guy Show”.*

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