

When Your Financial Plan Gets Thrown Out the Window

Woody Allen, quoting an old proverb, supposedly once said, "If you want to make God laugh, tell him about your plans."

I'm sure everyone has experienced this at some point but it feels like my life the past year or so is a good example of this quote.

This past summer we found out my wife was pregnant with twins (meaning we would become a family of 5 along with our 3-year-old toddler). We never really planned on having a big family -- it was hard enough for us to have our first child so number two was never a foregone conclusion while number three was never really even discussed -- but once it became a reality we were beyond thrilled.

My older brother and his wife had their own set of twins in late-2016 so the extended family is growing exponentially. When I called to give him the good news the first thing he said to me, after a short chuckle and speaking from experience, was "Well, you can throw your financial plan out the window."

In some ways this is true. My wife and I had to make some major changes that affected our finances based on this life-altering news.

We quickly realized our current house was too small and would require a change to accommodate a larger family. We would need a larger vehicle to fit all of the little ones and their stuff (we had to suck up our pride and buy a minivan but after owning it for a while I'll admit that it's extremely practical). Until my 3-year-old is in school it will mean paying for three kids in childcare. And my wife is cutting back her hours at work, as well.

A growing family also means we'll need more liquid savings for unexpected (and expected) events that pop up from time to time. There are two more kids to send to college and all of the other expenses that come along with raising children.

I'm certainly not complaining because we are so blessed by the new additions to our family but I thought this was a good test case for many of my ideas on financial planning. Here are a few things that have become even more clear to me because of this change:

Personal finance requires flexibility. A year ago if you would have asked me about my financial needs over the coming twelve months I never would have expected them to include a new home, new car or two new mouths to feed. You'll always have to plan on course corrections with your finances.

Financial planning is a process, not an event. Planning out your finances is not a one-time deal.

It's an ongoing process that will constantly evolve as life throws you curve balls over time. Planning out your finances once is the easy part; planning out your life over and over again is not.

A high savings rate makes everything else easier. A high savings rate gives you a huge cushion when things go wrong or when future financial needs or wants change. My wife and I have always had a healthy savings rate and it ended up being one of the main reasons we didn't stress too much about adding twins to our family budget. Being diligent savers has given us a margin of safety about how to handle all of the new financial responsibilities that come along with adding two new members to the family.

Normal personal finance advice works. Beyond a good savings rate to give us some wiggle room the simple personal finance principles such as avoiding credit card debt, paying down our mortgage debt, living below our means, having a good credit score, etc. didn't seem to matter until they really mattered. This stuff seems boring but it can be extremely helpful when you really need it.

Priorities matter more than goals. When these things happen it makes you realize setting precise financial goals is rather pointless; it's financial priorities that really matter. Just as investing requires different risks, needs, allocations and planning depending on where you are in your lifecycle, financial planning requires different priorities depending on what's going on in your life. No two people or families will have the same exact financial circumstances, but everyone needs to understand that their priorities will naturally change and evolve over time.

You can never fully prepare yourself for everything but that's okay. Very few people will ever be "ready" emotionally or financially to have children. It's something you can never fully prepare yourself for. The best you can do is ensure you get yourself to the point where your personal finances aren't the biggest stress point in your life (something that's easier said than done for most people). When I learned our family would be growing the last thing on my mind were the financial implications.

These past few years have made me realize that my financial plan or portfolio or investment returns or job title will never matter as much having a safe, secure and healthy family. Everything else is gravy.

Don't get me wrong -- saving is still a priority; growing my investments is still a priority; keeping stress levels low in terms of money decisions is still a priority; financial planning is still a priority.

It's just that many of our old financial priorities will have to take a backseat to a new set of priorities.

Today my wife and I brought home our new son and daughter from the hospital. I could never have planned on having twins in our life but now that they're here I couldn't imagine life any other way. My financial plan has basically gone out the window but that's the last thing on my mind right now.

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