

No financial planning software and no investment growth calculator can predict the future

Category : **Financial Decision Rules**

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Summary: A previous financial article, [The Solution - ONLY follow financial strategies that are scientific, passive, diversified, savings focused, risk controlled, low cost, and tax efficient](#), suggested that investors are much better off with a well-considered financial plan. A stable set of financial beliefs can help you to keep focused and on track throughout your life. This final follow-up article points out that the future is not predictable, even with automated financial planning software. The future is fundamentally unpredictable. The future of personal financial planning and investing is similarly unpredictable. Anyone claiming or implying that they can predict what will happen to investment returns in the securities markets in the future is just blowing smoke. If their predictive smoke claims to benefit you, then you should be suspicious. If you have to pay a lot of money to buy their predictions or financial advisor services, then you should be far more suspicious. When you have to push a lot of money across the table to pay some supposed seer, then that oracle is likely to win in the transaction, while you are likely to lose. (In itself, this is a probability-based prediction on our part. However, our prediction relies on one of the most consistent findings from the financial science literature, which is "the more you pay to play, the less you will keep from the investment securities markets." (See our articles in these categories: [Scientific Investing](#) and [Controlling Investment Costs](#)) Similarly, anyone who claims that he or she can assess probabilities about what will happen financially in the future is over-reaching at best. While probability assessments about the future may seem reassuring, they are just another method of blowing smoke. Because most individual investors are risk adverse, they naturally seek reassurances about their futures and their personal financial planning. Many are all too willing to listen to and pay dearly for seemingly authoritative pronouncements about probabilities related to the future. If someone tells you that his financial planning calculator method or investment growth calculator prediction has a certain probability associated with it, be very careful to understand the assumptions and methods used to develop this probability statement. The higher the prices of financial advisors' services, the more questions you should ask. Securities market prices reflect the collective efforts of all professional and individual investors to peer into the future. Historically, securities markets have paid risk premiums to investors only to bear market risks. Investment risk does not decline with the passage of time. It is always there. With investing, there can be no assurances, unfortunately. (See our articles in these three categories: [Securities Valuation](#), [Luck versus Skill](#), and [Returns and Risk Premiums](#)) Too often, financial services companies give individuals advice about financial planning and investing that includes some razzle-dazzle about their supposedly superior analytic model, system, or tool. The general theme is usually the same: pay us and we will help you to beat the market using our unique insight developed from our special tool, model, system, etc. Unfortunately, these marvels are just more sophisticated forms of blowing marketing smoke -- this time aided by technological mirrors. This is the final article in a series of eighteen articles. These articles have described the financial planning and investment viewpoints that guided the development of our VeriPlan personal financial

planning software application. Most of the previous seventeen articles in this series published by *The Skilled Investor* did not discuss [VeriPlan](#). Previous viewpoint articles covered what we consider universal truths about personal financial planning and scientific investing practices. Most previous articles in this series did not require references to VeriPlan, but this article does. *The Skilled Investor's* approach with VeriPlan is different. As a lifetime financial planning and investment modeling tool, VeriPlan fully embraces the uncertainty of the future. VeriPlan is an automated and fully customizable decision support tool for lifetime personal financial planning decisions. VeriPlan recognizes that the future is completely unpredictable, and it makes no claims whatsoever to be predictive. VeriPlan is not a crystal ball. You should not develop any false comfort that you can predict the future by yourself, nor should you expect that VeriPlan can predict what will happen. (See these articles: [Executive Summary of VeriPlan](#) and [VeriPlan's 10 Financial Planning Tools and Financial Calculators](#)) VeriPlan intentionally avoids any assessment of probabilities about the future. Instead, based on your inputs and assumptions, VeriPlan projects internally consistent scenarios about your particular financial and investment affairs projected across your lifetime. VeriPlan's future value calculator functionality automatically projects these hypothetical illustrations based on the very long-term historical securities market trend lines. To understand their impacts, you can adjust to these historical rates of return, as you wish. (See this article: [What have average investment asset class risk premiums been over long periods?](#)) VeriPlan creates fully customizable projections that model your particular financial affairs and your financial planning intentions about the future. VeriPlan's personal financial planning software incorporates your potential earnings, expenses, savings, debts, and investment growth. VeriPlan's future value calculator incorporates the historical market risk premiums that have been paid on various asset classes, plus current federal taxes, state taxes, and local tax rates and limits. VeriPlan's lifetime cash flow analysis capabilities automatically develop a customized series of annual net worth projections for you. These net worth projections also automatically reflect the impacts of your investment taxes and your investment costs. (See: [VeriPlan Overview 4 -- Your investment portfolio assets in VeriPlan](#)) VeriPlan's embedded documentation details how VeriPlan develops your customized lifetime projections. VeriPlan allows you change any assumption and to adjust return on investment rates both scientifically and arbitrarily so that you can analyze a wide range of more pessimistic and more optimistic projection scenarios. VeriPlan's fully automated scenario planning capability helps you to evaluate how you might manage over the long term, if the future were to deviate substantially from the long-term historical trend. Despite VeriPlan's extensive features, the bottom line is that you cannot, VeriPlan cannot, and no other tool can predict the future. Measuring your current financial situation and using your financial planning inputs, every VeriPlan projection provides 21 standard graphics that summarize and illustrate key financial planning metrics through age 100. However, you should not get too enamored with any of VeriPlan's graphics regarding your future financial affairs. VeriPlan's graphical scenarios can be useful to your thinking and planning. Nevertheless, they cannot and do not provide a map into the future for you. Throughout your life, the ongoing financial decisions that you make as your financial circumstances change is the only way that you can actually know your personal financial map. You can prepare for the future, but not predict it. As an evolving toolkit, VeriPlan can help you to role-play about what you may need to do in the present to get to your future goals. For most people, VeriPlan will act as a wake up call, because most people have not done enough to plan financially for their futures.

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