

# Financial Planning

**Financial planning is the process of preparing for your financial future.**

If you've ever prepared a monthly budget, you have created a short-term financial plan. Long-term planning would include saving for a home or a comfortable retirement. A solid financial plan accomplishes two main objectives – it helps you reach your financial goals and it helps to minimize financial risks.

While each of us may have different financial goals, it's safe to say that we would all prefer to live a comfortable life, provide for our children, and not be destitute in old age. Financial planning is not only about helping make your financial dreams come true; it's also about living your life in a financially responsible way.

You don't necessarily need a financial planner to create a basic plan. A financial planner is a person who is trained in helping individuals reach long-term goals by analyzing risks, providing estate planning advice, and helping to create an investing strategy. Unless you have just inherited a large sum of money or are starting a new phase of life (such as getting married or having kids), most of people don't need to spend the money financial planners charge for a consultation.

Here are some things you can do now to help lay the groundwork for realizing your financial goals:

## The Basics

To reach more advanced financial goals you need to take control of your day-to-day spending while plugging unnecessary spending leaks. Here are some steps to cover when setting up a basic plan:

*Review Your Monthly Budget* – Look for spending leaks like excessive spending on luxuries, eating out, unused subscriptions, and expensive phone plans. Make sure you are getting the best deals.

*Minimize Debt* – If you have debt, especially high interest credit card debt, start paying it down. Start with the highest interest debt first.

*Set Up an Emergency Fund* – Three to six months of income in a savings account is a smart way to plan for the unexpected. A \$1,000 dental bill financed by a high interest credit card, for



example, could ultimately cost you \$1,300 or more if it takes a year to pay it off.

## Intermediate Financial Planning

Whereas basic financial planning is focused on controlling spending and minimizing unnecessary financial losses, the next level focuses on building assets that increase in value over time, such as a higher education degree, a home, or an investment portfolio. Worthwhile assets that are likely to increase in value include continuing education, buying a home, and saving for retirement.

## Advanced Planning

Once you have gained control of your budget and laid the groundwork for a secure future by considering more education, deciding whether to buy a home or not, and starting to save for retirement, it's time to plan for larger challenges:

*Kids and College* – While not everyone chooses to have kids, children are a financial responsibility that goes far beyond diapers and baby clothes.

*Estate Planning* – Estate planning concerns what happens to your assets once you die, how to pass wealth to the next generation, and what loved ones should do if you cannot make decisions for yourself.

Regardless of whether you are just learning about financial planning or have been doing it already, please keep in mind that your financial plan needs to be evaluated and adjusted continually.

**No matter what your assets are right now, it's never too early to develop a personal financial plan.**