

# What is Financial Planning?

Financial Planning is an ongoing process to help you make decisions about money that can help you achieve your goals in life. It might involve putting appropriate wills in place to protect your family, thinking about how your family will manage without your income should your situation change, looking at ways of spending money differently, but one thing that's key, is it involves thinking about all of these things together and creating a plan!

## The six steps of financial planning

### 1. Establish your life goals

You need to determine the goals you want to achieve - short, medium and long term.

Think about how you will prioritise these goals but try to make some progress towards all of your goals simultaneously. Record your final list of goals and assign a timescale to each. Keep this list somewhere visible where you can refer to it regularly for motivation to stick to your plan.

### 2. Identify your assets and liabilities

Understand where you are now financially by calculating your net worth position and reviewing the relationship between your income and your expenditure.

List out the assets you own such as your home, your investments, bank/savings accounts and pension plans and nominate a realistic value for each.

List out all your liabilities which may include mortgage, other loans, credit card debt, hire purchase arrangements and overdrafts and the amounts you owe on each.

### 3. Evaluate your financial position

Take time to understand how you spend your money. You will be able to see where you can best make savings and where you may be unknowingly spending money.

Be organised and get into the habit of keeping receipts, especially for cash purchases, and do your best to analyse your expenditure using your bank and debit/credit card statements. Plan to expect the unexpected – set up an emergency fund for when things unfortunately don't quite go to plan.

### 4. Develop your plan

How will you make funds available to allocate towards each of your goals and how much risk you are prepared to take? The strategies you decide form the basis of your plan.

Ask yourself, will your available assets meet the cost of each goal? Yes - how much of your available assets will remain? No - what is the shortfall? How much disposable income would you need for each goal to achieve it in the timescale?

### 5. Implement your plan

Make the changes you've identified happen!  
Organise with a solicitor to get a will drawn up, if required.  
Address repayment of your short term debt.

Allocate some existing savings or commit to building up cash savings to form your emergency fund.  
Make the necessary arrangements for saving or investing the funds that are ear-marked for other longer term objectives.

### 6. Review your plan annually

Are your goals appropriate and realistic?  
Recalculate the cost of your goals and your net worth.  
Analyse your income and expenditure.

Can you increase the disposable income that you're putting towards your goals?  
Do you still have ample provision for emergencies?  
Revisit your financial plan and update or change strategies to allow for changes and/or any different assumptions that you wish to make.



To locate a CFP professional or Accredited Financial Planning Firm™ near you, or find out more about developing your financial plan at [cisi.org/wayfinder](http://cisi.org/wayfinder)

