

L U C A S T H O M A S



HOW TO CREATE A
FINANCIAL PLAN TO
CHANGE YOUR LIFE

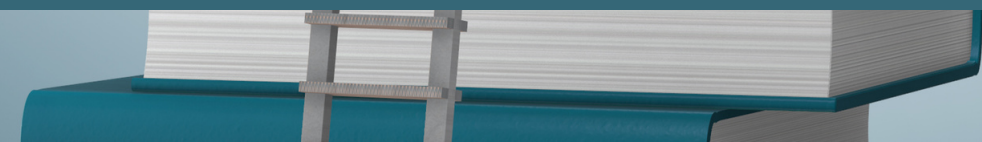


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Introduction

Making a plan for you to be financially secured is essential since no one cares more about your financial wellbeing than you. Having an intelligent plan can help you achieve short-term and long-term financial goals such as retirement, paying off student loans, building your emergency fund, and more. A key component of measuring success is setting goals. It is also important to note that setting goals do not guarantee success someday. It is necessary to establish a smart financial plan to achieve those goals. Planning is vital to provide a direction for your day-to-day actions.

And since everyone has a different financial status, creating a plan can differ based on one's wellbeing. So, if you're wondering how to create a financial plan that best suits your situation then, you're in the right place. Recognizing where you are financially will be your first step on building wealth and towards financial independence.

Realizing something needs to be changed and taking action to modify your financial situation is a big step, and for that, I am already proud of you. The first step toward financial security represents a whole new perspective on your life and how to handle your money properly.

Having the right financial plan is crucial to achieving your financial goals, whether paying off student loans, mortgage, building your savings, or planning for your retirement.

In this e-book, I'll take you through everything you need to know to plan for your financial future. If you want to know how to attain greater financial security or make a financial plan that works for you~ Keep reading. I took down all of the basic things you should know to kick-start your solid financial plan. You can reach your financial goals more quickly if you begin planning for them early on. As a result of the compounding and interest nature, early in the process can have significant benefits.

What is Financial Planning?

Your financial plan is a detailed picture of your current financial situation, your financial goals, and any strategies you've set. Your Financial plan should include information about your cash flow, expenses, debt, savings, investments, insurance, and other aspects of your economic life.

As you build your nest egg for your long-term goals, like retirement, you'll reduce your stress about money and support your current needs. Financial planning helps you make the most of your assets and ensures you meet your goals.

Keep in mind: Financial Planning does not only apply to the wealthy. Everyone should create a roadmap for their financial future. A financial planner can help you make a plan, or you can do it yourself.

Financial Planning Questions You Should Answer

In the article '20 Financial Planning Questions That You Need an Answer To!' posted on the Financial Planning Association (FPA) website, Dave Caruso affixes a series of questions you should answer before creating the best Financial Plan that can turn your life around. I picked out a few of my favorites that determines your current priority in life, try your best to have an answer for each, and then with this in mind, we'll go through comprehensive steps on creating the best financial plan for your wants and needs:

1. Do you know how much you save or spend each year?
2. What is my current net worth?
3. What are the most important things I want to accomplish while I'm alive?
4. How much am I investing in my human capital or that of my children and grandchildren so they can earn the most during their working years?
5. Do I have the proper choices in my retirement, and is it enough to allow me to retire when I intend to?
6. Do I have the proper amount in an emergency fund?

7. If something were to happen to me, would my family be able to put everything together?
8. Does long-term care make sense for me?
9. What is my risk tolerance, and how much risk am I taking right now?
10. What is my current asset allocation with all the things I own?

Your Guide to Financial Planning

Step 01: Know The Factors of Creating a Smart Financial Plan

One crucial thing to keep in mind is that financial planning is more than just investing and saving. It's a roadmap that helps you navigate your short, medium, and long-term financial goals towards where you want to be in the future. Understanding all of the factors in your plan will help you stay on track.

Review Your Financial Situation

First, get to know your finances. It would be best if you had a clear understanding of your financial situation. This includes the things you need to settle, your money discipline, and your financial goals. Recognizing where you're currently at is the first crucial step in helping you build a sound financial plan.

Investing

Investing can be pretty complicated, especially if you have zero knowledge about the industry. For this one, a financial planner can help you determine the right mix of assets you need to create your personalized investment portfolio. These assets will be defined based on your conversation and geared entirely towards your goals, timeline, and attitude towards risk.

Budgeting and Cashflow

You can start to budget by noting your essential vs. non-essential spending and creating positive cash flow every month. Your actual expenditure is what you NEED to spend, while your non-essential expenditure is expenses you don't

necessarily need. Review your costs and figure out what is essential and what is not. Once you sort the two-out, you can now plan for your future.

Retirement Planning

Is your retirement savings enough? How much should you save for your retirement? You can start asking yourself these questions when you map out your retirement plan. With this in mind, you should tailor your financial plan towards the kind of retirement you want to have in the future.

Managing Debt

It's not uncommon for Americans to have some debt, whether it's credit card debt, personal loan, or student loan, these kinds of debts can either make or break you. So it's essential to understand that having excellent debt-management skills can help you gain more control over your finances.

If you're someone who needs help in managing your debt, the first thing to do is figure out how much you owe. This way, with the help of your financial planner, you can come up with a solid plan on how to manage and consolidate your monthly payments so you can pay off your debt sooner.

Risk Tolerance

Simply put, it's the level of risk you're willing to accept in pursuit of achieving your financial goals. May it be in a significant purchase or any investment, please remember that you should always find the right balance between potential and threat.

Step 02: Track Where Your Money Is Going

The next thing you should do and probably the most crucial step in creating your solid financial planning is to track where your money is going. You must know where your money goes (expenses/savings) and comes from (income) each month. Doing your budget tracker doesn't need to be complicated~ Think of it as a money guidebook that you update every month. You can do this by:

- Tracking your expenses and income in a journal
- Using a spreadsheet and budgeting template
- Utilize a free budgeting app that helps you track your cash flow

To make sure that you stay on top of every expense you make, constantly update this on a monthly or weekly basis. With this information, you can come up with a better financial plan in the future.

Step 03: Set Realistic Financial Goals

Once you're earnestly tracking your cash flow, it's time to start thinking about the future you want to be in and how to meet your goals realistically. Ask yourself this question:

"Where do I want to be ten years down the road?"

Setting specific goals like *owning a house with a mortgage half paid off or building college funds for my kids* helps to stay on track with your financial plan.

Step 04: Start Saving Now!

Once you set your personal financial planning goals, start saving for your long-term goal or a potential financial crisis. To do this, you will need to review your cash flow, then start saving in one of two ways:

Cutting Expenses

Determine where you might be spending too much. For example, are you allocating an unreasonable amount of money to entertainment? Do you have to

pay off your car or mortgage? How about monthly allocation on food and groceries?

It's essential to look for ways to build your saving and balance your expenses. The ultimate goal isn't to get rid of your leisure but control your spending and build up your savings.

Increase Your Income

One way to save more money is by increasing your income; there a few ways to do it, such as asking your boss for a raise, company hop, shift to a high-paying career, applying for a side hustle, or taking on a second job. Whatever you've come up with, make sure that your extra income is put into your savings.

Having the right kind of mindset and incorporating principles of money management can help you push through this.

Step 05: Build a Portfolio into Your Financial Plan

While you save for your short-term financial goals, a longer-term financial plan should be considered as well, such as retirement. This long-term goal will be one of your most significant life expenses, and it needs to hold a prominent place in your financial plan.

Whether you cut expenses or increase your income, the key to investing is to do it consistently over the long term. So why not start with as little as \$50 a month and then increase whenever you can?

The easiest way to build an investment portfolio for new and seasoned investors alike is with mutual funds. You can easily find mutual funds that match your particular risk tolerance, and they're great to spread out your investment risk. Mutual funds also provide professional money management – and that's a great idea if you don't have the time (or expertise) to go it alone.

Step 06: Create Financial Plan Exit Strategies

In every savings and investment goal in your financial plan, you should have an exit strategy to match it. What's an exit strategy, you ask? Let me elaborate on this with its two components: how you allocate that money and access it.

For example: Within ten years, you want to buy a home; this means you will need to reduce money towards your investment portfolio and add more money to your short-term account.

When you purchase a home, make sure it's easy to withdraw your down payment. Research the additional fees and penalties that could reflect on your account.

Another example is if you're going to allocate money for your child's education or retirement, be sure to have an exit strategy. Consider an estate plan for your heirs, too.

Step 07: Keep Track of Your Financial Plan

The financial planning steps listed above aren't a "one-and-done" kind of system. It would be best if you always kept tabs on your finances.

- Have your goals changed?
- Has your income or debt gone up or down?
- What are your current family needs and health?
- How have your investments performed?

Depending on the circumstances, it may make sense to review your financial plan quarterly. However, don't confuse your long-term goals (retirement) with short-term ups and downs in your personal life when you do so. More simply, don't change your financial plan without looking at the entire picture.

Step 08: Ask an Expert and Find Out What They Can Do For You

Your Financial Planner will be your **Right-Hand Man** in piloting your finances through every stage of your life. Aside from helping you design a sound financial plan, he will monitor and adapt as your life changes. Choosing the right financial planner for you significantly changes the outcome of your growth.

Join in The Conversation and Take the First Step

Your financial planner or right-hand man will use this time to get to know you, your partner, and your family. Since there are many factors to consider in creating a plan, you must pick the right financial advisor that understands you and your financial situation. They will ask you questions about yourself to uncover your financial needs, priorities, and what you're looking for in the future.

Putting Your Plan into Action

Once you and your financial planner have created your plan, your right-hand man will take the necessary steps to kick-start your plan into action. Each step is essential for you to achieve your financial goals.

Evolving Your Plan as Your Life Changes

Having a financial planner is an ongoing relationship that you should nourish throughout your life. After your initial meetings, you can agree on how frequently you want to stay in touch to ensure your plan matches any significant changes in your life.