

Making Your Financial Plan

Your Financial Plan

- Six steps are involved in creating your personal financial plan
 1. Establishing your financial goals
 2. Considering your current financial position
 3. Identifying and evaluating alternative plans
 4. Implementing the best plan for your goals
 5. Evaluating your plan
 6. Revising your plan

Establishing Your Goals

- Financial goals can be whatever you want them to be
- Some examples are saving for a down payment on a house, paying down debt, improving your credit or saving for a car
- When identifying your goals, you need to be specific and realistic

Establishing Your Goals

- When deciding on your financial goal, it is important to know the specific amount of your goal
- Using a financial calculator may help you determine the exact dollar amount for your goal
- This helps your financial goals to be realistic and achievable
- Financial plans that are unachievable or unrealistic usually end up abandoned

Establishing Your Goals

- It is also important to identify a timeline for your goals
- Whether your goal is short term (months to 5 years) or long term (5+ years) influences what your financial plans look like
- The most ambitious the goal, the more ambitious your financial plan may need to be

Considering Your Current Financial Situation

- Your current financial situation is one of the most important factors in establishing your financial plans
- A person with very little debt and many savings can be drastically different choices than someone with a lot of debt and no savings
- Similarly, a single person with no dependents may make different choices than a couple with children
- It is important that you are honest and realistic with your financial situation

Alternative Plans

- It is important to identify many different financial plans that could help you reach your goal
- Once you have done this, you can then select the best financial plan for your situation
- Different plans may require different levels of discipline - be honest with yourself about what you plans you can stick to!

Selecting the Best Plan

- In order to decide whether or not your plan is a good fit for you, there are a few things you may need to consider
- You must decide if you are comfortable with the level of risk in each plan
- You also must decide how disciplined you will be when following your financial plan

Evaluating Your Plan

- Once you have selected and implemented the best plan for you, it is important to make sure that your plan is working for you
- Ideally, you should evaluate your financial plan once a year
- Somethings to consider: Are you moving towards your financial goal? Have your priorities changed?

Revising Your Plan

- If you find that your plan is not working to your best needs, you may need to revise your plan
- If your plan is too restrictive, you may need to find another plan that allows for more flexibility
- As you age, your goals may also change. Perhaps you now need to plan for two incomes or dependents