WHAT IS A FINANCIAL PLAN?

A financial plan is a physical document as opposed to general goals.
The document is a detailed plan that covers:
- **Your current financial situation, including any income, debt, savings, assets and investments**
- **Your long-term financial goals and your timeline to meet them**
- **Your detailed strategy to reach those goals on time**
- **How you plan to use your money once you reach your goal**

A financial plan is not a loose outline, it covers everything, making your plan as realistic as possible.
It is personal to you. It takes into account your personal situation (if you're married, single, have children or other dependents), risk tolerance, commitments and any other aspects of your life that can influence your finances.
One person's plan will not look like another's.
It is meant to create a path that will lead you to your ultimate financial goal.

HOW TO MAKE A FINANCIAL PLAN

It takes a bit of time and calculations to create a financial plan.
A financial adviser can help you do it, here are a few things to consider beforehand.

Gather data

To start creating a financial plan, you must gather data.
It will not work if you do not know how much money you have, where your money is coming from and where it is going.
It is a good idea to review all utility bills, credit card statements and spending habits.
You can do this in minutes using a free money management tool.
Drop your data into a spreadsheet, it doesn't need to be fancy.
The pen and paper approach also works.

Prioritise what you want to accomplish

Realistic and important financial goals might be to pay down debt, to own a home, or build a retirement plan. In fact, you may want to do all of those things.
Whatever your goals are, write them down and prioritise the most urgent and important to you. You may have short term and long term goals.
Some financial plans take months, years or decades to reach, so be realistic about how much time you think you should take to reach them.
You may want to have a separate document for short and long term plans. It is also a good idea to make a list that makes it easy to add or remove goals as you go.

Plan the steps you need to achieve goals

Now it's time to create a comprehensive plan to meet your goals and put it into action.
There is a good chance you will need to make adjustments to your spending which may not be easy, but if you stick to your plan you should achieve your goals in due course.
While some smaller goals can be reached by simply putting aside a certain amount of money each month, this is not the smartest or fastest way to grow your wealth.
That's why most financial plans will include all or some of these elements

Retirement planning

No financial plan is complete without a retirement strategy.
Just like paying off debt, putting money aside for your retirement will be crucial over time.
When you retire you will need a retirement income.
There are government schemes and personal plans that help you build up your retirement fund as well as workplace schemes.

Debt consolidation

In your financial plan you should clearly state how long it will take you to pay off any debt and how much you expect to put aside for it. Paying down debt is often a priority as debt is costly and the interest payments can eat away at your savings. If debt is overwhelming, there are options to ease the burden such as a 0% balance transfer cards or debt consolidation loans.

Budgeting

Spending less is the first step towards saving more. Depending on your goal this may mean anything from less shopping to moving to a new home with a lower rent or mortgage.

Investing

Putting money into a savings account is not the best way to reach financial goals because it earns little to no interest, it could even lose value as inflation rates rise.

If you build a financial plan that includes leaving money in a no-interest or low-interest savings account, you will see that it takes much longer to reach your goal than if your money is earning even 2% interest in an investment somewhere else.

There are many ways you can earn much more than 2% interest.

Building an investment plan is usually fundamental to long-term savings goals, it can seem overwhelming if you haven't done it before but getting started can be fairly easy.

Some firms will manage your investments for you for a low fee, and if you want to take more control you'll find many cheap and free sites designed to help beginner investors start small and learn the basics.

Tax planning

A tax reduction strategy should be planned early on to minimise future taxes on income and any profits.

The tax basics can be found on the UK government website, but it is often worth speaking to a financial adviser about how these might impact your plans and how you can best navigate them.

Similarly, you may want to think about an estate plan so that your heirs can avoid the worst of inheritance tax.

Emergency fund — Make sure to include building an emergency fund in your tax plan.

This is a fund you build over time to cover unexpected expenses such as job loss or emergency repairs to your property. Emergency fund money should be set aside in a specially marked and easily accessible account, like a savings account with your bank, and is always ready in case you need it. Having an emergency fund means you won't have to withdraw any investments or delay your bigger financial goals.

Flexibility

There's only so much predicting you can do as to what will happen in your life and when, so your financial plan should start with consistent items like your rent, mortgage.

Make sure you think about how that will change in the future. Financial plans are typically flexible, allowing for any possible life changes or unforeseen events.

This could encompass an extended hospital stay, a marriage, the birth of a child, a move, a new job and more.

A number of dedicated savings tools are available in the UK for such events that you may want to add to your plan.

For example, if you have children , you may want to adjust your financial plan to include their financial future with tools such as a Junior ISAs. Invest throughout their childhood and the money and any profits become available to them tax free at 18.

If your goals include home ownership and retirement, the Lifetime ISA lets you save up to £4000 per year towards those goals, which the government tops up with an extra £1000, giving you a maximum savings in this account of £5000 each year. Be sure to also put money aside for bigger one-time expenses like a wedding.

Implement your Plan **Adjust your Plan**

Talk to a Financial Adviser

Our financial advisers can help you create and stick to a personalised financial plan, and they can give you some tips for savings and investments along the way. Our advisers can also arrange reviews which may help hold you accountable to your goal, as well as making quick updates to your plan due to a change in your circumstances but aren't sure how to make the appropriate adjustments.

www.manningandco.co.uk

MANNING & COMPANY