Building a Financial Plan

With a little prodding, chances are most people would admit their finances could be better organized. For instance, they may not know whether they have enough life insurance, or even what kind is best for them. They may not be sure they're getting the highest possible return or even whether they've made the right investment decisions. In short, they need a financial plan.

Building a financial plan is the first key step in organizing your finances and making sure you're on track to meeting your investment and lifestyle objectives. A properly developed financial plan can help you set your priorities and allocate your funds accordingly.

There are many things to consider while working on your plan. It's a good idea to start by getting a clear picture of your present financial situation. For instance, determining your personal net worth by adding up all your assets (such as your home and personal property, all savings/cash/ investments) and then subtracting your liabilities (mortgages, loans, and other debts) can help you gauge the amount of insurance you require. It also tells you how much you can borrow against your assets to invest.

You should also figure out your household budget. Add all your income over a given period (usually a month or a year) and subtract your regular, essential expenses. The remainder is money you can allocate for other uses, such as vacations, investments, or personal pleasure.

After making these calculations, you're in a better position to understand how to align your investments to help meet your specific objectives. It's essential at this point to clarify exactly what those objectives are and how much risk you're willing to sustain in reaching them. For example, you should be considering what you are saving for. Is it your children's education? A dream vacation? Your retirement? Each of these will likely have a different timeline. For instance, when do you want to retire? How long until your children are in university or college? Finally, decide how much money you're going to need. In other words, what will your children's post-secondary education cost? How much retirement income will you require?

The answers to these questions will enable you to look at your existing investments and determine whether your funds have been properly allocated. Do you have a relatively large foundation of secure, low-risk holdings? Or is the bulk of your portfolio made up of investments promising higher returns – as well as the corresponding higher risk? Simply put, does your portfolio reflect your financial goals and aspirations? Building a financial plan will help you make these determinations.

Of course, organizing your finances involves much more than these basics. It also includes reviewing your estate plan, any existing investments, and your insurance needs to determine whether you are on your way to meeting your financial goals. Your Wealth Advisor has the necessary experience and expertise to help you focus your priorities, properly allocate your funds among them, and select the specific financial products that will meet your financial objectives.

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