

4 Steps to FUTURE PROOF Your Finances

Key Points

- People often think that a financial plan is only for the wealthy and that it costs too much to create one.
- No matter how much money you have, you can start with a DIY financial plan and all it will cost you is time.
- With a basic plan in place, you can feel more confident about your finances, and when the time comes that you might need the help of a professional, you'll be that much further ahead.

By creating your financial plan, you will know exactly what you need to do to achieve your ambitions in life rather than your goals just being dreams!

So here are your steps to creating your financial plan:

Financial



Step 1 - What is your current situation?

What do you spend your money on at the moment? Create a spreadsheet detailing exactly what you spend each month. Be honest with yourself, don't just list the gas & electric bill, food and petrol, but also leisure costs such as, hobbies, holidays and socialising as these are the things that are important to you. List separately the amount you save into pensions or investments.

Next, detail all your current financial arrangements and their individual details:

- **Mortgage** - Remaining term remaining, outstanding balance, interest rate, interest only or repayment etc.
- **Life or Critical Illness Insurance or Income Protection** - How much cover do you have? What type of cover is it? When would it pay out? Term of the plan? How much are you paying for it?
- **Savings or Investments** – ISAs (cash or stocks & shares), Premiums Bonds, Investment Bonds, Unit Trusts etc. What is the fund value of each? How is it invested? Charges within the contracts? How it is performing?
- **Pensions** – Personal & Company Pensions. What is the current value? What age can you draw it? What type of pension is it? Do you receive a guaranteed benefit? What are the charges within the existing pensions?

Step 2 - Set specific and realistic goals for your future years

Think about 5, 10, 20 years down the line...

Examples:

- I want retire at 65 with £25,000 of income per year
- I want to gift my daughter £30,000 when she is 21 to buy her first house
- I want to pay for my son to do his Masters next year
- I want to travel the world 3 years after I retire (age 68) – this will cost be about £30,000 in today's money



Step 3 - How do I get there?

So now you have some goals to save towards, think about how much you need to save to get there. Then it is a case of trying to make sure your saving amount + monthly spending = income.

I appreciate this is often easier said than done, however, review things like utility bills, sky bills etc. and make sure you are getting the best deal on each of them. Or ask the question, do I really need this?

One point that is very important is even if you can't afford to save the full amount you need to, start saving **something** towards your goal because you are better to get some way there rather than be guaranteed not to achieve it at all.

Protecting you - Having adequate insurance is an important part of protecting your finances. While you're working, Critical Illness Cover or Income Protection helps protect your future earnings and ability to save. Also, you should consider Life Insurance, especially if you have dependents. Review your policies to make sure you have the right type and amount of cover in place and you are also paying the right price for it.

Build up an emergency fund – we recommend 3 to 6 times your monthly income – this saves you dipping into longer term savings if the boiler breaks!

Clear any debt – this is important because it does not make sense to save or invest money when you are paying a higher interest rate on the money that you owe to others.



Start saving for your future and towards those big goals – there are 3 contributing factors that will affect the fund value of your pension or investment:

- Charges
- Investment performance
- The amount you put in

If you reduce charges, improve investment performance and maximise what you can put in, you are making the money you have work as hard as possible.

Tax allowances

Make sure you use all the government tax allowances available to you as by doing so you could save/make yourself some money.

Step 4 - Review you plan

Your circumstances and goals will change, as will what is available in the financial markets, so YOU MUST review your plan at least annually to make sure you are on track to reach those long term goals. It is also a nice reminder of why you are doing what you are doing.

If you would like any guidance on how to create your financial plan then please get in touch with True Financial Design Ltd to book your FREE initial & non-committal consultation, or just call us for a friendly chat and we will be happy to help.

Tax treatment is based on individual circumstances and may be subject to change in the future.

The value of investments and income from them can go down. You may not get back the original amount invested.

True Financial Design Ltd

Tel: 01423 297077 or 01937 338088
Email: hello@truefinancialdesign.co.uk
www.truefinancialdesign.co.uk