



WHAT IS A FINANCIAL PLAN (AND DO YOU NEED ONE)?

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THE IDEA OF CREATING A FINANCIAL PLAN CAN BE OVERWHELMING. YOU MAY BE ASKING YOURSELF WHETHER SUCH A PLAN IS EVEN WORTH YOUR TIME AND EFFORT. BEFORE WE DELVE INTO WHETHER OR NOT FINANCIAL PLANNING IS SOMETHING YOU SHOULD BE CONSIDERING, IT'S IMPORTANT TO UNDERSTAND EXACTLY WHAT THE PROCESS IS ALL ABOUT AND, MORE IMPORTANTLY, WHY IT MATTERS.

Investopedia¹ defines a financial plan as "A document containing a person's current money situation and long-term monetary goals, as well as strategies to achieve those goals."

More simply put, a financial plan is basically a road map meant to lead you to your dreams, goals and aspirations. Whether it's designed to reflect the values of you as an individual or your family as a whole, a financial plan will serve as a benchmark for tracking progress toward your success. It will also provide clarity and insight as to why one financial decision may be better for you than another.

TO SUCCESSFULLY FULFILL ITS PURPOSE, A COMPREHENSIVE PLAN SHOULD INCLUDE THE FOLLOWING FIVE COMPONENTS:

- Tax Planning
- Retirement Planning
- Investment Planning
- Estate Planning
- Protection Planning

As your goals and aspirations evolve your financial plan should be updated over the years. For example, you might initially start out with a plan designed to use up all of your financial assets over your lifetime, but at some point, that end-goal might shift to leaving as much of the estate as possible to your heirs. For most people/families a solid financial plan can and will provide a "peace of mind" that will be important to their successful careers, families, lifestyles and retirement.

A word of caution, though...there are many people and websites out there that offer cookie-cutter plans. The real art of financial planning involves interpreting the data and making it a part of who you are; the ability to know oneself and to develop a unique and personalized plan that eventually becomes a reflection of who you are.

Coordinating and integrating the professionals needed to successfully put together and monitor a financial plan can seem like a very complicated process. Because of this complexity and the necessary commitment, it requires, most people fail to plan altogether. Not because they plan to fail, but because of the misconceptions about what a real plan looks like and what it can and cannot accomplish.

So, is a financial plan something you should consider pursuing? The real question is, what kind of life and future do you envision for yourself and your family? If you have goals and aspirations – financial or otherwise – then mapping out a strategy to get you there is vital. And that's precisely what a financial plan can do.

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¹Kagan, Julia. 2020, Financial Plan, Investopedia. Viewed 14 Sept 2020, <[investopedia.com/terms/f/financial_plan.asp](https://www.investopedia.com/terms/f/financial_plan.asp)>