

# Developing a Financial Plan

## Objective

To develop a comprehensive financial plan to solve financial problems.

## What to Know

Research shows that people with a financial plan are more likely to pay their bills on time and save money each month. Do you have a financial plan? If you don't, this worksheet will help you create one.

You can develop a plan yourself including the eight critical components every plan should include:

- 1. Financial goals.** The first step of developing a plan involves deciding what you want your money to accomplish for you. Weigh the importance of each goal, ranking them by needs, wants, and wishes.
- 2. Net worth statement.** Your plan needs a baseline, so determine your net worth. Try not to be discouraged if your liabilities are greater than your assets. That's not uncommon.
- 3. Budget and cash flow planning.** Your budget is essential because it helps you determine where your money is going and where you can cut back to meet your goals. Use the 'Budget' worksheet if you need help with this, or any number of online apps including Mint, You Need a Budget (YNAB), PocketGuard, Personal Capital, or Honeydue.
- 4. Debt management plan.** Remember not all debt is bad debt. A mortgage, for example, can help build equity—and boost your credit score. But high-interest consumer debt like credit cards can sometimes negatively impact your credit score. Also, every dollar you pay in finance charges and interest is one you aren't putting toward your financial goals.
- 5. Retirement plan.** An old rule of thumb says you will need approximately 80% of your present income during retirement. However, this might not be accurate. If you are saving 20-30% of your pre-retirement income, then the 80% income-replacement rule is a good place to start. Otherwise, it might be best to save 100% of your pre-retirement income. There are always exceptions, so you might want to fine-tune your retirement budget or seek help from a financial advisor.
- 6. Emergency fund.** When something unexpected happens—you lose your job or have an unexpected medical expense—an emergency fund can help you make ends meet. It is a good idea to save enough to cover *at least* three months' worth of essential living expenses (e.g., food, housing, utilities).
- 7. Insurance.** In general, you want to consider:
  - Health insurance—medical bills can set you back tens of thousands of dollars. As you get older, you might also want to consider long-term care insurance.





	<b>Total:</b>

**Assets**                    \$ \_\_\_\_\_

minus **Liabilities**       \$ \_\_\_\_\_

equals **Net Worth**     \$ \_\_\_\_\_

Are you satisfied with your net worth? Why or why not?

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If debt is a concern, what can you do to manage it? Be specific.

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Developing a healthy financial plan has many elements, so you must know what you need to do and when you need to do it. Review the list below and note what action you need to take for each item and add a date for completion.

Item	Action Needed	Action Date
Budget		
Will or Estate Plan		
Debt Reduction Plan		
Tax Reduction Plan		

Emergency Fund		
Retirement Plan		
College Funding (if applicable)		
Charitable Giving		
Health Insurance		
Life Insurance		
Disability Insurance		
Long-Term Care Insurance		
Homeowner's/Renter's Insurance		
Auto Insurance		
Identity Theft Insurance		
Refinance		
Other		
Other		

