

A decorative graphic consisting of three blue circles of varying sizes, each with a darker blue center and a lighter blue outer ring. These circles are connected by thin blue lines that form a triangular shape, with one line extending from the top-left corner towards the center, another from the top-right corner towards the center, and a third from the bottom-right corner towards the center.

Financial Planning

Cycle of Financial Planning in one's life

Financial Planning

A **financial plan** is a comprehensive evaluation of an individual's current pay and future financial state by using current known variables to predict future income, asset values and withdrawal plans. This often includes a budget which organizes an individual's finances and sometimes includes a series of steps or specific goals for spending and saving in the future. This plan allocates future income to various types of expenses, such as rent or utilities, and also reserves some income for short-term and long-term savings. A financial plan is sometimes referred to as an investment plan.

Financial planning helps you determine your short and long-term financial goals and create a balanced plan to meet those goals.

Process cycle of Financial Planning:



10 powerful reasons why financial planning is important:

1. **Income:** It's possible to manage income more effectively through planning. Managing income helps you understand how much money you'll need for tax payments, other monthly expenditures and savings.
2. **Cash Flow:** Increase cash flows by carefully monitoring your spending patterns and expenses. Tax planning, prudent spending and careful budgeting will help you keep more of your hard earned cash.
3. **Capital:** An increase in cash flow, can lead to an increase in capital. Allowing you to consider investments to improve your overall financial well-being.
4. **Family Security:** Providing for your family's financial security is an important part of the financial planning process. Having the proper insurance coverage and policies in place can provide peace of mind for you and your loved ones.
5. **Investment:** A proper financial plan considers your personal circumstances, objectives and risk tolerance. It acts as a guide in helping choose the right types of investments to fit your needs, personality, and goals.
6. **Standard of Living:** The savings created from good planning can prove beneficial in difficult times. For example, you can make sure there is enough insurance coverage to replace any lost income should a family breadwinner become unable to work.
7. **Financial Understanding:** Better financial understanding can be achieved when a measurable financial goals are set, the effects of decisions understood, and results reviewed. Giving you a whole new approach to your budget and improving control over your financial lifestyle.
8. **Assets:** A nice 'cushion' in the form of assets is desirable. But many assets come with liabilities attached. So, it becomes important to determine the real value of an asset. The knowledge of settling or canceling the liabilities, comes with the understanding of your finances. The overall process helps build assets that don't become a burden in the future.
9. **Savings:** It used to be called saving for a rainy day. But a sudden financial changes can still throw you off track. It is good to have some investments with high liquidity. These investments can be utilized in times of emergency or for educational purposes.
10. **Ongoing Advice:** Establishing a relationship with a financial advisor you can trust is critical to achieving your goals. Your financial advisor will meet with you to assess your current financial circumstances and develop a comprehensive plan customized for you.