

What Is Financial Planning?

We all have dreams of what we would do if we had the money. Financial planning is the link between having the dreams and making them a reality.

The first step is to create your financial goals. While there are some standard goals that apply to all, such as saving for emergencies, retirement and health costs, there are also personalized goals, such as college savings or a vacation fund. Write down your financial goals and then prioritize them. Typically you would start with emergency savings, then health costs and retirement followed by your personalized goals. You also need to factor in appropriate insurance needs for your situation.

Now that you have your goals, it's time to understand your financial situation – how much are you taking in and how much are you spending? This will help you determine a budget and how much money you can save toward your goals – this is part of your financial plan. When figuring out where to divide your savings amount, make sure you factor in any incentives you may have for saving, such as an employer match for retirement or health savings, which could help you reach your goals faster.

Once you've determined where and how much to save, it's time to put the plan into action and stay the course. Some of your goals will be long-term, like retirement. Others are short-term, like a vacation fund. Once you reach that goal, you can then shift that savings amount toward another goal.

You will also want to periodically revisit and possibly change your financial plan, for example, if you get married, become a parent or there is a change to your income.

Start working on your financial plan today to help get closer to making your dreams your reality. For a comprehensive financial plan, you may want to work with a professional. Check your benefits website to see what options your employer may offer. Or if you search for a financial planner, make sure they have the Certified Financial Planner designation and ask how they are compensated.

Source: Alight Solutions