

How to plan your money – in six simple steps

These steps will help you to plan your money and connect it to what matters in your life – your goals for yourself and your loved ones.

You can learn more in our video, *'How to plan your money, in six simple steps'*, which is viewable via the Portal.

Step 1: Get a map of the territory

The significant financial planning challenges you might face in life are listed below. You won't need to deal with all of these at once. But you do need to tackle them in this order.

Your financial plan should:

- [] Ensure that your loved ones are financially secure (and equipped to deal with your estate) if you were to die prematurely.
- [] Ensure that you and your loved ones are financially secure (and equipped to help you and deal with your finances) if you become unable to work (or look after your family or home) due to an accident or illness.
- [] Provide enough accessible savings to cover short-term emergencies.
- [] Pay off any credit card or other expensive debts you have.
- [] Repay your mortgage before you retire.
- [] Build a fund of money to escape (or slow down) from work in the future.
- [] Build funds for other life goals, like helping a child through college, taking an extended holiday, or a year off to write a book or start a business.
- [] Only use Investments if appropriate and aligned to your attitude and capacity for risk.
- [] Generate a sustainable income from your pensions or investments in retirement.
- [] Avoid unnecessary taxes (Income, Gains and Inheritance) if these are an issue for you.

Step 2: Start with the end in mind

For each challenge you identify in step 1, you'll need to decide a date for when you want to have achieved this goal. And for your fund-building goals, roughly how much money you'll need in today's money terms.

Step 3: Check if your plans are on track

To check if your plans are on track requires number-crunching the projected values of your various assets and debts and some modelling of different scenarios too.

Just ask if you need help with this; *we don't currently charge for this type of work.*

Step 4: Adjust your plan, if you need to

Explore how to fill any shortfalls in your plan, and **don't worry**, most people have some. Solutions for your fund-building goals could include: reducing the charges on your money, boosting your investment returns, gaining tax reliefs (or free money) from the government or your employer on particular investment and savings plans.

If that doesn't get you on track, scale back on your goals a little, save more towards them, or defer some time-flexible goals until you've built up the funds that you need.

Step 5: Plan for the unexpected

This step is about re-inforcing your plan against unexpected and unpleasant events. Think how you or your loved ones would be affected if you were unable to work for an extended time or you were to die prematurely from an illness or accident.

Also, consider how your plans might be affected by a stock market crash or a steep rise in mortgage interest rates, for example.

We can model these scenarios and advise you on strengthening your plan if you need to.

Step 6: Turn your ideas into actions

Finally, step six is about translating your well-planned ideas into actions – which might include changing some spending habits alongside setting up the savings, investment, and insurances you need.

A critical part of this step (and our service) is product selection - to ensure you avoid excessive charges while having the fund choices, investor protections and (if applicable) the insurance coverage you need. And we recommend you take professional advice in this area.

Conclusion and Important notes

Having a financial life plan that you know is on track will allow you to relax and get back to what interests you more. So, follow these six steps to develop your plan.

You'll only need to review it once a year or at significant times in your life.

This information is provided for educational purposes only. If you need help with these or any other financial planning question, contact one of our [financial coaches](#).