John Labunski - Steps to create a personal finance plan

Plano, Texas May 2, 2022 (Issuewire.com) - Developing a personal finance plan each year is the key to having a financially calm present and a financially secure future.

An annual plan serves as a strategic approach to define objectives and, at the same time, design the process to achieve them.

Much is said about the advantages of saving and the advantages of investing, but what you need to start planning is how to distribute your income and establish and meet your goals are useful personal finance tips that will help you make smart decisions about managing your money.

Let's start by defining what an annual personal finance plan is: it is a guide that will help you determine your current financial position, what your future goals are, both in the medium and long term, and what areas or problems you need to address to that you can meet those goals.

The plan covers all aspects of your financial life, from your spending, saving, and investing to your tax returns and retirement plan.

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Elements of the annual financial plan

Your starting point in developing your plan will vary based on your age, income, debt, and assets, but most of the time the most important components of an annual financial plan are the same.

At a minimum, you should consider the following:

Major Life Events

Reaching certain milestones, like getting married or having children, are obvious reasons to change your financial plan.

If you have young children, for example, you should think about how to incorporate saving for their higher education into your plan. But if you're in your 20s and recently married, your immediate goal may be more about saving for a down payment on your first home.

Analyze what stage you are in and what your context is. Take into account everything from your current income and prospects for advancement, or even potential financial instability in the immediate future. Being realistic you will be able to elaborate a financial plan that you can fulfill.

Retirement and Investment

Saving for retirement should be a priority at any age, but unfortunately, it's being thought of too late. The reality is that the younger you start saving for retirement, the faster your principal will grow due to accrued interest.

As you build your financial plan, you should review your retirement savings options and determine how to use them to your best advantage. For example, if you have a retirement account, ask yourself if what you save in it is the right amount to maintain your standard of living in retirement, or if you need to make voluntary contributions.

Once you have a sufficient amount of savings, it is time to consult a financial advisor who will help you determine which instruments are best for you to invest in depending on your goal, your age, and your tolerance for financial risk.

Each year, take an inventory of the types of accounts you have, what their balances are, and their yields. This obviously includes both retirement accounts and any other investment accounts you may have.

Beyond looking at where your retirement money is being invested (and how much you have saved), you should also consider how your assets are allocated and what you're paying in fees for those investments.

If the decrease in your profits is important, consider changing your investment fund or brokerage firm, replacing them with something that allows you to keep more money.

Taxes are another consideration if you have investments in a taxable account. If you have sold any security in the last year registering a benefit, you must be prepared to pay the corresponding tax when presenting your annual declaration.

Saving for emergencies

Although saving for retirement is a big part of financial planning, don't leave out your other savings goals, like having an emergency fund.

If you don't yet have an emergency savings cushion, or yours isn't as big as you'd like, start one or beef it up. These are items you should add to your financial to-do list as soon as possible.

Financial planning tools

The right financial planning software can make managing your money easier and less stressful.

If you're using a software program now, consider whether it actually meets your needs. Find an app that truly meets your requirements and truly fulfills your expectations.

Between the many free personal finance budgeting apps and those that charge a small subscription fee, you're spoiled for choice with the one that works best for you.

Savings goals for the next year

An annual financial plan takes into account your past and present, but it should also include your outlook for the future.

At this point, you should be able to identify what you want to accomplish in the next 12 months, in terms of what you want to save and where you want to put that money.

Start with the total amount you want to save, and then break it down on a monthly or weekly basis so you can more easily reach your goal.

This is also a good time to look at where you can put money away to help you have more money for future scenarios.

Balance sheet

Creating an annual **financial plan** may take a bit of time and may leave you facing some financial realities you've been avoiding, but it's worth doing in the end.

Once you finalize your plan, you can start taking specific steps to make sure your financial life is in order and running smoothly.

Developing a financial plan does not depend on your income level. High, medium, or low, you must put your finances in order to make the most of your available money.

Manage your personal finances intelligently so that you don't have to face moments of instability in the present and in the future, and remember that the longer your savings and investment time are, the greater your earnings will be.

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