

Personal Financial Plan

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What is a personal financial plan?

Personal Financial Plan (PFP) is a personal or family plan of action individually designed to achieve particular financial goals (such as apartment, car, education, etc.), including the selection of suitable loan, investment, insurance, pension or other financial products.

PFP provides a rational strategy for achieving financial goals through well-chosen investment, insurance, pension or loan products, based on financial condition of an individual or a family.

A financial plan can be drawn up for a single person and a family, depending on personal wishes.

It is important to carry out regular adjustment of personal financial plan, depending on the changing facts. The adjustment can be made according to your desire, but you should review the plan at least once a quarter, so that your plan is always kept updated.

PFP is a very important financial document.

PFP provides answers to the following types of questions:

- 1) How much are all your assets at the moment of your plan's validity?
- 2) How to improve the current situation?
- 3) At what age do you intend to leave work?
- 4) *What is the size of monthly payments would be at this point?*
- 5) What financial objectives (goals) are going to be solved in the next 10-20 years (the approximate financial planning horizon)?
- 6) Your personal investment strategy.
- 7) ***Where do you need to invest monthly to reach a purpose.***

Plan - is a model of your future. The plan also allows creating a kind of system that would help you monitor and control the actions taken on the way towards your goals. The plan allows you to assess the situation at every moment of time and see whether you are moving towards your goals or standing still. If you are standing still, you need to change your actions.

How to create a PFP

Creating a PFP follows six basic steps:

- 1. Determine your current financial situation**
- 2. Develop your financial goals**
- 3. Identify alternative courses of action**
- 4. Evaluate alternatives**
- 5. Create and implement your financial plan of actions**
- 6. Review and revise your financial plan**

It is necessary to calculate the current cash flow, by not just using income and expenses categories, but breaking them down into sub-categories. Revenue and expenses – these are our starting point of drawing up the plan. The calculations can be done on a PC in Excel format, which allows checking your daily income and expenses. Either you may use a cloud service like “Google Drive” or “Dropbox” which enables recording the data without being connected to your PC at home or office but allows you using any computer connected to the Internet. There are also a lot of free Apps for mobile phones at your disposal.

Once you fill in your current income and expenses for the first calendar month, it is necessary to analyze the data and draw up a financial plan. This should be done monthly or quarterly, and on annual basis, too. You need to work out the periods for analysis yourself.

Generally, your alternative courses of actions will fall into one of two categories: reallocating existing resources or generating new ones. Existing resources can be utilized by earmarking current savings or shifting current allocations. Generating new resources may require changing jobs to improve your wage outlook, taking on additional hours or investing your savings more aggressively to generate higher rates of return.

Once you’ve gone through the effort of creating your plan, discipline is paramount. After mapping your path to your goals, it important that you follow that path. Be conscious about establishing actionable steps to success that should be taken, when creating your plan. Having concrete steps in mind will help you ensure you are doing what you need to do to stay on track to accomplish your goals.

The final step in developing a personal financial plan is perhaps the most important. You may have done everything with your due diligence at each step along the way and created a solid financial plan. However, one fact remains unchangeable: life happens. For this reason, it is important to review your plan on a regular basis and revise it if needed.

Literature

https://www.missouristate.edu/assets/reallife/Creating_a_Personal_Financial_Plan.pdf

<http://chelmagaz.ru/chto-takoe-lichnyiy-finansoviy-plan/>

<http://akonev.com/uchimsya-sostavlyat-finansoviy-plan/>

<http://www.ypensioner.ru/chto-takoe-lichnyiy-finansoviy-plan>