First Advisors

Key Financial Planning Items to Know

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Aligning your investments with your financial goals can be a stressful task. The financial planning process is complex, problematic, and often challenging to understand. However, there are three key pieces of information that you should consider to help you better understand your current financial position.

Clearly Defined Financial Goals

First, the most important step in the planning process is to establish clear and precise goals. Every element of the financial plan will be built around your individual objectives. When you create a financial goal it should include a Purpose, an Amount, and an expected Time until completion. For example, your goal may be to pay for your child's college education. Your purpose is to pay four years of college tuition, the amount could be estimated based on average annual tuition, and the time would depend on the current age of your child. Now that the goal is clearly defined, the decision of where to put that money becomes much easier. Establishing goals gives you a better idea of how much you need to save, the rate of return required, and when you need to start saving.

Cash Flow Statement/Budget

Next, your cash flow statement will reveal your cash receipts and disbursements over a specified period of time. Creating a monthly budget is typically recommended as most major expenses, such as your mortgage, are paid on a monthly basis. Your budget should include all sources of income, fixed expenses, variable expenses, and contributions to any investment accounts. There are a number of online budget templates that can help you create your own Cash Flow Statement. Your Cash Flow Statement reveals your pattern of spending, saving, and investing. It also shows you where you are currently allocating most of your resources and help you determine if your money is currently going towards the goals you have defined, as discussed in the previous paragraph.

Statement of Financial Position

Finally, your Statement of Financial Position is where you list all of your assets and liabilities. **What do you own and what do you owe**. Retirement accounts, savings accounts, mortgages, credit cards, and auto loans are all examples of items that should be listed. The Statement of Financial Position is typically a specific day's snapshot of your accounts since balances frequently change. The statement paints a picture of everything you have and may help you identify liabilities that you want to pay off.

In summary, define your goals; look at your budget to find out where you are currently putting your money; develop a plan to add to your assets and pay off your debts so you can achieve your financial objectives. Creating these three documents will give you a better understanding of where you are financially. To be sure you are making good financial decisions, always seek professional advice.

Best,

Richard Price
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