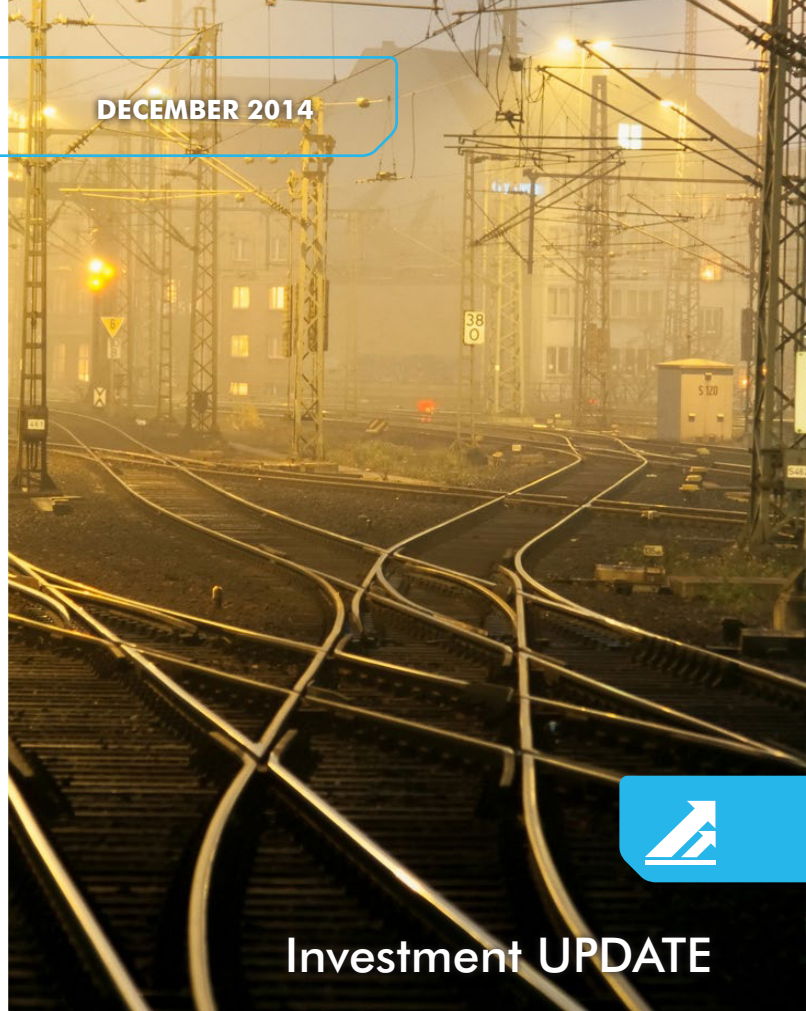




Teachers Financial Planning

Lifestyle financial planning

This guide explains the process of creating and working to a financial plan that's tailored to your lifestyle and life goals



Investment UPDATE

Lifestyle financial planning takes a holistic approach to your life and finances. Rather than just looking at specific products, financial planning looks at where you are in life and what you want to achieve, before creating a financial roadmap to help you get there.

Setting goals

The first stage of lifestyle financial planning is to set goals. Not necessarily financial goals, but what you want to achieve in general over the short, medium and long term. It is important to take your time over this. It can seem a daunting task at first, but start by brainstorming a few ideas. Examples might include:

- getting rid of credit card debt
- starting a family
- buying a new home
- changing career
- starting a new business
- sending your children to private school or university
- travelling.

Once you have started compiling ideas you can start to group them into timescales.

- Short term – within 5 years
- Medium term – between 5 and 10 years
- Long term – more than 10 years.

If you have a partner, it is important to run through your goals with them to ensure they are achievable and that they agree with you.

Costing the goals

Once you have set some goals, it is on to the slightly trickier task of working out roughly how much it is going to cost to achieve them. It may seem difficult, particularly for long term aspirations, and you don't need to come up with exact figures at this point. But without working out how much your goals are going to cost you, you can't know how much money you will need to save in the intervening years.

Don't forget to take inflation into account when working out your costs, as that can make a big difference to the actual cost.

Where are you now?

Before you can start on your journey to achieving your goals, you need to take stock of where you are at the moment. Key factors to consider include:

- Your net worth – the difference between the assets you own and what you owe
- Your income and expenditure.

Calculating your net worth

This is a useful exercise as it involves getting all of your finances down on paper. Begin by listing out all of the assets that you own. Make sure you include:

- your home
- savings
- investments
- pensions
- other valuable assets.

Then write down all of your debts, including:

- your mortgage
- any other loans



Lifestyle financial planning

- credit cards
- hire purchase arrangements.

Your net worth is the difference between the two. This is the figure that you will be looking to improve over time. It may well be negative to begin with but your lifestyle financial planning will help to change that.

Income and expenditure

Working out your net worth will help you to understand the bigger picture and so will getting to grips with your income and expenditure. Understanding your income is fairly straightforward as it includes your income from employment or self employment, any profits or drawings, interest or dividends on savings and investments, state benefits and income from pensions.

Working out your expenditure can be trickier and involves spending time going through your bank statements and receipts to understand what you are spending your money on. It may take time initially but, once you get into the habit of observing what you are spending your money on, it will be easier to see where you can afford to make some savings and cutbacks.

It is your disposable income (the difference between your income and expenditure), as well as your net worth, that you will be aiming to increase through lifestyle financial planning.

Increasing your disposable income

One goal that we can be fairly sure most people will agree on is increasing the amount of disposable income available to them. Understanding what you are spending your money on is a good place to start. From there you can start to make cost reductions by:

- reducing unnecessary spending
- reducing your credit card debt
- avoiding getting in to debt if possible.

There are hundreds of ways to reduce the amount you spend but any reductions will be most effective when tailored to your specific spending, income and lifestyle.

You could also consider ways to increase your income as a means of having more disposable income. Tactics could include:

- taking on extra evening or weekend work
- seeking a promotion or higher paid job
- renting a room in your house (HMRC lets you receive rent of up to £4,250 a year without paying tax)
- checking your eligibility for state benefits.

Preparing for the worst

Life can be unpredictable, which is why contingency planning plays an important role in lifestyle financial planning. From setting up an emergency cash fund, to having the right insurance in place, there are a number of steps that should be taken as part of financial planning.

Emergency fund

What would happen if you were suddenly unable to work? Would you be able to survive financially? It is always advisable to build up an emergency cash fund that you can access immediately if needed. At least 3 months' worth of outgoings should ensure you are able to keep afloat in unexpected circumstances.

Insurance

It's not just you that your financial planning affects. Your dependents could find themselves unable to pay the bills if something happened to you. This is where

life and health insurance policies come in and can ensure that the mortgage would continue to be paid if the worst were to happen.

Writing a Will

A Will allows you to decide who receives your assets when you die. If you die without making a Will, your belongings will be distributed according to intestacy law, which may not be as you wish.

Your financial plan

Once you have established your goals, where you are at the moment and taken into account essential contingency planning, you should be ready to start designing your financial plan.

For each goal that you decide to focus on, you will need to decide how you are going to achieve it. This could be anything from reducing your outgoings to transferring savings to a different account that has the potential for higher yield.

Write your goals and strategies for achieving them down. This will help you to make them a reality. Achieving an objective and crossing it off your list can be a powerful incentive to work towards your next aim.

But it doesn't end there...

The key to successful financial planning is keeping on top of it and reviewing your goals and strategies as your circumstances change. Make sure you have regular contact with your financial adviser who can ensure that your plan changes with your needs and adapts to the economic climate.

We can help

If you're not sure where to start, we can work with you to create a personalised financial plan that is tailored to your lifestyle and ambitions. Please contact us to arrange a meeting.

Important Notice

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. You should not make any investment decisions based upon its content. FCA regulation applies to certain regulated activities, products and services, but does not necessarily apply to all financial and lifestyle planning activities and services.

Whilst considerable care has been taken to ensure that the information contained within this document is accurate and up-to-date, no warranty is given as to the accuracy or completeness of any information. E & OE.