

What is financial planning?



Whether your goal is a holiday, a house move or a comfortable retirement, how you pay for it is key. Financial planning is for everyone as getting to grips with your money will, in time, help your goals become a reality.

Written by [Teresa Fritz](#) on 12 March 2012   

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How to start financial planning

First, take a look at your everyday finances such as your [household budget](#) and paying your bills. Do you have any money left at the end of the month? Are you spending too much on some things and not enough on others? Are there new expenses on the horizon that you haven't prepared for?

Financial planning isn't just about saving and investing. Taking control of your day to day budget and understanding what you spend your money on is probably the most important part of dealing with your personal finances. Until you know what you've got to spend, you can't decide what to spend it on.

What are your financial priorities?

Next, decide what your financial priorities are. For example, are you and your family protected against the unexpected? Most people insure their homes and their cars from loss or damage but think about how you or your family would manage if you couldn't work because of illness or even worse, if you died suddenly? Unpleasant as the thought is, preparing for the unexpected in the here and now is just as important as planning for the future.

Consider taking out some [insurance](#) to cover these unexpected shocks and try to have some accessible funds to use in an emergency. Three to six months income in a high interest savings account or cash ISA is a good idea.

Short-term goals

Having taken care of the sudden shock issue, you can start to look at your short-term and long-term goals.

Short-term goals might be saving up for a car, a wedding or a deposit on a new home - anything that might be cropping up within the next five years. Think about how you are going to fund these goals - are you going to use existing [savings or investments](#), save more or borrow? Keep any funds you are going to use for these short-term goals accessible - don't tie them up for too long or invest them where they might lose value.

Long-term goals

Long-term goals could include paying off your mortgage early, working less hours and the big one for most people - having enough to live on in [retirement](#). However, while we all know that long-term planning is important, day to day living can often get in the way.

But acknowledging that you have long-term goals and aspirations is a good start. Even putting small amounts aside to cover your long-term goals is good planning and will stand you in good stead when those long-term goals start to look more like short-term ones.

Advantages of financial planning

There are lots of good reasons to plan ahead. Financial planning can help you:

- ensure you and your family are financially protected from the sudden shocks in life
- identify your financial goals and develop strategies to achieve them
- be realistic about what is financially possible
- avoid borrowing more than you can afford
- achieve financial goals that you did not think possible.

Doing your own financial planning

Like charity, good financial planning begins at home. Only you and your family can decide what works for you and what you need. There are many areas of personal finance that you can tackle yourself. For example, drawing up

Get started now

What is your first name?

What is your gender?
 Male Female

When were you born?
Month Year



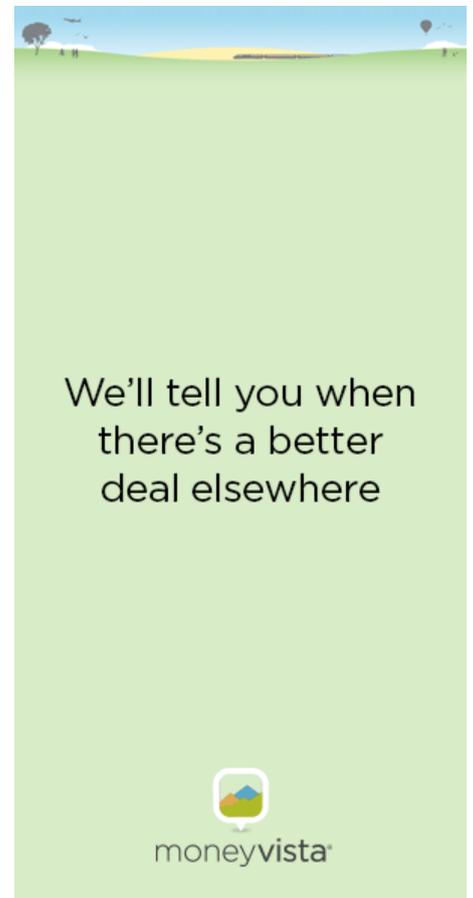
a household budget and understanding your spending is something really only you can do. Buying car, house or travel insurance or choosing credit cards and basic saving accounts are also areas where you may feel confident to go it alone. The key is taking control of your money and understanding what your financial needs are.

Financial advice

But there are times when we all feel we need some guidance. This could be help deciding what is financially important, identifying any gaps in your financial security, deciding on the best way to save or invest for goals, or thinking about how much risk you are prepared to take (and are able to take) to achieve your goals.

If you do need guidance then it's best to take financial advice from a regulated professional. There are a number of sources where you can find financial advice, such as banks, building societies and financial advisers. However, our advice is to choose an independent financial adviser (IFA), as an IFA is able to recommend a product from any provider in the market, so giving you the widest choice.

But finding a good IFA isn't easy. If you would like help choosing, see our guide on [how to find a financial adviser](#).



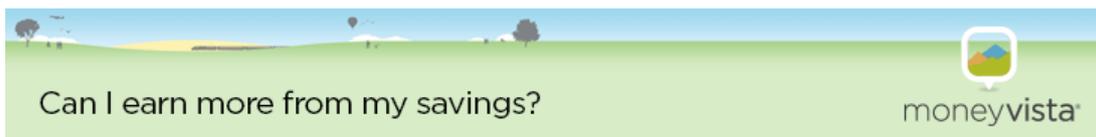
We'll tell you when there's a better deal elsewhere



Calculators

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Can I earn more from my savings?



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