

What You Should Know About Financial Planning

You may have come across the term "**financial planning**" recently and wondered what it means. You may have decided to start your own financial plan but you're not sure how. Or you may feel it's time you went to a financial planner for some professional advice. Whatever your situation, the following information can help you decide what's right for you.

What Is Financial Planning?

Financial planning is the process of meeting your life goals through the proper management of your finances. It is a process that consists of specific steps that help you ascertain your financial condition objectively.

The financial planning process consists of six steps that help you take a "big picture" look at where you are financially. Using these six steps, you can work out where you are now, what you may need in the future and what you must do to reach your goals.

The process involves gathering relevant information, setting life goals, examining your current financial status and coming up with a strategy or plan on how you can meet your current situation and future plans. Click [here](#) for more details on the financial planning process.

The Benefits of Financial Planning

Financial planning should provide direction and meaning to all your financial decisions. By viewing each financial decision as part of a whole, you can consider its short and long term effects on your life goals. You can therefore adapt more easily to life changes and feel more secure that your goals are on track.

Can You Do Your Own Financial Planning?

Some personal finance software packages, magazines or self-help books can help you do your own financial planning. However, you may decide to seek help from a professional financial planner if:

- you need expertise you don't possess in certain areas of your finances. For example, a planner can help you evaluate the level of risk in your investment portfolio or adjust your retirement plan due to changing family circumstances.
- you want to get a professional opinion about the financial plan you developed for yourself.
- you don't feel you have the time to spare to do your own financial planning.
- you have an immediate need or unexpected life event such as a birth, inheritance or major illness.
- you feel that a professional adviser could help you improve on how you are currently managing your finances.
- you know that you need to improve your current financial situation but don't know where to start.

What Is A Financial Planner?

A financial planner is someone who uses the financial planning process to help you figure out how to meet your life goals. The planner can take a "big picture" view of your financial situation and make financial planning recommendations that are right for you. The planner can look at all of your needs including budgeting and saving, taxes, investments, insurance and retirement planning. Or, the planner may work with you on a single financial issue but within the context of your overall situation. This big picture approach to your financial goals sets the planner apart from other financial advisers, who may have been trained to focus on a particular area of your financial life.

Be Sure You're Getting Financial Planning Advice

The government does not regulate financial planners as financial planners; instead, it regulates planners by the services they provide. For example, a planner who also provides securities transactions or advice is regulated as a stockbroker or investment adviser. As a result, the term "financial planner" may be used inaccurately. To be sure that you are getting financial planning advice, ask if the adviser follows the six steps described below.

The Financial Planning Process

The financial planning process consists of the following six steps:

1. Establishing and defining the client-planner relationship

The financial planner should clearly explain or document the services to be provided to you and define both his and your responsibilities. The planner should explain fully how he will be paid and by whom. You and the planner should agree on how long the professional relationship should last and on how decisions will be made.

2. Gathering client data, including goals

The financial planner should ask for information about your financial situation. You and the planner should mutually define your personal and financial goals, understand your time frame for results and discuss, if relevant, how you feel about risk. The financial planner should gather all the necessary documents before giving you the advice you need.

3. Analyzing and evaluating your financial status

The financial planner should analyze your information to assess your current situation and determine what you must do to meet your goals. Depending on what services you have asked for, this could include analyzing your assets, liabilities and cash flow, current insurance coverage, investments or tax strategies.

4. Developing and presenting financial planning recommendations and/or alternatives

The financial planner should offer financial planning recommendations that address your goals, based on the information you provide. The planner should go over the recommendations with you to help you understand them so that you can make informed decisions. The planner should also listen to your concerns and revise the recommendations as appropriate.

5. Implementing the financial planning recommendations

You and the planner should agree on how the recommendations will be carried out. The planner may carry out the recommendations or serve as your "coach," coordinating the whole process with you and other professionals such as attorneys or stockbrokers.

6. Monitoring the financial planning recommendations

You and the planner should agree on who will monitor your progress towards your goals. If the planner is in charge of the process, she should report to you periodically to review your situation and adjust the recommendations, if needed, as your life changes.