


THE DO'S AND DON'TS OF FINANCIAL PLANNING





Financial Planning is like laying out a road map for the future. It not only helps you plan your finances but also gives you a direction in life. Studies show that people who engage in financial planning are much more organized and efficient in financial matters. A lot of us do not consider planning for our finances because we assume that it comes naturally to us; eventually, we end up making bad decisions.

WHY IS FINANCIAL PLANNING IMPORTANT?

1. It helps you progress

Often you might feel stuck with no financial growth. This stagnation can be a consequence of a lack of good financial planning. Once you have a plan and a budget in place, you can identify the hindrance causing this stagnation and consequently work towards fixing it.

2. It makes you a smart investor and spender

It is always better to be fully aware of the consequences of investing and spending your money. If you plan well and make conscious choices, you do not feel anxious or guilty.

3. It reduces financial anxiety

Experts suggest that one of the root causes of financial anxiety is the lack of good planning and budgeting. The thought of not knowing where one stands financially, where one is headed, and where one should invest, can be extremely daunting. This ambiguity often leads to anxiety. The absence of financial planning can adversely affect your mental health.

4. It takes you closer to your goals

The best way to chase your financial goals is to list them all down, prioritize them, and then come up with a plan that helps you accomplish them. People who plan their finances are more likely to reach their goals faster than the ones who don't.

What are the do's and don'ts of financial planning?

Financial planning can be a difficult and tedious process. It is also one of the most important and central processes that can help you grow financially and move closer to your goals. Try and keep these do's and don'ts in mind so you don't falter along the way!



Listing and prioritizing one's goals

Do - Make sure you list down every small and big goal you have in life. People often tend to only note down the bigger goals and get frustrated when they take time to accomplish them. Include the smaller and more achievable goals to your list as well, so that the journey ahead comes with more validation.

Don't - One of the biggest mistakes many people make at this step of financial planning is to overlook the importance of correct prioritization of goals. By the time you realize your mistake, it is too late, and you end up re-doing the entire process. Ensure that your list is well thought of when you pen it down for the first time.



Tracking expenses

Do - Financial planning and tracking involve keeping a detailed account of your spending and expenses. These become important figures that help you define the duration in which you are more likely to reach your financial goals. Therefore, be extremely honest in this process. Count every expense that you incur.

Don't - Don't estimate vaguely, always go by the statistics. In the process of financial planning and budgeting, estimations play a major role. Since planning is always done for the future, estimations become inevitable. You can look at your past expenditure to get an idea of how the expenditure for the coming months would look like. Also, do take note of any dues, pending loans, etc. that might hit your account in the coming months, to avoid inaccurate estimations.

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Listing and
prioritizing one's
goal

2

Tracking
expenses



Creating an emergency fund

Do - Financial Planning will only work if everything goes according to the plan. One of the biggest things that can unexpectedly go wrong is extra spending due to an emergency. Which is why, it is advisable to always have an emergency fund to take care of any unforeseen situation.

Don't - Don't overlook your emergency fund options. Savings is not the only way to go about it. If you are someone who does not have enough savings to shell out for an emergency fund, then consider other options instead of overlooking this step. Take medical insurance for instance, it will not only secure you of any medical emergency but will also come handy during retirement.



Retirement planning

Do - An important factor to take into account in financial planning is retirement. If you plan and save wisely now, your post-retirement life will be tension free and financially stable. Taxes can be reduced, savings can be multiplied, and goals can be achieved as long as you plan your retirement well.

Don't - Do not delay planning for your retirement. Regardless of your age, it is never too early to start planning for retirement. In fact, the sooner you start, the more time you have on hand to save up! Calculate when you should start saving for retirement to get a better picture of where you stand now and how you can move ahead.

3 | Creating and emergency fund

4 | Retirement planning



Dealing with emotional and mental pressures

Do - While noting down the list of goals you have and estimating your expenditure, also consider your happiness index that will roll along with it. Do keep in mind that finances are one of the leading reasons for anxiety in America and hence, it becomes imperative to also keep some achievable goals.

Don't - Do not get emotional or anxious about your finances. It is easier said than done but set a plan that would not frustrate you. Do not come up with a plan that is extremely difficult to follow and will only give returns in the long run.



Overspending and re-visiting the plan

Do - Ideally, stick to the plan that you have come up with. In case, you ever feel that your current financial standing and goals no longer align with your plan, revisit the plan and amend it accordingly.

Don't - Do not overspend. Stay within the brackets of spending that the plan allows. For any urgent emergencies, you already have a savings account or your emergency fund. Your daily and monthly expenditure must be closely tracked so you do not end up spending more than you should.

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Dealing with emotional and mental pressures

6

Overspending and re-visiting the plan

Summary

Financial planning remains one of the central processes to attain financial freedom. Accuracy and numbers can make or break your game, which is why it is important to be careful while devising a plan. It is also equally important to keep tracking, following, and revising the plan from time to time.

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