



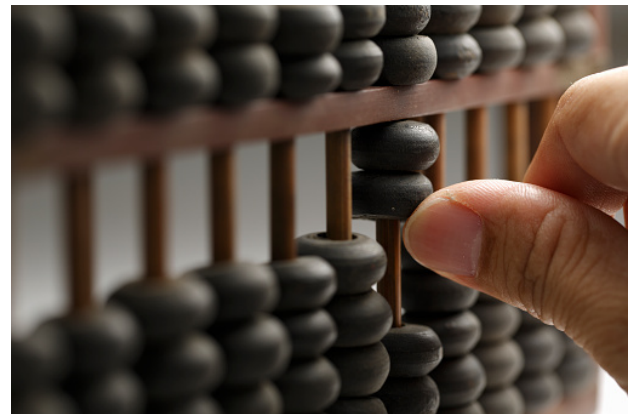
## 10 Reasons Why You Need a Financial Plan

If you don't have a plan, you  
don't know where you're  
going

There are many reasons why people put off financial planning. There are always other priorities, and we can tell ourselves that it will be too complicated or too expensive.

But financial planning should be for everyone. You may be able to do this yourself with the help of a few online tools. Of course, a financial planner can help you if your situation is more complex, or if you simply don't have the time or inclination to do all the work yourself.

So after considering all the reasons not to proceed, why should you go ahead with a financial plan?



### You Will Gain Clarity Over What You Want to Achieve

We all have dreams and aspirations, but how many of us make them a reality?

Creating your financial plan forces you to set goals. Firstly, this can help you really understand what is important to you.

Secondly, giving your goal a name, a target date, and an amount can make it more tangible. This makes it easier to visualise and measure your progress. You are more likely to achieve your goal if you can define it clearly.

### It Can Allow You to Achieve Your Goals More Quickly

A financial plan will establish where you are now and lay out the steps to achieving your goals. You might need to make some adjustments along the way, but by following the steps, you will take the most efficient path to the life you want to create.

### You Should Become Better at Budgeting

To get started with your financial plan, you will need to have a good idea of your income and expenditure. Sometimes a simple audit of where your money is going can help you identify patterns and manage your cash more effectively.



If you are earning more than you spend, a financial plan can help you decide what to do with your surplus. If you are overspending, having clear goals in mind can help to incentivise you to cut back.

### **You Will Know What to Do with Your Money**

If you don't have a plan for your money, chances are you will simply spend it, or leave it in the bank at a poor interest rate. A financial plan can help you allocate your income and capital to different priorities, for example:

- Reducing debt
- Building up an emergency fund
- Short-term goals and planned spending
- Topping up your pension
- Making investments

The order of priority will depend on your situation and what you want to achieve.

### **You Can Learn to Manage Debt**

Debt is not necessarily a bad thing. Borrowing to buy a home, gain qualifications, or set up a business can all enhance your financial plan. If the interest rates are competitive and the repayments affordable, clearing these debts does not need to be your highest priority.

On the other hand, consumer debt such as loans and credit cards can cost a fortune in interest. Not only is this expensive, but you also miss out on potential investment growth had you saved the money. A financial plan can help you weigh up decisions around taking on more debt or clearing your existing liabilities.

### **You Can Create a Plan for Contingencies**

Financial planning does not allow you to predict the future, and sometimes the unexpected happens. Illness, unemployment, or the death of a loved one can easily set you back financially.

A good financial plan works throughout the highs and lows. For example, any of the following can help to address some of the risks:

- An easily accessible emergency fund
- Life insurance
- Income protection insurance.



### **Investing Will Become Simpler**

Investing is more accessible than ever, but with this accessibility comes an overwhelming amount of choice. There are thousands of funds and shares to choose from, all with different aims, features, and costs. Many people choose investments based on tips or what looks good at a particular time. However, it is far more efficient to start with what you want to achieve and narrow it down from there.

A financial plan helps to establish how much risk you need to take with your investments to achieve the level of reward you require. Of course, you also need to take into account your emotional tolerance for risk and how much you could afford to lose if the market took a downturn. Sometimes adjusting your saving or spending is more effective than taking more risk with your investments.

### **It Can Save You Money**

A financial plan will normally include a review of your existing pensions and investments. Older plans can sometimes be more expensive or offer a limited investment choice. A financial plan can offer ways to save on product charges. An expensive contract can be a heavy anchor to drag along in market downturns.

More importantly, a financial plan can help to prevent expensive mistakes, such as taking money out of the market at a low point, buying expensive and gimmicky financial products with added risk.

### **You Will Probably Pay Less Tax**

Tax planning is one of the most common reasons for seeking financial advice. While saving tax is not a goal in itself, good financial planning usually has a number of tax benefits. For example:

- Maximising tax-efficient investments, such as pensions and if you live in the UK, ISAs
- Making the most of reliefs, exemptions, and allowances
- Avoiding the additional tax penalties which may arise from encashing an investment or overfunding your pension
- Constructing an estate plan that reduces inheritance tax

### **You Will be More Financially Organised**

One of the main benefits of a financial plan is that it gets your money working cohesively towards your goals. And more importantly, with all the facets of your finances working together in the background,



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10<sup>th</sup> Sept 2022*

you don't need to think about it frequently. You know that your money is in order and your plan is in motion so you can focus on other things.

Of course, your circumstances will change, and investments fluctuate. Your plan will probably need some adjustment along the way. This is why it's important to review your financial plan at least once a year to check you are still on track.

While a financial planner brings expertise around investments, financial products, and tax planning, many people value the regular reviews, and the accountability this brings, even more.

Please don't hesitate to contact me to find out more about financial planning.

Those who have built up a portfolio or just starting out, would be great ambassadors for the benefits of a financial plan to their family members and friends early or established in their careers, who never had the opportunity to talk to an experienced professional adviser or paused their busy lives to make a plan. If you think of any that would benefit from advice in this area, please discuss with me.

Wishing you a great weekend

Thank you

Chris Simmons