



Article

10 Areas Where Financial Planning Can Benefit You

Whether you are just getting started in your career or already have significant wealth, you should have a financial plan. This can be as simple or as complex as you wish, and you can either create it yourself or work with a financial planner.

Many people believe that financial planning is simply about investments and getting the best return on their money. Others engage in financial planning in response to a problem or a major life event.

But ideally, financial planning should be a lifelong, proactive process which incorporates all of the building blocks outlined below.

Setting Goals

Your financial plan should be centred around your goals and objectives. How can you determine if your financial plan is on track if you don't know what you're aiming for?

Your goals might include:

- > Your ideal retirement lifestyle
- > Buying a property
- > Making gifts to your children

You can include anything you like, from smaller, short-term goals (such as a holiday) to long-term lifestyle goals.

To give you the best chance of achieving your goals, they should be SMART: Specific, measurable, achievable, relevant, and time-based.

Budgeting

To get started on your financial plan, you need a clear picture of your income and expenses. This should include regular bills as well as any ad hoc spends or annual costs.

Looking at an average month, do you have a surplus or a shortfall?

If you have a shortfall, a financial plan can help you to get back on track, depending on your circumstances. This might mean earning more money or adjusting your lifestyle.

If you have a surplus, your financial plan will help you prioritise what to do with it.

Cash Management

The main reasons you need cash in the bank are:

- > To cover regular bills and spending.
- > To build up savings towards short-term goals, such as holidays, home improvements and gifts.
- > To provide a safety net in case of emergency (e.g. at least 6 months' expenditure).

Your financial plan will help you identify how much you need for each category. It's often a good idea to keep multiple cash accounts for different purposes.

Planning for Risk

Protection is an important part of financial planning. Most people need the following types of cover:

- > Life cover provides a lump sum in the event of death.

- Critical illness cover pays out a lump sum if you are diagnosed with a serious illness.
- Income protection to replace your earnings if you are unable to work long-term for health reasons.

The types and amount of cover, as well as the product features you need, will depend on your circumstances, including earnings, budget, family situation, debts, and health.

Debt Reduction

Your financial plan can also help you make decisions around debt. This might mean clearing all debt as quickly as possible, or using credit sensibly to enhance your financial position.

Generally, when it comes to expensive consumer debt, it's a good idea to pay it off as soon as possible and avoid taking on more.

Mortgages and student loans, on the other hand, can serve an important purpose and interest rates are typically not as high.

Tax Efficiency

Saving on taxes should not be the end goal in financial planning, but it is an important consideration.

Sensible tax planning might include making ISA contributions, maximising your pension allowances, and using your capital gains tax exemption.

It might also include investing in higher-risk or sophisticated products to save on tax, but only if this is suitable and you can afford to take the risk.

Your financial plan can help you establish where it is prudent to save tax while keeping your goals at the forefront.

Investment Planning

Investing can be complex, and many people focus on the wrong things. There are no 'get rich quick' schemes, there is no best time to invest, and there are no investments which are guaranteed to do well with minimal risk.

A sensible investment plan is based on the following:

- Holding a diverse range of assets from across the market.
- Investing at an appropriate level of risk, depending on your circumstances.
- Sticking to your plan throughout the ups and downs.

If you start with what you want to achieve, and therefore the investment return you need to get there, the picture becomes much clearer.

If you only need modest returns, you might not need to take as much risk as you thought. If you need higher returns, you might want to revisit your goals or save more rather than relying on investment returns.

Retirement Options

Planning for retirement is probably your most important and longest-running goal. Your financial plan can help you determine:

- How much you should save into your pension, based on your goals, income, and tax position.
- Whether you should also invest in other wrappers, such as ISAs or bonds, to achieve your retirement goals.
- Which assets you should invest in at various life stages.
- How to structure your income efficiently and ensure you don't run out of money.

Estate Planning

Many people put off estate planning decisions, but it is a key component of your financial plan.

As a minimum, you should make sure you have a Will and Powers of Attorney in place, regardless of your situation or the size of your estate.

If you have an Inheritance Tax (IHT) liability, your financial plan can help you make decisions on how to address this, for example, by making gifts, setting up trusts, investing in assets which qualify for business relief, or arranging life insurance.

Even more importantly, it can help you maintain IHT efficiency while making sure you still have enough money for your own needs.

Staying Accountable

A financial plan is not a one-and-done event. Your circumstances and goals will change, legislation will be altered, and investments will rise and fall.

You can't control the market or the economy, but you can adapt your plan as you go along to make sure you stay on track.

It's worth reviewing your plan at least once a year and making any changes in plenty of time.

Even if nothing changes, reviewing your plan can help you keep your discipline and avoid picking up bad financial habits.

This is an area where many people benefit from financial advice. Having an objective person holding you accountable can give you a better chance of achieving your goals.

Please don't hesitate to contact a member of the team to find out more about financial planning.

Please note:

Investments can go down as well as up and you may get back less than you invest. Past performance is not a reliable indicator of future results. The value of pensions and investments may fall, and access to pensions is normally from age 55, rising to 57 from 2028. Tax treatment depends on individual circumstances and may change in the future. The information provided is for general guidance only and does not constitute personal financial, tax, or legal advice, and you should seek independent professional advice before taking action. Financial planning outcomes are not guaranteed and may be affected by market movements, inflation, and changes in legislation. Insurance policies are subject to terms and conditions, may not pay out in all circumstances, and premiums must be maintained to keep cover in place. Will writing and estate planning are not regulated by the Financial Conduct Authority.

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