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## **Season 2. Building personal wealth**

### **Episode 2.**

## **How to plan your financial freedom**

Hi there. Jason here. And in this Money Insight we'll briefly explore the meaning of Financial Freedom and outline a powerful five-step process to help you map a path to yours. But before we get into that let's just stop and consider why you might want to learn about this at all. After all, you could just talk to a financial adviser and allow them to do all of your financial planning for you. And whilst you might need a financial adviser at some point in the future, there are many good reasons to get to grips with the basics of financial planning yourself. Here are just three.

First, you're far more likely to take action on a financial plan if you've played a part in creating it yourself. This is true whether you draw up your plans on your own or with a partner, or with some help from a qualified financial planner or money coach.

Second, the smartest financial decisions we ever make are those which 'connect' our money to the plans we have for our life. And only you can decide on what you want for your life, or for any loved ones who rely on your support. So, even if you draw up a plan with the help of a financial planner, they'll still need you to be clear about these things, if they're to give you the quality help you need.

And third, even if you need some financial advice to complete your plans, if you do a basic plan for yourself, you might be able to negotiate a lower fee with your adviser for their part of the work. Which might save you hundreds or even thousands of pounds over time. And, if you already employ an adviser to help you with your financial planning, an appreciation of this process could help you work out whether the advice and service you're getting is worth what you're paying for it

So, what does financial freedom mean to you? And what difference would it make to your life if you had more of it? I know that's a big question, and you may not be clear on the answers just yet. But I would urge you to set

aside some 'quiet' time at home to consider this carefully. And I encourage you to capture your thoughts on paper or a digital document, so that you can come back and review them and refine them as more ideas occur to you, or as your situation changes over time.

Of course, financial freedom means different things to different people at different stages in their lives. And if you feel that you need some inspiration to get started on this question, here are some popular answers that other people give. Financial freedom is about being able to: stop worrying about the mortgage, or to travel more with friends or family, or to provide great experiences for loved ones, or to support a child through college. And for some people Financial Freedom means being able to choose to work less, or to stop work altogether, or to choose to work differently, or to change your work completely, or to set up your own business.

So, everyone's situation is different, which makes it essential for you to identify what more financial freedom means to you personally. No one can advise you on that. And when you've thought about that, you're well on your way to completing your first step of five in your financial freedom plan. So, let's outline all of those five steps for you now.

Now, as we've seen, in this first step you develop your ideas around what you want for your life, or for the lives of any others you support. So, this is about finding the ideas that will inspire you, and is much more than about the money, because some of these things may cost little or nothing at all. And you do need time for this first stage of planning, because you'll want to reflect and carefully consider what really matters to you. What do you want for yourself and your loved ones for your longer-term futures? But don't worry about creating a long list of goals if you aren't clear on what you want just now. You might simply start with the idea of 'making work optional', and then add other ideas to your list later on if you want to.

Now in this second step you'll want to look at your big goal or goals from the first step and focus in on any that have a financial cost attached. And then you'll want to check what you need to do, if anything, to get on track to achieve them. Of course, doing these checks will require a bit of number crunching and I know that some people are not keen on that, but don't worry, we'll give you some pointers for easy ways to make these checks later in this season. What's more, as you get into this you might be surprised to find how many of your financial goals could cost less than some 'experts' will tell you! So, stay tuned to this series for more help on that.

Now, you might find when you make your checks that your plan is perfect as it is. And, if that's the case, then you won't need to make any adjustments at all. But most people do find that they need to adjust some aspect of their plan. And, so this step is about exploring your options for adjusting your plan to get yourself back on track, without giving up on your dreams. It's also about making decisions on which adjustments you're going to make. And this can be the hardest part because you'll often be faced with a lot of different options for getting yourself back on track. So, we'll come back and explore these options in more detail later in this series.

The penultimate step in this process is about testing for unexpected and unpleasant events that could seriously blow your plan off track. So, at this stage you'll think about how you or your loved ones might be impacted if you suffered from a spell of bad health, or worse. And how you'd cope with a property or stock market crash or a big rise in mortgage rates. We'll explore ideas for mitigating some of these risks in this series, but we've already looked at the need to insure your greatest asset (that's yourself) against ill health or death in the first Money Insights season. So, if you've not yet watched that one be sure to do so, soon.

And so to the final step in this five-step process for planning your money for the long term, and this is about making any necessary changes to your saving and spending habits today and setting up any financial products or other strategies that you believe can help you to reach your goals. The ideal result after this stage is to set up your plan so that it works on autopilot, and you can get on with the more interesting aspects of your life.

Now, of course, this was only an overview of this 5-step planning process. So, in the next insight we'll begin to look more closely at the steps we've outlined here. And we'll start by looking at how, by using the magic of 'compound returns' you could seriously cut the cost of your longer-term goals. See you back here when you're ready for that. All the very best.

End

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