

# **Financial Planning**

Financial planning on the other hand involves coming up with long-term and short-term financial objectives coupled with a plan on how the objectives can be met. It entails an assessment of one's finances with regards to the amount of earnings, expenditure, liabilities and wealth, to formulate strategies that could help the person achieve the set goals. Major sections in personal financial planning are, the budgeting, saving, investment, planning for retirement and taking insurance. Personal finance enables people to plan for their future financially, they are able to know how to build riches, to achieve certain specific goals like homeownership, and economic self-sufficiency in the stage of life known as retirement.

One of probably the most essential parts when it comes to financial planning is to identify clear targets that can be quantified. These can range from eradicating student loans to saving for your child's college education or simply putting some money aside for your retirement. Targets should be achievable, measurable and be set with duration in mind depending on one's income, expenditure and liabilities. When you have your goals well defined it will be easy to start charting an action plan; this involves preparing a budget that directs the amount of money to be saved, invested or used to clear your debts. It is also important to revisit and modify the financial resource plan on a frequent basis, because life situations also change, for example through a change of job, or any kind of expenditure, or receiving of any form of income.

Personal financial planning is therefore done in two ways; through accumulating and/or increasing one's savings and through investments. This is learning how to save money for a rainy day, creating and contributing to a retirement plan and balancing on which investments to invest

on in order to multiply wealth. Lastly, it comprises of how to manage your money through insurance by ensuring you and your family are adequately insured through a good health cover and good life and disability policies. Coordinated management of resources and cash thus helps to minimize risk and hereby offer security that enhances positive achievement when planning for the future. The main principle is to stick to the strategy and ensure that all the financial activities are adjusted in order to remain on track.