Creating a Personal Financial Plan

Introduction

Managing personal finances is an essential skill for laying the foundation for financial independence and success in the future. Creating a personal financial plan involves understanding your income, setting up a budget, saving for the future, and preparing for emergencies.

Step 1: Calculate Monthly Take Home

Calculate your take home pay based on the hypothetical hourly wage or salary of your career of interest.

- Monthly Income = Weekly hours * hourly wage * 4 * 0.75 (deductions estimate)
- Monthly Income = Annual salary ÷ 12 * 0.75 (deductions estimate)

Step 2: Create a Budget

A budget is a crucial part of any financial plan. It helps you track your income and expenses, ensuring you live within your means and allocate funds towards savings and goals.

Continue the budget below based on your personal wants such as transportation, phone bill, subscriptions, pet fees, medical expenses and insurance, self-care, hobbies, shopping, dining out, savings goals, ect. The 50-30-20 budgeting rule recommends putting 50% of your money toward needs, 30% toward wants, and 20% toward savings.

- Short-Term Savings: Funds for expenses within the next year, such as a vacation or a new gadget. Research the cost of a vacation, moving, laptop, ect. and divide it by 12.
- Long-Term Savings: Funds for future needs, such as a down payment on a house or retirement. Research how much you need to retire at the age you want or 10% of the house you want.

Budget

Category	Amount
Income (from above)	
Rent	-\$400
Utilities	-\$100
Groceries	-\$300
Toiletries	-\$100
Entertainment	-\$100
Emergency Fund	-\$200

Step 3: Assess Leftover Income

- Do you have a positive balance? If yes, great! You might want to allocate more to long term savings goals.
- Do you have a negative balance? If your expenses exceed your income or if there is not money left over to save, you need to make adjustments. Consider cutting back on wants such as dining out, entertainment, or shopping. Alternatively, look for ways to increase your income, such as a part-time job or freelance work.

Step 4: Review Some Options

Bring in an Extra \$500 a Month

- o Part-Time Jobs: Retail, food service, or warehouse jobs are common part time options and even just 10 hours a week at \$15/hour would give you an extra \$500 a month.
- Freelancing or Gig Work: If you learn a skill like graphic design, writing, or video editing you can take on freelance projects on websites like Fiverr, Upwork, or TaskRabbit.
- Sell Products or Crafts: Do you have a hobby or skill that you can monetize? You can sell jewelry or artwork online through platforms like Etsy.
- o Reselling: If you have a good eye for deals, you can buy items at a discount from thrift or overstock stores and resell them on platforms like Depop, eBay, or Facebook Marketplace.
- o Offer Services: Babysitting, dog walking, pet sitting, or lawn mowing are classic ways to earn extra

	cash. These gigs often pay well and offer flexible hours.
0	List the Pros and Cons of your option of choice.
	Pros:
	Cons:

Using Credit

- o Credit cards typically charge high interest rates (around 15–25%). This means you can end up paying significantly more than what you originally spent.
- For example, if you carry a \$500 balance with a 20% APR, you'll pay \$100 in interest over just 6 months, meaning the \$500 item actually costs you \$600.
- Missing credit card payments can lead to late fees and increased stress. Also lower credit scores
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	you can't afford.
0	List the Pros and Cons of using credit.
	Pros:

	which can make borrowing for a house or car in the future even more expensive.
0	It's better to avoid debt and save up for things in advance, rather than using credit to fund a lifestyl you can't afford.
0	List the Pros and Cons of using credit.
	Pros:
	Cons: