Planning

United Advisers

FINANCIAL PLANNING BEST PRACTICES

BUILD A MORE CERTAIN FUTURE WITH OUR TOP TIPS ABOUT FINANCIAL PLANNING

YOUR E-BOOK

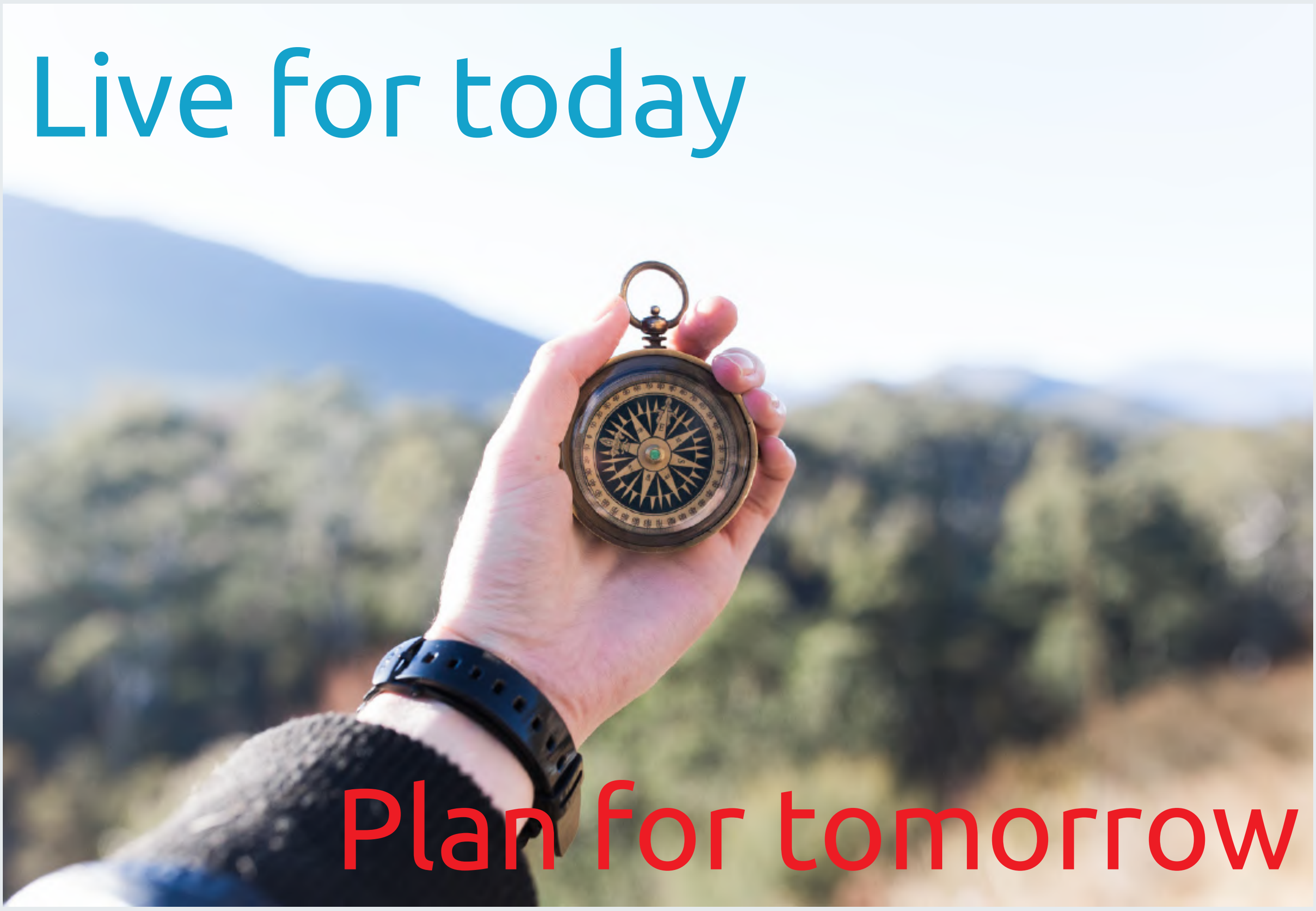
from United Advisers

INSPIRING. INNOVATIVE. SIMPLE

ABOUT THIS GUIDE

This short guide contains best practices and information we have accumulated while working in Financial Planning.

It is by no means exhaustive and continually evolves as we discover and add information that may be useful to you and us during the Financial Planning process.



WHAT IS A FINANCIAL PLAN?

A Financial Plan illustrates and analyses your financial lifestyle, your hypothetical cash flow and its effects on your net worth.

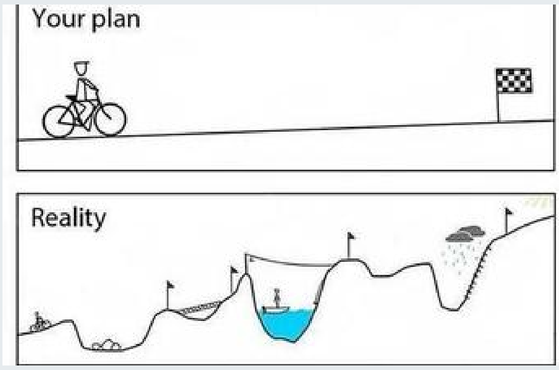
A Financial Plan is instrumental in helping you shape your thinking about your needs.

During discussions with your professional advisers it should serve as a guide when defining the route from where you are now to your goals, and the mechanisms you might employ during your journey to help you get to where you need to go.

TIP: It is worth bearing in mind that the quality of any analysis is always dependent upon the accuracy of data used, so be sure you always provide accurate and complete information.

WHY YOU NEED A FINANCIAL PLAN

Most dreams in life need money to achieve them; buying a new home or car, taking that trip of a lifetime, paying for children's university costs, or retiring in comfort.



Skyrocketing costs, mountains of debt, lack of savings and a lack of an understanding about how money works forces many people to downsize or even eliminate their dreams.

Very often, when people actually try to plan, they find their vision of their future journey isn't always as plain sailing as they imagined.

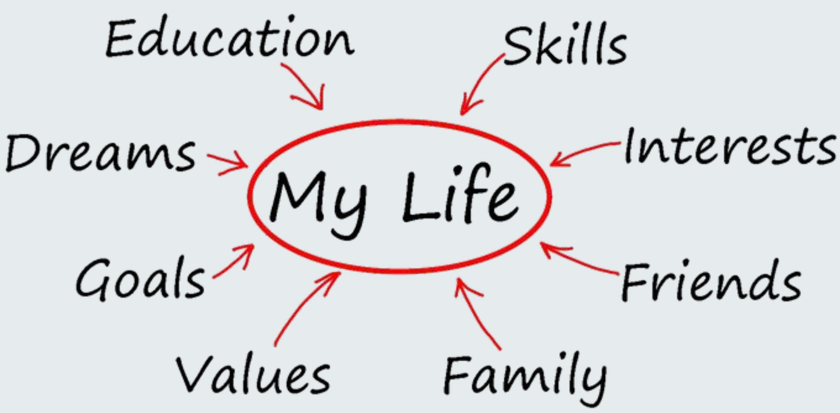
As a result, many become disillusioned, causing them to quit altogether.

The process of real Financial Planning begins with using a comprehensive financial needs analysis program to determine your Life plans and, upon this bedrock, laying the firm financial foundations of a comprehensive Financial Plan.

TIP

Rather than compromising on your dreams, speak to your adviser about taking a practical approach to finances, incorporating powerful financial concepts and programs to provide you with the information and tools needed to make smart choices.

YOUR JOURNEY TO FINANCIAL INDEPENDENCE

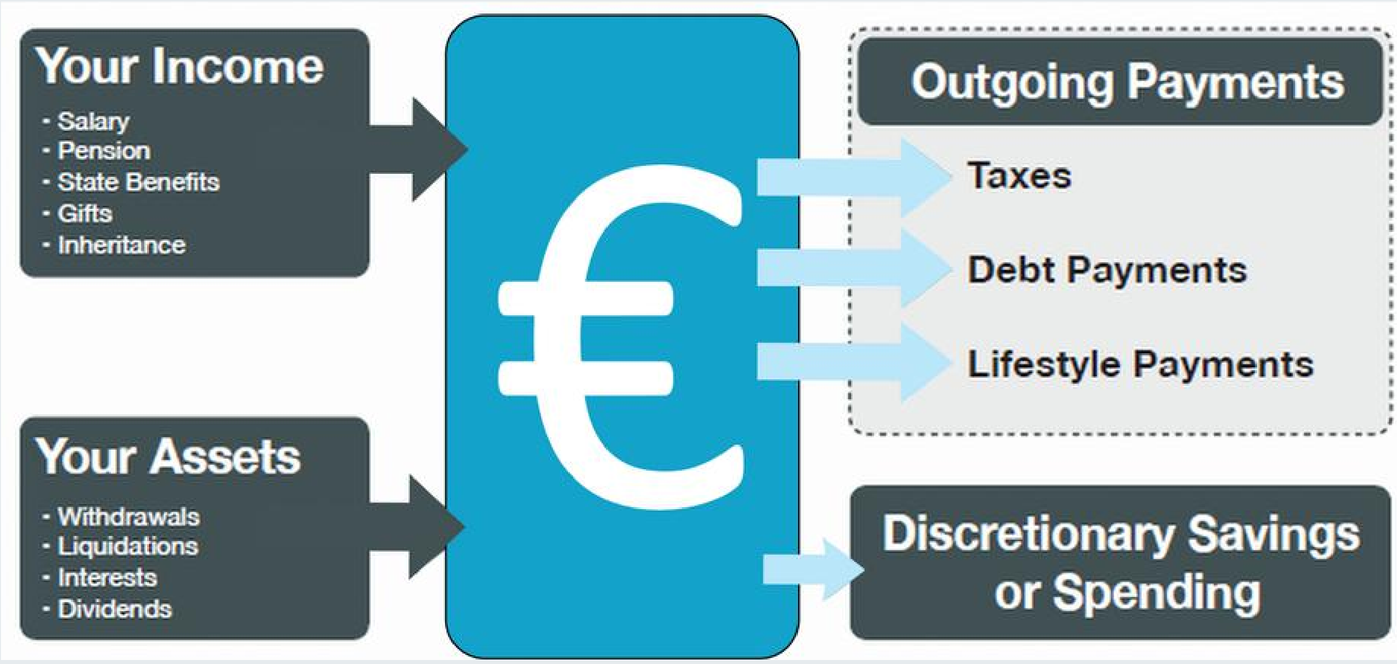


A financial plan evaluates your current financial situation, against your plan's objectives; your goals, and dreams, and recommendations to help you get to where you need to go.

The resulting series of recommended actions and services and (where needed) products, that help you to achieve your personalised Life Goals.

An effective, meaningful, Financial Plan describes the intersection between your LIFE and the MONEY you need to obtain, and maintain, the LIFESTYLE you want.

CASH FLOW EXPLAINED



DISCRETIONARY INCOME & SHORTFALL

Once monthly outgoings have been paid, the money left over is called ‘Discretionary Income’.

Each month you choose to spend your discretionary income on ‘unspecified expenses’, or you choose to save it.

If your outgoings exceed your income, the difference is called ‘shortfall’.

HOW TO IMPROVE CASH FLOW

The two key principles for improving Cash Flow are to increase income and manage expenses.

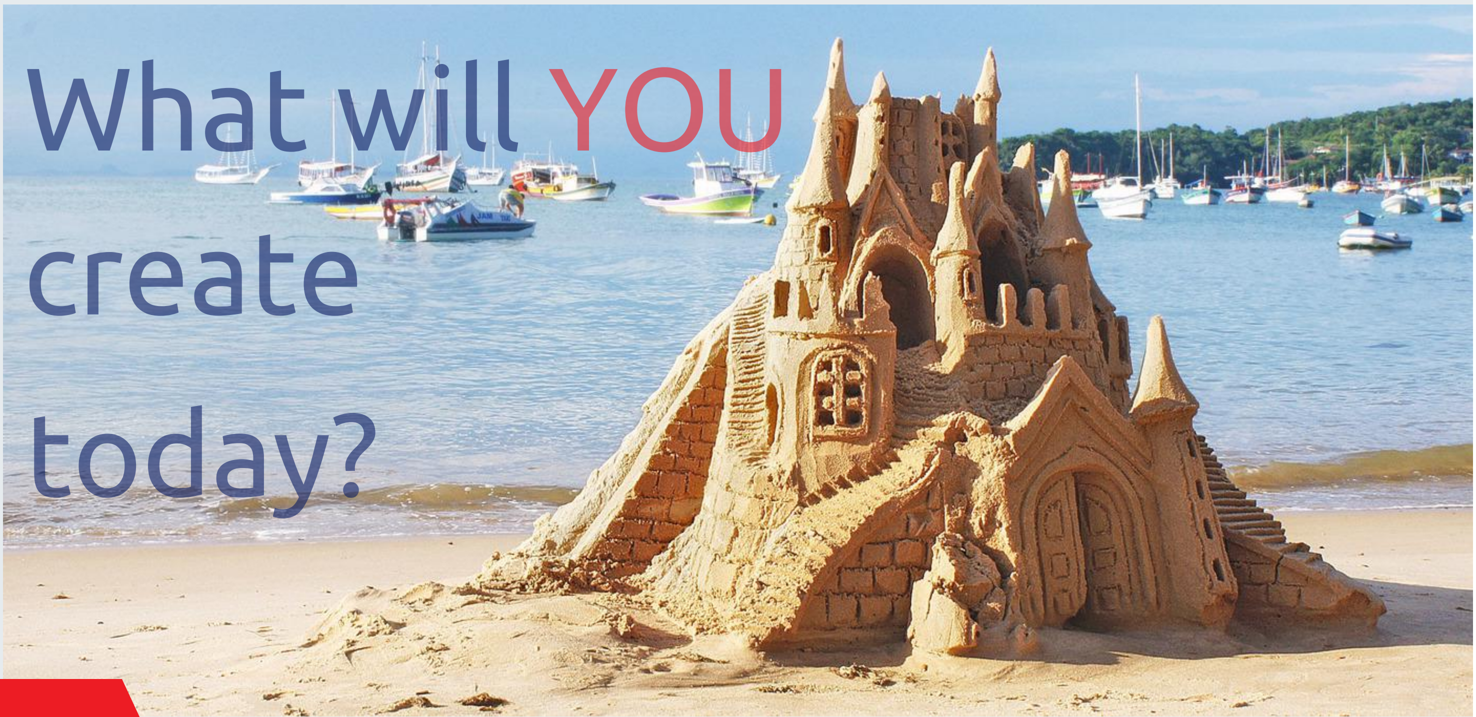
Here are some best practices and ideas within both of these key principles.

INCREASE INCOME

- Consider renting out a spare room, garage, or parking space
- Invest a portion of your salary in a high interest savings account to build capital
- Invest in tax-efficient savings accounts
- Talk to your adviser about ways to use your investments to create additional income streams

MANAGE EXPENSES

- Strive to spend less than you earn
- Create a budget—weigh your monthly expenses as wants vs. needs
- Shop around for the best deals when your car and household insurance renews
- Consider alternative mortgage products and providers
- Cut the cost of your fuel bills by switching suppliers



DEBT MANAGEMENT BEST PRACTICES

Nothing can derail your Life Goals faster than excessive, revolving, high-interest credit card debt.

There are many steps you can take to manage your debt, but the most important step is to start today.

It likely won't be easy, but with a consistent strategy, you can find your way out of debt.

Here are some ways to manage your debt:

- Pay yourself first—simultaneously work on savings and debt elimination
- Cut spending and stop borrowing
- Pay off the right debt first
- Pay more than the minimum payment
- Consider restructuring your debt
- Consolidate multiple credit cards to one card with a lower rate
- Consolidate bad debt into better debt at lower rate
- Call the credit card company and ask for a lower rate
- Cut up credit cards you don't need
- Stop credit card solicitations by registering with the Telephone Preference Service (UK)

GOOD & BAD USES OF DEBT

GOOD USES OF DEBT

There are situations where debt is not only a necessity, but potentially smart.

Debt can actually provide flexibility and convenience that can help you manage your money and provide for your lifestyle needs.

Good uses of debt may include purchasing assets or financing an education.

Other favourable uses of debt may include:

- Purchasing a home
- Purchasing an appreciating asset or investment
- Investment in education

BAD USES OF DEBT

Bad uses of debt can be the biggest obstacle for achieving your desired lifestyle. Debt that spirals upward because of high interest charges and poor purchase decisions can strain monthly cash flow.

Large interest payments perpetuate the debt and can consume the cash flow necessary to maintain your lifestyle and to accomplish your goals.

Bad uses of debt include:

- Using credit cards to pay for lifestyle needs
- Using credit cards to pay credit cards
- Using credit cards to purchase depreciating assets

TIP

All debt, good and bad, must be analysed together for proper debt management. Better debt management means better cash flow and better financial planning.

EMERGENCY FUND

If you want to be prepared for anything life can throw at you then you need an Emergency Fund. If you want peace of mind, you need an Emergency Fund.

The nature of emergencies and disasters is that they can hit you at any time. Many people out there believe the 'Universe' actually has a mechanism for throwing a spanner in the works when you're least expecting it, or when you least need it.

Whether it be 'Murphy's law' or, even worse, 'Sod's Law', the outcome can disrupt your life in unexpected ways.

Having an Emergency Fund means you stand a better chance of recovering quickly with the least disruption to your life.

HOW MUCH IS ENOUGH?

On average a good Emergency Fund is three to six months' salary.

Do you have enough saved to cover?

- Accidents
- Family emergencies
- Major home repairs
- Investment Property repairs
- Major appliance replacement
- Job interruption
- Serious illness or hospitalisation
- Rainy day fund
- Last minute funding of training courses

TIP

Always keep an Emergency Fund in Cash, or assets you can liquidate swiftly, to provide the cash you need.

SAVING FOR RETIREMENT AND WHY WE DON'T

If you ask most people why they're not saving for retirement, generally they'll come up with a plethora of reasons why they can't. They need to buy a house, pay off debt, or "how could I possibly save for that; I don't have enough to live on as it is!"

Whether valid reasons or not, the fact is that most of us can't imagine retirement.

For many of us, although we know we'll get older, it just isn't real. This behaviour even has a name; "cognitive short-sightedness". It's part of being human and, because of it, we tend to prioritise our needs now over our future needs.

A result of this type of thinking is that we make flawed predictions about our future needs, procrastinate about funding retirement savings, don't plan for the lifestyle we expect to experience in retirement, and don't put any strategy into effect.

Getting started is often the hardest step of any strategy; time can help you reach your retirement objectives – the more time, the better! The younger you start funding your retirement, the smaller the amount of money you have to set aside each month to reach your financial retirement goals.

PENSIONS TIP:

USING THE SERVICES OF A QUALIFIED THIRD PARTY FACILITATOR HELPS TO HIGHLIGHT THIS MINDSET FOR WHAT IT IS; PSYCHOLOGICAL DENIAL.
YOUR FINANCIAL PLANNER'S SERVICE PROVIDES A VALUABLE EXTERNAL VIEWPOINT ON YOUR CIRCUMSTANCES AND HELPS PUT YOUR PRESENT AND FUTURE NEEDS IN PERSPECTIVE.

IT'S EASY TO FIND AN EXCUSE NOT TO SAVE

Age 25

"We're just getting started. We'll save more when we're making more income."

Age 40

"We've got house payments, car payments, and the kids—we just don't have anything left to save."

Age 50

"As soon as the kids are out of school, we'll be able to save for retirement."

Age 60

"Our expenses are so high and the amount we need to save is just more than we can afford."

PENSIONS TIP:

THE BEST AGE TO START YOUR RETIREMENT SAVINGS IS NOW!

POWER OF COMPOUND INTEREST

Time is a fundamental factor in any investment.

The earlier you start to invest and the longer you hold onto your investment, the more your investment can grow in value.

This is possible due to compounding. Compounding makes time work in your favour!

Starting your savings and investments as soon as possible is very important. Even the month you start to make savings contributions can make a big difference.

For example, by starting your contributions in January instead of December of the same year, you can substantially increase your financial gains.

This is possible, given the compounding interest generated by starting earlier.

Compounding takes place when you reinvest your earnings such as interest or dividends. This means that your investment base gets larger because your investment earnings are added to your principal; therefore, the forming larger base has the potential to grow at a faster pace.

- The sooner you begin to invest, the less you need to contribute each month to reach your financial goals.
- The earlier you start, the greater the financial risk you can afford.
- The longer you hold your investments, the better chance you have of riding out any downturns in the market.

There are many instruments in the market that can help you take advantage of compounding.

- Set up a managed regular savings account.
- Open a Personal Pension or Stakeholder Pension plan.
- Set up a whole of life insurance policy that guarantees a cash payout on your death.

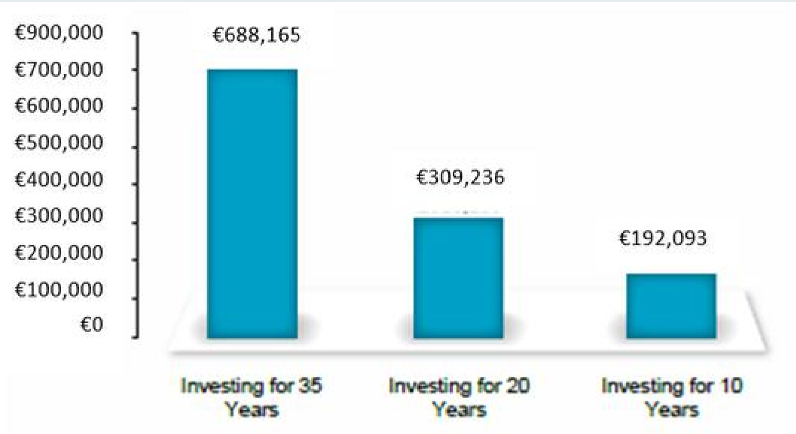
HOW COMPOUND INTEREST WORKS FOR YOU

Option A: You start investing €300 a month at age 30 in a tax deferred retirement plan that earns 8%. After 35 years, you will have accumulated €688,165.

Option B: You start investing €525 a month at age 45 in a tax deferred retirement plan that earns 8%. After 20 years you will have accumulated €309,236.

Option C: You start investing €1,050 a month at age 55 in a tax deferred retirement plan that earn 8%. After 10 years you will have accumulated €192,093.

Power of Compounding	**Option A**	**Option B**	**Option C**
Total Investments	€126,000	€126,000	€126,000
Interest Rate	8%	8%	8%
Number of Years	35	20	10
Monthly Contribution	€300	€525	€1,050
Your Retirement Account	€688,165	€309,236	€192,093



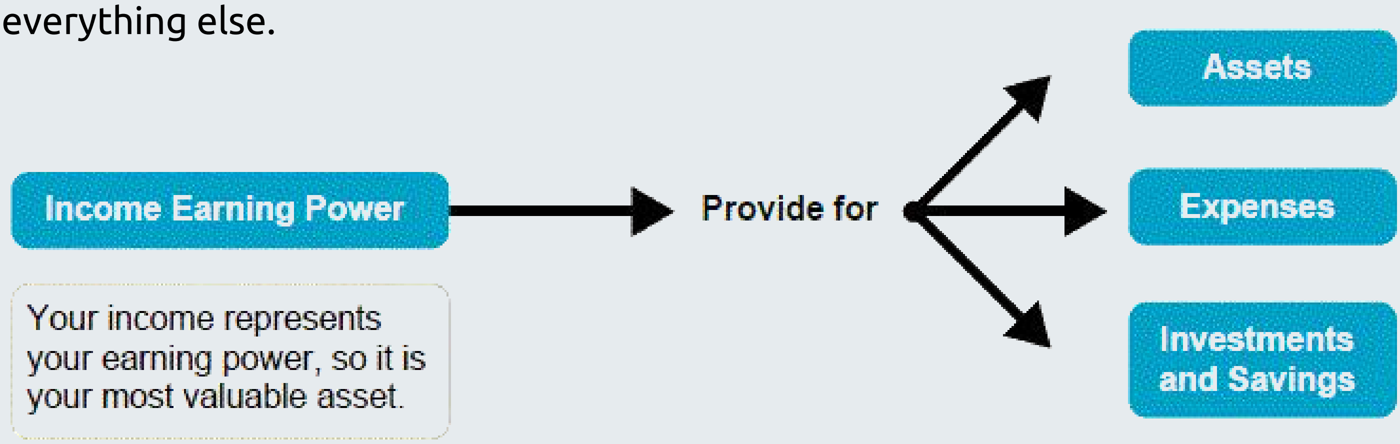
In either case at age 65, you will have invested a total of €126,000, but your investment would have grown to €688,165 by starting at age 30. If you had started at age 45 or 55 your investments would have only grown to €309,236 and €192,093 respectively.

- By starting 15 years earlier and taking advantage of compounding, you can accumulate €378,929 more, while still investing the same amount.
- By starting 25 years earlier and taking advantage of compounding, you can accumulate €496,071 more, while still investing the same amount.
- The different final outputs on investment that have the same interest rate and the same amount invested are explained by the extra years of compounding.

DISABILITY INCOME PROTECTION

HAVE YOU INSURED YOUR MOST VALUABLE ASSET?

When it comes to protection, we insure the car we drive, the home we live in, and sometimes our life itself, but we rarely cover what is potentially our greatest asset – our Income. Yet, this is the asset we normally use to purchase everything else.

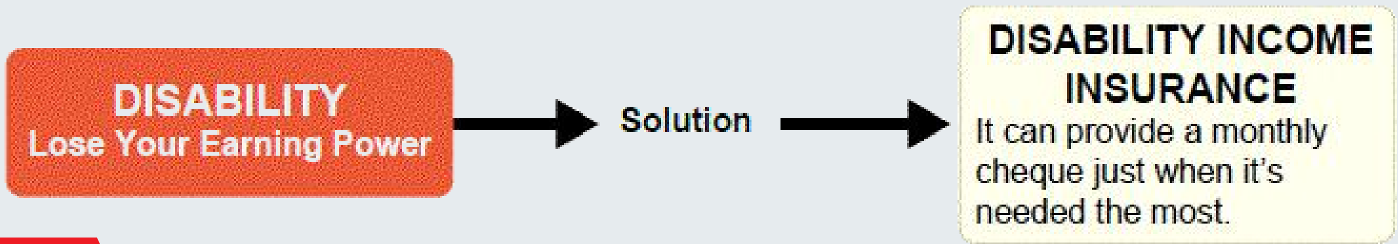


You work hard for your pay.
But what happens if you can no longer work?

Ask yourself the question, how will you pay your outgoings if you don't have an income because you are unable to work?

If something happens to your assets you have the potential to replace them over time even if you did not insure them as long as you have an income.

Making sure you protect your Income when you unable to work due to disability means investing in Disability Income Insurance Protection.



GET IN TOUCH

For the professional help and guidance you need, please call us for an informal chat today.

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LEGAL

The information provided in this publication is intended for guidance only. While the information within it is correct at publication, legislation changes regularly and, although we make every attempt to keep such guidance up to date, there may be transitory inaccuracies. We make every attempt to ensure the information included in this publication is accurate and up-to-date. However, United Advisers Group makes no warranty or guarantee regarding the accuracy of information within this publication

The factual information regarding various options described is provided on the basis of current legislation and is subject to an individual's personal circumstances. We recommend, in all cases, seeking specialist advice so that your individual circumstances can be fully considered.

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