

Exploring what makes you unique...

...and why it matters when planning your money



In broad terms, there are two ways to start planning your money. You can focus on:

- 1 Looking for the best financial products and investments
- 2 Establishing what you want (to have or do) in the future – for you and your loved ones.

In this guide, we'll see why the second approach is easier, uses your expertise about yourself (your unique attributes and goals), and produces better results.

Unfortunately, many people start by focusing on products when reviewing their finances – perhaps because online bloggers and the money sections of the papers often do the same. And it's tempting to think we can find the best money strategies, financial products or investments if we read enough about them.

There are, however, two problems with the first approach...

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First, it's a huge task to learn everything about all the products available...

Even if you assume you select the right products for your circumstances, you'll need to learn the rules on how much money you can put in, when you could take it out and whether any penalties might apply. And you'll need to know how the various taxes (and other risks and costs) could affect your money.

2

And there are many products to consider...

Even when you've found the best one, you'll still want to compare similar products from different providers. And while it can be simple to compare bank or building society accounts, it's much trickier to compare investment and pension products. Of course, the work doesn't stop there – because you'll want to find the best types of investment fund to hold inside your financial products.

So, analysing financial strategies, products, and investments is extremely difficult! Non-experts are less likely to do this well and so taking any tips they may give may not be helpful.

Your goals must drive your financial plan

A good financial plan will only use financial products that take account of your circumstances and help you meet your personal needs and achieve your life goals. And, as your needs, goals, and circumstances are unique, your plan must be unique to you too.

So, no book or blog could ever give you a one-size-fits-all financial plan. And learning this can be frustrating, but the good news is help is on hand.

A crucial part of the role of your financial adviser is to help you put together a plan that is right for you (you will normally pay a fee for financial advice).

Working with your adviser, you can decide whether you want to build funds to:

- Slowdown from work before State Pension age?
- Take time out before retirement, so you can:
 - Take a luxury holiday?
 - Pursue your personal interests?
 - Plan and start a business?
- Help a younger loved one with some of their costs while at university – or with some money towards a deposit on their first home?

Whether you have one or many life goals, you just need a rough idea of:

- 1 How much (in today's money terms) you'll need and when for each.
- 2 How much money you can afford to put towards that goal, as a lump sum or as regular savings over time.

Only then can you and your adviser decide on the most suitable financial products and investments to help you achieve those goals.



How many ways are you unique?

To plan your money well, it helps to think about the many ways you're unique. So, when you're ready to start a new financial plan (or review one you made in the past), we suggest you jot down your answers to these two sets of questions. Many of these questions may appear a little difficult to solve but, in most cases, your financial adviser will be able to help you arrive at the answer.

First on the 'hard' facts about your finances, second about the human side of you. This is not an exhaustive list; as you're unique in many ways. But your answers to these questions will help you and your adviser develop a sound financial plan.

On the hard facts about your finances...

- 1 **What is your income after tax and other deductions?**
What's your income from work and other sources, like investments, property, and pensions? And how might that change over the next few years as things change in your life?
- 2 **How do you spend (and plan to spend) your money?**
What are your regular living expenses, and how might they change over time? Be sure to include the costs of your regular holidays and days and nights out. A good financial plan helps with the future and allows you to have fun today! Look out for areas of spending you could cut out, especially if doing so won't affect your quality of life – because that is money you might need in the future.
- 3 **What is your financial net worth?**
You need to know your net worth to understand your future financial choices. So, note down the value of your home, if you own it, and any other properties, savings accounts, investments, insurances and pension funds. And then deduct any amounts you owe – on mortgages, personal loans, credit cards, hire purchase agreements etc. And note the remaining terms of any loans and the interest rates charged.
- 4 **What is the financial situation of your wider family?**
It may sound odd to consider your wider family's wealth, but this may be relevant if passing on wealth to the next generation makes sense. Without the help of an adviser, it can be difficult to know about the government-approved ways to avoid unnecessary inheritance tax.
- 5 **What is your attitude to investment risk?**
Your financial adviser can help you assess your general attitude to investment risk and capacity for loss. They can also help you to select investments aligned to your capacity for risk and loss – which can be different on each of your life goals – depending, for example, on how long you expect your money to stay invested.

About the human side of you...

- 6 **What's your attitude to money in general?**
We learn many aspects of our attitude towards money from what influence us throughout our lives. And it may help to reflect on how you feel about your longer-term money challenges, using the scale below or in your own words.
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- 7 **What knowledge and experience of investing do you have?**
How much do you know about planning your money and the different financial products and investments available, like those we listed earlier? A little knowledge and overconfidence about money matters can sometimes be dangerous. That's why so many financial experts seek outside professional help with their financial planning.
 - 8 **What are your financial goals?**
It can feel daunting, at first, to think about what we want for our longer-term future. But most of us have one goal in common – to build enough wealth to feel free to stop (or slow down from) work at some point. So, jot down that freedom goal, note when you want it to start and estimate, in today's money terms, how much income you'll need for the kind of life you'll want. Then make a note of anything else you'd like to have or do en route to your later years.
 - 9 **Do you have a life partner?**
If you have a life partner, you must decide whether to plan your finances together or alone. There's no right way to do this; you can fund some of your life goals alone while sharing the costs of others. It just helps to be open about your approach. And be sure you both have up-to-date wills and, ideally, a Power of Attorney in place, so you're each equipped to deal with all your financial affairs in the event of an unexpected death or serious illness.
 - 10 **How is your physical health?**
Our health: how much and how we exercise, what we eat and drink and whether we smoke can affect our happiness and abilities – now and in the future. Our health also affects how we pay for personal insurance: on our life, for what you're doing (and will do) to maintain your health or improve it if needed.
 - 11 **What 'personal' assets do you (or could you) have?**
You may take them for granted, but your work knowledge, skills and experience are assets you could use to earn more income, if you need it, in the future. So, note down these assets too, and remember, it's never too late to learn new skills or update those you have.
 - 12 **What else makes you unique and really matters to you?**
If you're aware of your personality traits, emotional styles and character strengths, you could note key points from those to inform your future plans. Finally, make a short list of what you value most in life, including any activities or projects that fascinate you, or could if you had more time for them. This way, you and your adviser will build a financial plan around what makes you, and your loved ones, happy.

Building your plan with an adviser

It's easy to find information about wealth strategies and financial products online, but extremely difficult to know how much of that information is accurate and balanced.

Chatting to friends and family can sometimes be helpful, as these people should have your best interests at heart. However, any strategies that worked for others in the past might not be suitable for you, given your current circumstances and goals.

So, it's best to design or refine your plan with a professional financial adviser – who will take care to understand everything that's unique about you.

When making decisions about investing, we recommend that you always consult with your adviser (you will normally pay a fee for financial advice). As you will be aware, they work with you to understand your needs and then offer broad-based advice to help you achieve your long-term goals.

