

A large white number '4' is centered on the page, overlaid on a background of blue water. In the background, there are several yellow and red boats, likely fishing boats, floating on the water. The number '4' is the primary focus of the slide.

4

Making An Action Financial Plan

Step Four - Making An Action Financial Plan

Making a doable financial action plan.

These are the critical components needed to become financially successful.

- Following through on implementing your personal goals as outlined above.
- Manage (invest) your cash flow and live within your means.

This is the hardest challenge for most people because it means delaying gratification. Our society has culturally conditioned us to want instant happiness, (however temporary).

- Increase knowledge to plan for the future.

The compounding effect of relentless knowledge building upgrades your intellectual skills, brands and positions you to capitalise on opportunities in the workplace, harmonises your personal relationships, and is a sheer catapult to lifelong personal and financial success.

What does it mean to make a financial action plan?

To understand how the elements that comprise financial planning fit together, we need to go back to the good old days in Bermuda when life was simple, mostly pure cash transactions (some of us remember the little brown pay cash envelopes)? Bills were paid in cash; purchases were made in cash; savings were often hoarded in cash in the proverbial cookie jar, or under the mattress.

There was little to no conscious structured future planning by Bermuda islanders; it was just plain survival common sense.

If cash was not available to buy goods, or, in inclement weather, the latest supply ship did not come in from Australia with butter, mutton, a few frozen foods, etc. then people resorted to barter. Of course, I oversimplify, one ship does not a fleet make but the sense of isolation was there.

However, if I assign a manpower value to fixing your roof, then fair enough, you can buy my labour for a boatful of fish. A lot of fish (and whatever else was native) was eaten back then, but disliking fish, you might sell to a neighbour for a cash profit, ingenuity being every Bermudian's middle name!

Or you might trade the fish for a cow, sell the milk, grow the herd, and invest in farmland, possibly build a home - assuming that in a perfect world, your herd remains healthy.

So, if your survival instincts helped you to not only eat but earn surplus cash, you might actually try to plan for more than a subsistence level in the future: acquiring other assets, starting a business, arranging some protection for your family, perhaps, even some formal retirement planning with a pension - something that was relatively non-existent for most folks, back in the good old days.

This was the instinctual beginning of financial planning.

How Can You Plan? Should You Do-It- Yourself?

Yes, you can. Ask three simple questions

1. One. Where am I now?
2. Two. Where do I want to be - in one year, two years, five years, ten years, etc.?
3. Three. What do I have to do to get there?

A very, very simple financial plan, taking one goal at a time, can look like this. For instance, you are constantly trying to catch up on your credit card debt, and consequently, do not have any cash reserves for a rainy day. Take some solace in knowing that you are not alone. A 2017 survey by US bank-rate.com indicated that more than 60% of US households could not afford a \$400 emergency expense.

Illustrative Simple Plan Example:

Review All Your Finances. Increase Your Income. Monitor Your Spending.

Build a Cash Reserve. Reduce Credit Card Debt. Manage Your Risk Contingencies.

- A. Review your current and future income projections
- B. Seriously, review and monitor your spending.
- C. Set up an easy to use budget.
- D. Build your cash reserve account by watching the small stuff.
- E. Open your cash reserve savings account even if only \$50 a month, use the rest of the extra income and expense savings each month to

apply to your debt. Ask your employer if an extra 1% or so can be withheld to increase your new reserve savings account.

- F. If your credit card debt is out of control, schedule an appointment with a local debt counsellor to see if you can consolidate your debts into one interest rate and monthly payment.
- G. Pay every single penny - as much as you can over the minimum credit card payment required every month - working on the highest interest rate card first, or the credit card with the smallest balance. You must feel incensed to continue by watching these balances decrease and then, disappear!
- H. Then, use your card sparingly or not at all. Pay the monthly balance on time or before the due date to avoid any late penalties.
- I. Better yet, stick to your debit card. Knowing your cash account will be depleted immediately is a good BRAKE STOP.
- J. Review your remaining financial positions: employee benefits, pension balances, investments, insurance, basic estate plan, other debt payments, etc.
- K. Motivate yourself and your family to save for a specific goal - that is the reward.

Does Everyone Need a Plan?

Some in the industry would say, yes, others would argue definitely not always. Sometimes, a full financial plan is overwhelming in length, depth, and time to implement. It becomes such a hurdle that nothing ever gets done. Focusing on one aspect of a plan at a time can be more appealing and achievable.

How will you know whether you need (or don't) a plan?

Start with the trigger questions below, and if you answer yes to more than a couple, you should think seriously about putting a simple financial action plan in effect.

Ignore the more complex issues for now as they are included by topic in each Series Primer to help with long-term planning.

Significant Life Event Financial Action Plan Triggers:

Are you experiencing significant changes, such as any of the following life happenings?

- Little to no idea where your ATM cash and other little cash expenses go
- Credit card or other debt out of control
- Redundancy and need for emergency cash
- Retirement looming and just not ready
- Significant changes in lifestyle creating demands on all finances
- Goal achievement, e.g. purchasing a home, car, college, etc.
- Divorce, marriage, widowed, extended family support issues
- Serious disability, special needs, or illness in family of child, breadwinner, etc.
- Business viability, loss of partner
- Annuity distribution decisions, domestic, foreign pensions
- Beneficiary of an inheritance
- Proceeds from sale of, or investments in, real estate, securities / investments
- Mortgage finally paid-off!

- International / domestic tax connections and liabilities
- Property investments abroad
- Obtaining another citizenship, e.g. United States, Canadian, UK,
- Lump sum Settlement of a insurance policy, lawsuit, lottery winnings, bonus
- Investment knowledge upgrade, choosing an advisor
- Starting a business, incorporating, selling a business
- Organising an estate, making a will, settling a trust,
- Emigration to another domicile
- Personal relative Eldercare, and accompanying long-term maintenance of real property

A Sample of a Simple Financial Wellness Action Plan

- Take a look at this [Outline of a Financial Action Plan](#)
- Set your Most Important Goal and time frame, incentive to fulfil this goal!
- Increase savings
- Diversify currencies
- Increase life insurance
- Implement personal plan to increase salary
- Work on prepaying mortgage principal
- Update wills, including living and medical care directives
- Assess estate, and death tax issues
- Start a globally diversified capital preservation portfolio investment
- Re-allocate pension assets to fit your risk profile / change pension beneficiaries

Once accomplished, the satisfaction of a working plan means Peace of Mind!

- The Pieces fit
- Your Finances are in harmony
- Update your plan as it keeps working, year after year!



[Listen to tips for Making a Doable Action Plan](#)

<https://tinyurl.com/ygcmaxvn>

References & Resources

Here are a couple of websites to help you get started with your own financial plan. These can be used for inspiration along with the ideas promoted above.

REMEMBER! These are no Bermuda planning websites, so you will need to ignore some of the topics such as taxation, investment products and so on.

Keep in mind also that these are suggestions only and that the author, Martha Harris Myron does not endorse or support in any way, help listed websites and references.

8 Steps to Creating a Smart Financial Plan

Ten Steps to Creating a Solid Financial Plan for Yourself

By Bola Sokunbi. Published on January 24, 2020