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# Do I need personal financial planning?

American Institute of Certified Public Accountants. Personal Financial Planning Division

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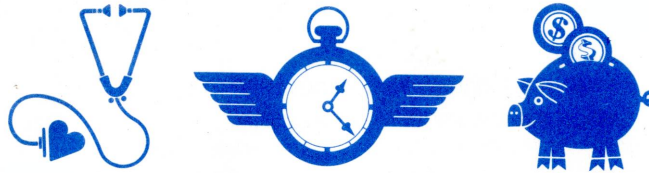
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**DO I  
NEED**

**PERSONAL  
FINANCIAL  
PLANNING?**

**P**lanning for a secure financial future is not as easy as it was a generation ago.

- Maybe you're saving to buy your first home.
- Perhaps starting your own business is a dream.
- The costs of a college education have spiraled and you may wonder how you will pay for your child's education.
- You will probably live longer. Additional years after retirement can cost more than originally planned.
- Your company pension plan and Social Security may not be enough to maintain your standard of living after retirement.

**The answer can be  
Personal Financial Planning.**

**What is personal financial planning?**

Personal financial planning is a process, not a product. It is an organized, well-planned system of using money and financial resources to achieve both short- and long-term goals.

**Do I need personal financial planning?**

Yes. Everyone needs to plan for tomorrow. Today's complex financial marketplace and changing tax laws make it difficult for you to keep up with all the changes and to understand how these changes may affect you. At every income level, there are steps you can take to make more efficient use of your assets and to make sure that your financial future is secure.



### **I don't have a lot of money. Do I need a full-scale financial plan?**

You may not. CPAs provide different levels of financial planning—from counseling to comprehensive planning. Speak to one or more CPAs who practice financial planning and you should be able to find a CPA financial planner who meets your needs.

### **Why have a personal financial plan?**

All of us lead busy lives. It helps us to have our goals defined and know exactly what is necessary to get from here to there. A financial plan helps you take the steps needed to turn your dreams into reality.

### **Who should prepare it?**

A well-qualified financial adviser should work with you to prepare your plan. Objective, fee-based financial planners' loyalty is to their clients, not to a product they are trying to sell. Certified public accountants have been trusted financial advisers for 100 years. Your CPA is a good place to start.

### **What should it include?**

A financial plan should include a review of your net worth, goals and objectives, property and other assets, liabilities, cash flow, investments, retirement planning, estate planning, tax planning and insurance needs, as well as a plan for implementing your goals.

### **How does goal-setting play a role in financial planning?**

It is important to list both short- and long-term financial goals on paper. You can then rank the importance of the goals. If you are saving toward something tangible, instead of just saving, it may be easier. These goals could include: available cash for emergencies, education for children, care for family members, retirement, a nest egg to permit a career change, acquiring or selling a business, estate planning, financial independence or personal objectives such as a special vacation or second home.

### **How do I know how much I am worth?**

One of the first things that you should do in reviewing your financial situation is to determine your net worth. Many people are surprised to find out how much they are really worth.

First, estimate the value of your assets. If you have owned your home for a number of years you may be sitting on a nice nest egg. Several different real estate appraisals will help you determine its worth. Organize bank and brokerage statements and record their value. Don't forget assets in IRAs, company savings, or 401(k) plans. List your liabilities such as mortgage, car loans or credit card debt. Subtract your liabilities from your assets and you will have a good estimate of net worth.

### **How often should I update the plan?**

It is good to review the plan when there is a lifestyle change such as marriage, birth, death or divorce. Any change in financial position should be evaluated as well. Many people have an annual update that reviews how the plan is being implemented. The review also considers changing goals and circumstances.

### **How can I plan for tomorrow when I can barely pay for today?**

Create a budget. Determine what you actually spend each month. It is easy to keep track of large expenses such as mortgage and car payments. The variable items such as food, clothing and entertainment are often what get away from us.

### **How much should I be saving?**

It is hard to apply a rule of thumb toward savings, because it varies with age and income level. Ten percent is a good start. If you find that is too high for you, don't let that deter you. You can start by putting a little aside each month and slowly increasing it.

### **When should I plan?**

It is important to start planning for the future as soon as you can. Time passes quickly—it is never too soon to start planning for tomorrow.

### **Is there a review of my insurance needs?**

Evaluating your insurance needs is part of personal financial planning. The insurance industry has changed a great deal over the past few years and there is a whole array of new products. Some of them may be better options than your current coverage. Your CPA can work with your insurance agent to see if you have adequate coverage.

### **Do I need a will?**

Everyone needs a will. Whether you are single or married, you need a will. No one but you knows how you want your estate divided after your death. It is especially important if you have children. If you do not have a will and both you and your spouse die, the court will appoint a guardian for your children. Maybe you would have chosen someone else. If you don't have an attorney experienced in estate planning, your CPA can recommend several.

### **What type of advice can I expect from a CPA?**

You can expect objective financial advice that is tailored to meet your financial goals and objectives. It will match the level of risk that you are comfortable with and is appropriate for your financial goals. The CPA may confer with your attorney, stockbroker, insurance agent and other investment advisers to achieve the best plan for you.

### **After a plan is developed, what happens next?**

The best plan is useless unless it is put into action. Your CPA can advise you how to implement the plan and can put you in touch with other financial experts as needed.