

Capital Partners

LIFE CONVERSATIONS. WEALTH SOLUTIONS.

Your Simple 5-Step Financial Guide

“An investment in knowledge pays the best interest.”

BENJAMIN FRANKLIN



① Set your goals.

Having any financial plan involves setting great goals. We often see people aiming to buy a house or go on a holiday. If you're really organised, you might have set out some milestones – get the kids through private schooling, go on a holiday each year, and retire when you are 60. Equally as important, your starting goal might be to have some emergency cash set aside, so you're not sweating every time you need to pay for something unexpected.

It is well documented that having a specific reason we are working towards goals builds greater accountability and focus. So, let's set some financial goals!

Goal Setting Template
Name it:
Describe it:
Quantify it:
Date it:
Assess it - Is your goal worth the effort? Is the juice worth the squeeze?

Split your focus and let your goals compound in success, try setting two short-term goals (1-2 years), 2 mid-term goals (3-5 years), and a long-term goal (10 years). Watch your inspiration flow and momentum build!

② Look at what you're spending.

This is the hard part, it is time to look at yourself in the mirror and own up to your habits part. It is eye-opening and can be difficult but also strangely satisfying. It's about knowing where all that money goes!

Your bank might already categorise transactions for you, so you know how much is classified as 'groceries' or 'utilities'. If your bank doesn't, you can follow these steps. Download a CSV file (Excel) of transactions for a 12-month period. Then sort them by narration. This groups all the same ones together, so it's easy to identify what they are. Then start categorising – a budget planner can help you here. We have set out a few examples below to get you started.

When you're done, you can figure out exactly what you spent in the year and where you spent it.



③ You've got to save something.

Now, some analysis is required here. We need to outline how much you earn (all your income, salary, interest, dividends, government benefits), and how much you are spending.

The goal is to have the value of your income less your expenditure as a positive figure. If you are already achieving this, congratulations, you might be saving without trying. If not, that is ok, we just have some reflection and work to do to get there. Either way, you might find yourself asking "Could I be saving more? Should I?".

$$\text{Total Income} - \text{Total Expenditure} = \text{Savings Capacity}$$

If we take a look at your new budget, you have previously created (yes, that's exactly what you just created for yourself!) we can evaluate spending and decide where we could do some trimming.

In fact, now that we have your financial movements down on paper, we start talking about targets that will work towards your goals! If you were to stick to these, how much could you save, or how quickly could you reach your goals?

Armed with all this information about your financial situation, we can now determine a realistic and meaningful savings figure that you can stick to, enabling you to progress toward your goals with purpose and momentum.

And remember! You don't necessarily need to increase your salary or completely stop spending. Look through your house. Are there things you really don't need that could be sold? Do you need to pay to park at work every day, or could you catch the train or cycle? There are many options out there and a myriad of different side hustles. The question is, how dedicated are you to your financial goals?



④ Now for a bit of strategy.

Now you know what you spend, and you've done some work on what you should be able to save, how long will it take you to save for your goal? You can calculate it – for example – if you can save \$1,200 a month, and you need \$40,000 for your house deposit, it's going to take you about 34 months, or just over two and a half years.

If you've got more than one goal, you need to do some prioritizing here – will you put off going on a holiday so that you can buy a car a little sooner?

What if you wanted to buy a house in 3 years, but to save for the deposit, you won't have any money left over for a holiday – will you put your homeownership dream on hold for another 2 years so that you can take a holiday each year?

This is where we look at how much you can save each month and decide how it is best allocated to each of your competing goals. Perhaps a certain percentage each month goes to each goal (50% for the house, 25% for a holiday, and 25% for the emergency fund).

If the goal you are saving for is long-term (for example, retirement), you might consider investing the money so that it starts working for you. If the goal is for a shorter term (i.e. in the next 3 to 5 years), then you can invest the money, but you need to consider what you would do if the market went down. Would you be happy to put off achieving your goal? If the answer is no, you might be better off keeping the money in cash or term deposits so that you have certainty that the money will be there when you need it.

It is important to remember that your goals are personal and unique, there is no right or wrong way to approach this. Simply to approach it authentically and honestly so you can make the best decisions possible for yourself.



⑤ Discipline.

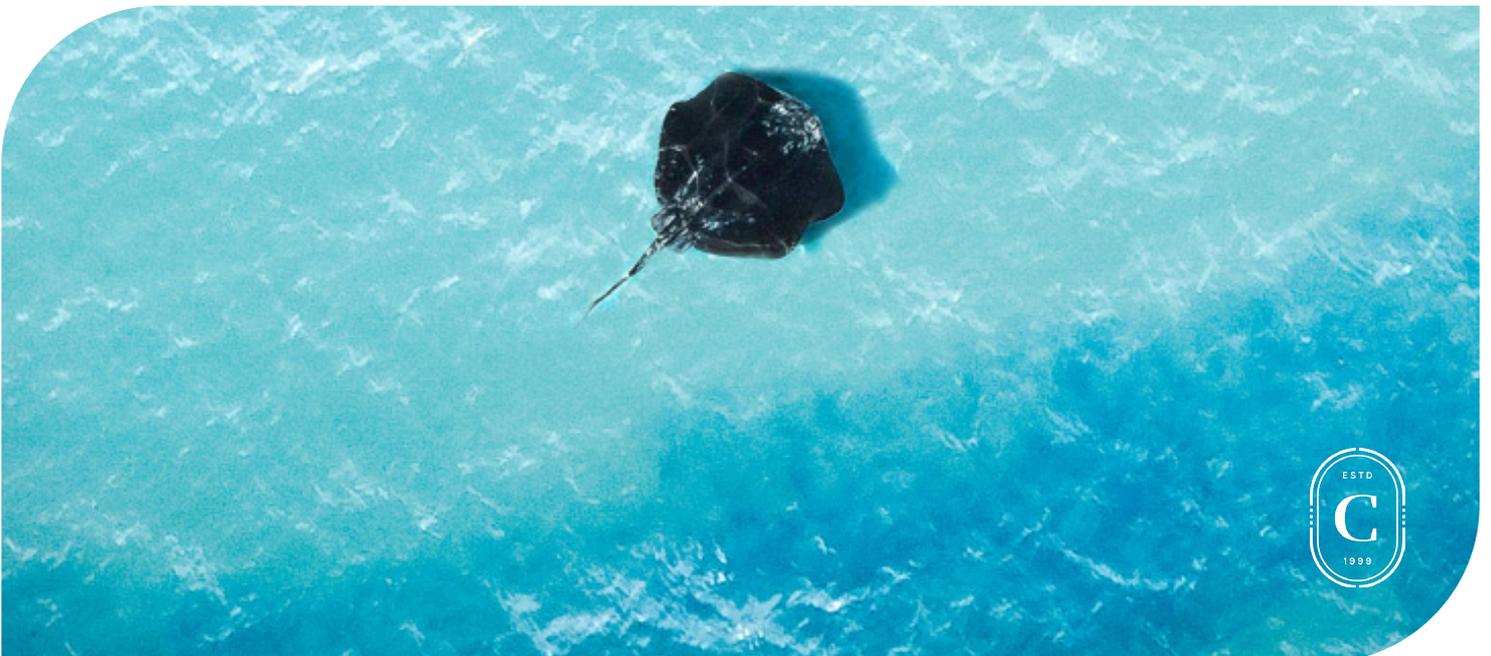
The last step may not be the most exhilarating, but it is arguably the most satisfying. Now that you have your plan – you know what you want, and how you are going to get there – you have to be disciplined about doing it.

Whatever strategy you decided, regularly investing or regular saving – stick to it. As the dollars start to add up, your goals inch closer.

Taking action and being in control of your finances is a great feeling, full of satisfaction and motivation. Enjoy the journey, and, of course, the destination – your chosen financial goal!

Remember, that taking the first step will always be the hardest, just like making your first million will always be the hardest!

You don't have to go through every step alone.
Contact our team to book a Discovery Call today.



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