

# 5 key components of financial planning

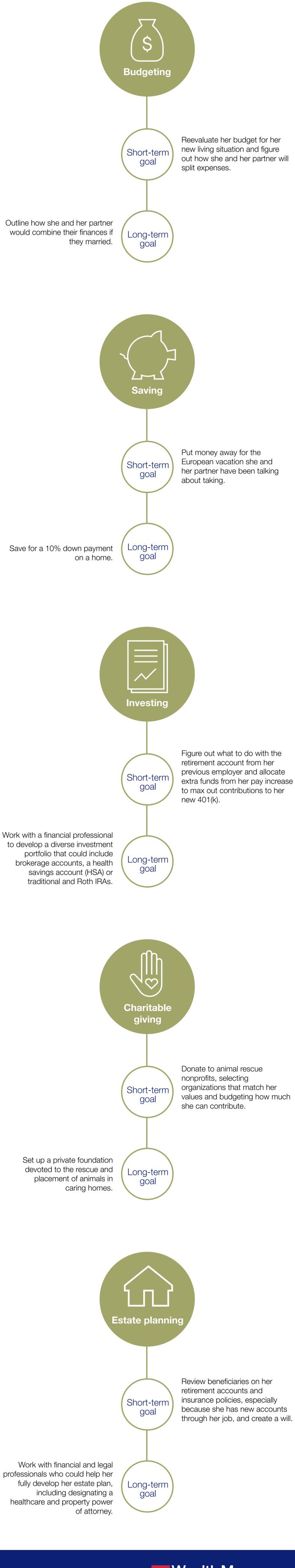
A strong plan involves every financial element of your life, including short- and long-term goals.

You may think you need a certain amount of money to justify a formal financial plan. However, a written plan can help you take control of your money and work toward your financial goals no matter where you are in life.

Review these elements of a financial plan and how they may change for short- and long-term goals.

	Short-term planning 6 months to a few years	Long-term planning More than a few years
 <p><b>Budgeting</b></p>	Track and categorize your monthly expenses. Adjust your spending as needed, and plan ways to pay down high-interest debt, such as credit cards.	Revisit your budget when you have significant changes in your life, such as a job change, marriage or divorce. You might also design a budget for your retirement years in advance.
 <p><b>Saving</b></p>	List your short-term goals, such as paying for a wedding or purchasing a house, and include how much money you will need.	List your long-term goals, such as retiring by a certain age or paying for your child's education. Online calculators can help you estimate the savings you will need.
 <p><b>Investing</b></p>	Aim to take advantage of compounding interest as much as possible. Participate in a retirement account, such as a 401(k) or IRA.	Identify your risk tolerance and outline an investment strategy for your portfolio. Consider working with a financial professional.
 <p><b>Charitable giving</b></p>	Identify any causes you would like to financially support. Short-term goals might include a donation to a new cause.	Think about your philanthropy and legacy wishes, which could include goals such as setting up or donating to a foundation.
 <p><b>Estate planning</b></p>	Work with an attorney to set up important documents, such as a will and power of attorney. Consider if you need additional insurance coverage, such as life or disability, and if you're nearing retirement, long-term care.	Revisit your estate plan regularly, especially after major life events, such as the birth of a child. Consider working with a financial and legal professional to ensure you have the right documents in place to carry out your wishes.

Let's take a closer look at these financial planning elements in action. Consider a woman in her late 20s who just received a big boost in her career through a new job and moved in with her long-term partner. Working with a financial professional can help her identify, prioritize and pursue the goals that matter most to her.



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