

Financial Planning



Planning for the Future

by Harvey Armour

Will you be financially able to pay for a college education for your children or for you and your spouse to retire early? These are just two of the long-term financial matters that most people have to deal with sooner or later.

Personal or family financial planning is one of the most important things you can do to achieve your financial goals.

Luke 14:28 supports the wisdom of planning. Just as it is prudent to know the cost of constructing any structure before you start to build it, it is important to know what your financial goals are before you can determine how much money you will need to achieve those goals.

Both short-term and long-term personal or family financial planning is essential for virtually everyone. People who have burdensome debts or that have modest income are not the only ones who can benefit from financial planning – even those who seem to be doing very well financially can benefit.

Some people may incorrectly believe that if they do financial planning, it will take away their financial freedom. The

truth is that, over a period of years, financial planning can provide people with more financial freedom than they would have if they didn't do the financial planning.

To not have a financial plan is like being in a ship that does not have a rudder with which to steer the desired course, with the result being that you and your family will be carried wherever circumstances may take you rather than to where you would prefer to go. When you establish financial goals, you are better able to make timely plans as to how you can achieve those goals. If you don't do the necessary planning, you are less likely to achieve at least some – and perhaps most – of your financial goals.

Financial planning can help you and your family to control what your financial situation will be rather than letting your financial situation control you. Financial planning helps you to take offensive action to prevent financial problems, instead of having to take defensive action when financial problems arise. And, financial planning helps to make money your servant

rather than allowing it to be your master.

If you want to get started with financial planning, take the following steps:

1. Prepare a list of your major long-term personal or family financial goals. If you are married, it would be beneficial if your spouse also prepared such a list. Claim the promise in James 1:5 by asking God for wisdom for you and, if you are married, for your spouse.

2. Assign priorities to your financial goals. If you are married, combine the two lists of long-term financial goals and arrange them in the order of their priority for the two of you together. Seek God's will as you attempt to finalize the order of the combined list.

Also, remember that what may be a high priority for you may be a much lower priority for your spouse, so you will need to be willing to make compromises in deciding what the final order of priorities will be.

3. After you have determined the priorities of your long-term financial goals, begin doing specific planning as to how your highest-priority

combined goals can be achieved. For example, you may decide that you will need to reduce your spending for discretionary items such as vacation, gifts, eating out, etc., so you can substantially increase your savings. Another example is that if you or your spouse is not currently working outside the home, you may decide it will be necessary for that person to get a paying job after your children reach a certain age.

4. Every year or two thereafter, spend time re-assessing your long-term financial goals in order to determine if your priorities have changed and also to evaluate how well you have been progressing toward attaining your financial goals.

You need to know your long-term financial goals when you are doing your short-term financial planning. You won't be able to determine how much you need to save each year if you don't know how much you will need for major expenditures in future years. Therefore, your long-term goals need to be given consideration in developing your short-term goals.

Short-term planning can be done by developing an annual budget. Few families will be able to attain their long-term financial goals unless they save systematically. The key to systematic savings is to make sure you pay yourself every month, just as you pay your regular monthly bills. If you don't plan to save systematically, it is much less likely that you will have sufficient savings to meet your long-term financial goals.

If you really want to save, you probably can find a way to do so – if you exercise self-discipline with regard to your spending. Usually, what is necessary to “find” money to save is to determine which areas of your spending are necessary and which are discretionary. Then, you will need to decide how much you are willing to reduce or eliminate spending in the discretionary areas. Most people can cut their total discretionary spending enough to increase their savings by hundreds or even thousands of dollars a year.

So, why not get started immediately to do personal or family financial planning for yourself and your family!

Your future and theirs depend on what you do.

(This article and others by Harvey Armour can be found at www.calvarybaptistchurch.org.)

© 2001 **Harvey Armour** has been a member of Calvary Baptist Church close to 30 years, during which time he has taught and counseled in the area of personal and family financial matters.