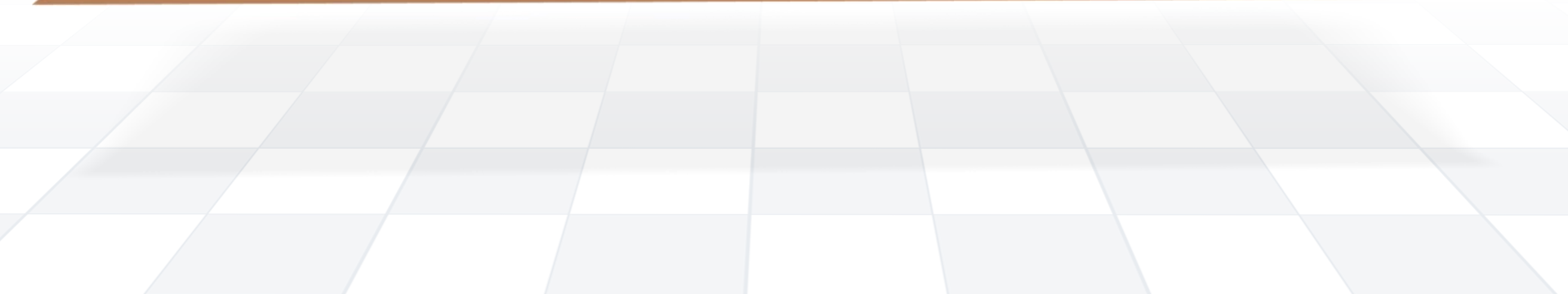


AOBF – Financial Planning

Lesson 3 – The Importance of Financial Planning



•The Perils of Failing to Plan

Three rules of thumb of financial planning

Rule 1



Spend within your means– It is essential to track what you earn and what you spend to avoid going into unnecessary debt. By budgeting, you can learn where your money goes and how to have enough of it to meet your goals

Rule 2



Put Some of Your Money Away for Later – No matter how much money we make, our expenses have a tendency to rise to meet our income. Making a savings account a part of a budget is essential for life's inevitable expenses. Investing in retirement accounts can lower taxes and pay you when you are finished working

Rule 3



Keep an Eye on Your Money– Make sure you understand where your money is going. How much are you earning? Spending? Being taxed? Putting away and for what? Knowing these figures will help you make the right decisions about what you need to meet the goals in all the stages of your life

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• Milestones

- Originally referring to markers in the road to allow travelers to know how far they have traveled, the word milestones has expanded to include important events and accomplishments that occur in the process of achieving a goal.

Milestones allow us to evaluate progress toward a final objective.

Milestone	Estimated years to save	Estimated Cost per year	Save for/ pursue other funding?	Plan: short/mid or long term?
Youth (1–17)				
Young Adult (18–24)				
Adult (25–40)				
Middle Age (41–65)				
Senior (65 and up)				