



**CENTERED FINANCIAL**

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**5 STEPS  
TO START YOUR  
FINANCIAL PLAN**

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# INTRODUCTION

Thank you for your interest in creating a better financial future for yourself. By downloading this guide, you are taking an important step in understanding how to manage your finances responsibly.

With the pace of our lives and the cost of all of our responsibilities, it is difficult to know if we are always making the best financial decisions. Whether it's managing a business or a career, paying for education, making time for what you love, or figuring out retirement, all of these things can cause financial stress. You are not alone. I completely understand.



I'm Jeran and I founded Centered Financial because I've experienced how difficult it is to try to make it all work. Sometimes we don't know where to start, sometimes we don't know if we are doing it right, and sometimes we just need support to keep us centered on what really matters.

Please use this guide to create a foundation for your financial plan and to gain a better understanding of the financial planning process. Along the way if you need help, we are always here to provide guidance.

If you are like most people, you probably have had minimal training on the basics of personal finance, and very little guidance on how you should approach certain financial choices. People handle their finances in very different ways and there is no shortage of opinions on the best way to manage your money. Because of this, sometimes it can be difficult to know what is right for you. Gaining education is essential for building confidence and making smart financial choices. It also helps to have some accountability, so remember that you are not alone in this. **Let's get started!**

# STEP 1: KNOW WHERE YOU ARE AND WHERE YOU WANT TO GO

Up to this point you have had a history with money that has guided your financial decisions.

Take a second and think about your personal history with money and what has influenced it.

- **What is your earliest memory about money?**
- **When you were young did your family talk openly about money or was it kept a secret?**
- **How are you accustomed to money being used? Spent? Saved? Donated? Invested?**
- **How does money make you feel? Happy? Stressed? Confident? Discouraged?**

Answering these questions for yourself will help you understand how you approach your financial decisions. More importantly this may help you evaluate what your learned attitude is toward money and your finances. It may help you understand how you prioritize certain financial choices in your life.

If you have a partner, these questions are important to discuss together. Knowing how you each approach finances and why you make certain decisions will help you make progress together.

By being able to understand why certain priorities matter to your partner, you will more likely understand how to work effectively together toward a common goal.

## WHAT DOES YOUR CURRENT FINANCIAL CONDITION LOOK LIKE?

**Start with a balance sheet.** A balance sheet lists all of your assets (the amount you own) against your liabilities (the amount you owe). You can create a simple balance sheet by listing everything you own and attaching a dollar amount to them. This should include personal items, cars, homes, cash, investments, etc. Next list the amount of all of your debts. Subtract what you owe from what you own and you are left with your net worth.

This is the number that you have to manage for your future goals. Increasing your net worth typically means that you are increasing the assets that can be converted to cash when you need it.

**Understand your cash flow.** First, calculate your total monthly net income. This is the amount of money that hits your pocket after taxes and any pre-tax deductions. Next add up all of your monthly expenses. Now compare the two numbers. If you have a surplus, nice work! It's time to figure out how to best use the excess cash. If you break even, then you are doing well. Make sure your money is being used in the most efficient way. If you are running a deficit, it is time to re-evaluate and create an action plan. You need to either spend less or increase earnings and look at all options to do both.

How do you understand where your money is going? I recommend looking at your transactions over the last 3 months. Break the transactions into categories to get an idea of how your monthly spending breaks down each month based on category. Does the spending match your priorities? Are you spending your money in the areas that really matter the most to you? If things don't match up, begin tracking how you spend your money in shorter periods like weekly or daily to create accountability for spending money in the areas that matter most to you.

**A good rule of thumb for spending:** Use the 50-20-30 rule. 50% of your net income should be spent on your basic necessities for living. This includes your mortgage or rent, food, utilities, etc. At least 20% should be allocated toward your future. This includes savings, investments and extra debt payments. Then your discretionary spending should be limited to 30%. This is the spending that enhances your lifestyle, like shopping, travel, etc. This rule is a great way to keep track of your budget and evaluate your progress.

Now that you know what your current financial situation looks like, you need to get specific on what you want to accomplish and how you are going to get there! Financial empowerment comes from creating the right expectations for how you define success.

*What are your goals? This is the time to be completely honest with yourself.  
What do you want?*

Don't compare yourself with someone else or come up with a goal that you feel that you are supposed to have. This is your vision. What does it really look like? How should your cash flow look each month? What is the net worth number that you are thinking of? Are you saving for a certain goal like a vacation? What will it take to get there? How about retirement? Can you visualize what you want to do when you retire?

There is an important difference between something you hope for and an actual goal. A goal requires three things. It has to be measurable, it has to be achievable, and it has to be written down. Start now.

- **Write your goal**
- **Write why it matters to you**
- **Write the dollar amount you need to achieve the goal**
- **Write down a time period for you to achieve that goal**

Now that you have a road map, what considerations do you need to take into account to get there?

## STEP 2: **START WITH CASH**

How much money can you quickly access if you need it today? We often work with people who have made financial decisions that have left them feeling like they are cash poor. Examples of this could include allocating all available monthly savings to a long-term investment like a retirement fund or buying a house and using all of the cash resources for the down payment. Before you jump into a long-term goal, make sure that you have an adequate cash cushion. Typically, I recommend having at least 3-6 months of net income available for you to access. Emergency savings is the rock of your financial plan. This is your resource for if things don't turn out the way that you want or a big expense comes up that you weren't expecting. Without cash reserves, you may have to go into debt to cover these situations. This can create a burden that quickly spirals downward and inhibits progress toward your goals.

It can be a work in progress. Start small. Set your goal as one month's income. Then increase it from there. It helps to make your savings contribution first before you spend. It also helps to make it automatic. Make sure to not sacrifice your savings at the expense of paying off debt or spending on your lifestyle.

## STEP 3: **MANAGE YOUR RISK**

There are things that happen in life that are totally unexpected. These things may seem unfair or undeserved. They are definitely difficult to plan for. When looking at your finances it is important to ask the hard questions. What happens if you die prematurely? Would your finances be in order and would your loved ones be taken care of? What happens if your income suddenly stopped because of an illness or disability? What if you had a lawsuit brought against you? All of these situations will bring extreme emotional feelings that we must cope with. Along with these being very trying emotional situations, all of these events require large sums of money to be able to maintain your standard of living. When you do not have the large sums of money to protect yourself against unexpected events, you need insurance. There are many risks that you may need to cover with insurance. Typically, it is important to evaluate these types of coverage:

- **Health Insurance**
- **Auto Insurance**
- **Home/Renters Insurance**
- **Disability Insurance**
- **Life Insurance**
- **Long Term Care Insurance**
- **Umbrella Liability Insurance**
- **Business Insurance**

You may not need all of this, it is important to evaluate where you feel that you are at risk and then decide how you would like to manage that risk for the most affordable price.

## STEP 4: **INVEST FOR THE FUTURE**

Many of your financial goals may be long term in nature. These goals may include saving for education for your children, providing adequate retirement income, purchasing a second home, etc. Over time you lose purchasing power and all of these goals are going to cost more money than they do now. This is because inflation has averaged between 3-4% per year in the United States. In order to combat inflation and have the money you need in the future, it is important to choose investments that provide an adequate rate of return to achieve your goals.

By investing for the future you have the ability to take advantage of compound interest. This means you earn interest on your original investment and interest on any gains on that investment. The earlier that you start compounding your money, the more you will have in the future. Investing involves risk to your money, so it is important to evaluate each investment. Making decisions on how to invest requires research and guidance, but may be essential to you accumulating the amount of money that you need for your goals.

When investing, make sure you **DETERMINE** the answer to these questions:

- **How much money do you need to accumulate?**
- **How much time do you have?**
- **What rate of return do you expect?**
- **What amount of risk do you need to take to get that rate of return?**
- **How much do you need to contribute?**

For more information on how to properly choose investments, we offer a complimentary 30-minute call to discuss the basics of investing. You can schedule a session with us by clicking [here](#).

## **STEP 5: BUILD YOUR SUPPORT TEAM**

The last 4 steps have really been about personal evaluation and education. To get where you want to go, you need support. As you write down your financial goals, it is important to share them with people who you trust and who can provide the positive moral support that you need to help you stay committed to reaching your goals. There will definitely be challenges and unexpected events that can derail your plans. These are the times where a support team is vital. Your spouse/partner, business partner, family, and friends can all be important confidants to help you stay on track.

Please keep in mind that financial planning is not a one-time event, but an ongoing process. As your life changes, you will need to re-evaluate your goals and make sure they are measurable and achievable. You will need to set new goals and update your finances accordingly. Beyond your family and friends, it may be essential to build a team of professionals to help you effectively create and implement a plan. A valuable addition to your professional team may be a CERTIFIED FINANCIAL PLANNER™ professional. A CFP® professional is someone who has completed education, experience, and examination requirements that are determined by the CFP® Board. A CFP® professional



is required to follow certain ethical guidelines in working with the public in creating financial plans. At Centered Financial, we are experts at financial planning and investment management. We have tools and technology that will help you take the basics that you have learned in this guide and put them to work for you in a very efficient way that it is easy to track and evaluate.

As you work with Centered Financial, you will experience a financial planning process that caters to your personal needs.

- **We start with a discovery session to evaluate your current financial condition and how we can assist you.**
- **Next, we set measurable goals and discuss all of the considerations to reach those goals.**
- **We recommend the best strategies so that you will reach your goals on time.**
- **We create an action plan to implement changes and monitor your progress.**
- **We make recommendations on what choices you need to make and how they will affect your goals.**
- **We are with you every step of the way. As your life changes, we update your plan, keep you aware of items that need to be considered and offer advice and evaluations on financial decisions when necessary.**

As your financial planner, we work for you. Our system provides the unbiased guidance and accountability that you need to reach your goals. You can choose to work with us on a one-time plan or on an ongoing basis and you can view our options and pricing at [www.centeredfinancial.com](http://www.centeredfinancial.com). It all starts with a free Discovery Session. **Please let us know how we can help!**