

# 10 REASONS WHY FINANCIAL PLANNING ISN'T JUST FOR THE WEALTHY

The biggest misconception of all time is that financial planning is for the wealthy. The truth, however, is that financial planning is a path to being wealthy. Not everyone is born with a silver spoon, but with proper planning and investments, some people can turn their fate around. Experts believe that it's not about earning more income, but about wisely investing what you earn, that makes you rich.

## HERE'S HOW FINANCIAL PLANNING CAN BE HELPFUL:

- 1 It helps you structure your future expenses
- 2 It helps reduce your expenses
- 3 It helps in maximizing your earnings
- 4 It helps rectify your mistakes
- 5 It protects the interest of your loved ones
- 6 It monitors the growth of your finances
- 7 It prepares you for the worst
- 8 It will instill a sense of confidence in you
- 9 It increases your risk capacity
- 10 It may allow you to live a comfortable life



## It helps you structure your future expenses

You can grow your income with proper financial strategies and timely investments. Financial planning is also thought of to be something that you do when you are older. But the sooner you start with it, the better your quality of life can be. Financial planning is not just about setting goals, but about focusing on different ways to achieve them. For example, if you want to buy a house in the next 5 years, proper financial planning will help you understand different ways of investing your money so you can cut costs on the initial down payment and mortgage. Without financial planning, you are likely to take up a home loan and then spend years paying the interest.



## It helps reduce your expenses

Once you know what the future holds for you in terms of expenditure, you're likely to cut down on your current unnecessary expenses. For example, if you want to buy a car or start your business, financial planning will help you ascertain the amount of money you will require for it. Once you have wisely invested this money or put it aside for its intended purpose, your unstructured and unnecessary expenses will automatically reduce.



## It helps in maximizing your earnings

With financial strategies and timely investments, you can grow your income. You are not likely to become a millionaire by just saving in the bank. But with proper investments and appropriate risks, you can substantially increase your net worth. Financial planning also enables you to think outside the box, so you can invest your money in schemes other than traditional 401(k)s and similar retirement accounts. With intelligent financial strategies, you can also reduce your tax implications and find out ways to let your money grow in tax-advantaged investment methods.

- 1 It helps you structure your future expenses
- 2 It helps reduce your expenses
- 3 It helps in maximizing your earnings



## It helps rectify your mistakes

Financial planning lets you understand where your money is being spent. You are most likely to pay a higher rate of interest to bank loans and credit card debts than what you earn on investments. When you start financial planning, you begin to understand these dynamics more clearly. You also start making better decisions with regard to money. You recognize why you should avoid credit debt and instead save your money in an emergency fund to meet unexpected expenses.



## It protects the interest of your loved ones

Financial planning is not just about growing your money and becoming wealthier. It is also a way to ensure that your family is financially secure if anything unfortunate befalls you. If you are not around anymore or are incapacitated due to health issues, your financial planning can help your family sustain in your absence. Getting a Life insurance policy, estate planning, setting up a trust fund for a minor, or a disability trust for a family member, are all ways to ensure that your family is well provided for.



## It monitors your growth

Everyone carries a dream goal in mind. It could be to own a house or to have a certain sum of money in the bank by a certain age. Financial planning not only steers you in the right direction, but also lets you monitor your growth so you can make necessary changes along the way. If you plan for something within the next 5 years, you will be able to monitor your growth. If after 3 years, you seem to be falling short on your goals, you can try and come up with a new plan or investment method to increase your earnings.

4 | It helps rectify your mistakes

5 | It protects the interest of your loved ones

6 | It monitors your growth



## It prepares you for the worst

Proper planning and strategizing can help you prepare for the unexpected. Life is as unpredictable as it can get. You can lose your job to a fluctuating economy, or be faced with unforeseen health expenditure. Environmental hazards and natural disasters also come in uninvited. If you do not have sufficient funds for emergencies, you are most likely going to end up in a huge credit card or personal loan debt. Financial advisors always advise people to keep an emergency fund that can cover them for at least 4 to 6 months in their financial plans. These strategies can help you in the time of a crisis.



## It will instill a sense of confidence in you

Not many people are confident with their money. In fact, surprisingly, not many people know the combined worth of all their assets. Financial planning provides you with a real picture of your finances, and also helps you find ways to grow your assets while optimally managing their tax implications.



## It increases your risk capacity

The sense of confidence received from having a financial plan in place further increases your risk capacity. Calculated risks have the potential to bring in high returns. A part of financial planning is to take these risks and grow your money faster than traditional investment methods.



## It allows you to live a comfortable life

When you have allocated a budget for yourself, you know exactly how much money you should spend and how much of it should be saved or invested. Most Americans today suffer from financial anxiety as a result of poor planning. With proper financial goals in place, you can live a comfortable life knowing that you have a financial cushion to fall back on if you ever have to.

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## Summary

The essence of financial planning is to get people to their desired goals. It doesn't matter where you start, all that matters is that you get to your final goals. Investments don't require a lot of money to begin with. You can start from as little as \$10. But it is essential to keep realistic goals and dreams. In the end, it is all about finding a balance and sticking to a plan that works best for you.

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