

Private and Confidential
Simple Wealth Planning Template
Level 0

SUMMARY:

The first two pages can be deleted after completion of the plan

This template is a simple tool to be used to write down your objectives to begin a wealth plan. Level 0 means that you have net debt (your debt exceeds your asset values). Recommended duration of planning is one year or less.

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PURPOSE OF DOCUMENT

The purpose of this document is to provide a simple planning tool for wealth creation. Wealth is defined as financial freedom to choose what you do in life. The end purpose is to have sufficient wealth that income from investments exceeds personal outgoings. At this stage, you choose whether or not to work.

1. BACKGROUND

Answer some questions:

How much did I earn last year? £

How much did I spend last year? £

If I don't know the answer to these questions, I need to work it out in Appendix 1 using the budget planner template in Appendix 2.

If I lost my job tomorrow, how many months could I make payments of all my outgoings before I missed a payment?

____months

If the answer is less than three months, your first plan should be to calculate the time in the future at which your net assets will exceed your net debt.

Your second plan should be to ensure that you can survive at least three months without your regular source of income (your job or benefits).

Though a five year plan is recommended for an ordinary individual (net assets from £0 to £50,000), an individual with net debt needs to work more quickly to avoid the net debt increasing uncontrollably. A maximum one year timeframe is recommended.

2. OBJECTIVES

2.1 Personal Objectives

Write something in here that can be achieved within one year, then follow it with something you can achieve as part of it within one month.

- Eg. To reduce my net debt from £15,000 to £10,000 within one year.
- Eg. To reduce my net debt by £200 next month.
- Eg. To spend at least one day per week not working at all.
- Eg. To increase the amount of none-working time every year, by one week per year from 2 weeks in 2010 to 3 weeks in 2011

2.2 Business Objectives

Write something in here that can be achieved within one year, then follow it with something you can achieve as part of it within one month.

- Eg. Identify the root cause of net debt by analyzing how money is spent
- Eg. Establish net debt today, and plan reduction in one year's time
- Eg. Quantify current income and plan future income in one year's time
- Eg. Quantify current personal expenditure and plan future expenditure in one year's time

2.3 Project Objectives

Write something in here that can be achieved within one year, then follow it with something you can achieve as part of it within one month.

- Eg. Ensure that personal expenditure is less than earned income by March 2010
- Eg. Separate planned expenditure into essential, optional or fun, investment and charity
- Eg. Increase income by 5% within six months.

3. APPROACH AND METHOD

3.1 Approach

- Know minimum expenditure by calculating and controlling personal budget
- Know earned income after tax and any other income (eg benefits)
- Account for taxes due each year (PAYE or self-employed)
- Account for NI contributions each year (PAYE or self-employed)

3.2 Method

- See Appendices for calculations.
- Break down debts into packages (who is the debt with, how much is the debt, what is the interest rate, which debts should be eliminated first)
- Identify personal expenditure by type – essential or optional / fun - with long term forecast to predict income requirements for the next year.
Establish a baseline for this year of income (including planned growth in income) and expenditure (and planned reduction in expenditure)

Try to allocate the following ratios of spending, and in the net debt situation, get as close to the following proportionate goals as you can:

30% of total income spent on essential costs (this will likely be much higher than 30%)

30% of total income spent on optional costs (this category will need serious work. Whatever the optional costs are, the more you can use to repay debt, the faster you will reach a net debt of £0)

30% of total income assigned to investments. This will not apply if you have no investment assets, but if you have assets which cost you money every month like a buy to let flat whose mortgage repayments exceed net rental income, you need to consider disposal if repayments can be reduced.

10% of total income assigned to charitable causes (note that if total costs currently exceed total income, it is advisable to allocate time to charitable causes instead of money).

4. SCOPE

- Earned income. Source of earned income (describe how this income is obtained and how much it is. Don't forget to include state benefits like child allowances, no matter how small they seem to be). How much is going to be applied to personal expenditure (essential and optional)? How much is going to be allocated to investments this year? How much to charity?
- Unearned income. Source of unearned income (deposit interest, share dividends, gifts from family, etc – describe how this income is obtained and how much it is). How much is going to be allocated to investments or debt repayment?
- Business income. Describe any net profits expected after salaries and dividends sufficient to pay personal costs, and how the funds are going to be used for investments or debt reduction.
- Personal assets. Primary residence is a source of both capital growth and personal expenditure. None-property assets are a source of capital depreciation. If you are in net debt, can you sell any of the personal assets to reduce debt? Do you NEED these personal assets or are they luxuries you should forego in the plan to eliminate net debt?
- Personal expenditure and budget. Break down into component parts and analyze whether or not each part is essential or optional / fun. Perform periodic checks on fixed costs every month. Try to achieve the following ratios:
 - 30% spend on personal essentials
 - 30% spend on personal optional expenditure or fun items
 - 30% on investments
 - 10% on charitable causes

5. HIGH LEVEL ORGANISATION AND RESOURCING

5.1 Resources

Name	Title	Role
Eg Husband (or wife)	Partner	Debt reduction leader. Obtain agreement with partner that debt reduction is essential and agree what expenditure can be reduced to achieve the debt reduction.
Eg Wife (or husband)	Partner	Gatekeeper of overall debt reduction plan. Agreement with limits set on personal expenditure budget of both parties.
Eg Dependent(s)	Stakeholder	To understand need for debt reduction and to expect less now for more in future

5.2 Knowledge Management

The following resources are identified advisors:

Name	Title	Role
If applicable	Accountant	Advisor on tax implications and method of accounting / allowances
If applicable	Bank Manager	Personal banking – advice on any tools the bank can offer as incentive for debt reduction
A close personal friend in a better financial position than yourselves who you trust in confidence to discuss your debt issues with	Mentor	Key assist for developing and keeping on track with long term plans via this simple wealth plan. Avoid paying an advisor. This will increase your debt. Use free resources and spend time on planning.
Government organizations	Free advice	See list of web links below
http://www.moneysavingexpert.com/banking/Budget-planning	Budget planner	Use the download to capture your current expenses and to plan your future expenses
http://www.thisismoney.co.uk/payrise		How to get a pay rise
http://www.thisismoney.co.uk/50-ways		50 ways to save money

Other resources:

National debtline

http://www.nationaldebtline.co.uk/england_wales/

Consumer Credit Counselling Service

<http://www.cccs.co.uk/>

Where to get advice and support on debt

http://www.direct.gov.uk/en/campaigns/RealHelpNow/DG_172836

6. WORK PLAN & MILESTONES

Create a high level time plan for achievement of your debt reduction objectives (see section 2.1)

NET INCOME – replace blue figures with your actuals from past years and predicted for future years. This will show how much extra income or reduced expense you need to reduce your debt to zero in the next year, two years, etc.

Year	Expected (Exp) £'000	Maximum (Max) £'000	Max minus Exp £'000	Expenses £'000	Additional income or reduced expense required to reduce debt £'000
2007	37	37	0	38	1
2008	38	38	0	40	3
2009	42	45	3	45	6
2010	43	45	2	41	4
2011	45	48	3	42	1

Detail supporting figures in Appendix 1 table come from the budget planner spreadsheet in Appendix 2

7. APPENDIX 1. HISTORY

Include in here as much historical financial information as you know from past three years, and your high level plan of income and expenditure for the current and next years. It does not matter if it is accurate or not. This is just to show how you are planning to improve year on year, without too much detail at this stage.

Note that net assets = Income – Expenditure, net assets (or debt) in any year is the net asset (debt) of the previous year plus any increased asset (debt) from the current year.

Use negative figures for debt instead of assets.

Example numbers in blue are to be replaced by your own estimates

Year	Income £'000	Expenditure £'000	Saving / Investment £'000	Net assets (debt) £'000	% growth year on year
2009	37	38	0	-1	0
2010	38	40	0	-3	200%
2011	42	45	0	-6	100%
2012	43	41	0	-4	-33%
2013	45	42	0	-1	-300%

Plan is to reduce net debt to zero by December 2011

8. APPENDIX 2. CURRENT YEAR PLAN REQUIREMENT

Summarize here the results of the MoneySavingExpert budget sheet.

Example: Current year 2009, before planning, it looks like expenditure will be £2,570 more than income. You already have a £5,000 overdraft and you have a £10,000 five year repayment loan, and make minimum credit card payments of £50 per month.

What do you do to reduce current year expenditure by £2,570?

Can you increase income?

Can you reduce none essential (discretionary or fun) spending like eating out, going to the pub, smoking, coffees and sandwiches?

	MONTHLY	ANNUAL
Total income	£3,516.91	£42,202.92
Total spend	£3,731.12	£44,773.47
You spend MORE than you earn...	-£214.21	-£2,570.55