

# Personal Financial Plan

## Part 1: Define Your Wealth Vision

To define your Wealth Vision, imagine your ideal future—how you live, who you're with, and how your wealth supports your life and values. Identify your top financial priorities, such as security, freedom, or giving. Decide what your wealth will fund, like education, retirement, or family experiences. Set clear milestones to guide your progress, then write them down and review them regularly to stay focused and intentional.

Here are five simple steps to create your own:

### 1. Imagine Your Ideal Future

- What does financial success look like to me?
- Where do I live, and what kind of lifestyle do I have?
- Who do I spend my time with, and how do I provide for my family?
- How do I use my wealth to serve others or give back to my community?

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### 2. Identify What Truly Matters to You

- Do you value financial security and peace of mind?
- Is providing for future generations a top priority?
- Do you want to travel, retire early, or have more freedom?
- Are you passionate about giving, supporting a cause, or leaving a legacy?

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### 3. Define What Your Wealth Will Support

- How much do you want to save and invest for financial independence?
- What do you want to fund—family reunions, education for children and grandchildren, charitable giving?
- Do you want to build a business, passive income, or real estate portfolio to support your vision?

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### 4. Set Clear Milestones

- What net worth milestone will you hit first? (\$100K, \$500K, \$1M?)
- When will you eliminate debt or pay off your mortgage?
- What amount will you set aside for retirement, giving, or family support?

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### 5. Write Down Your Wealth Vision

Combine all the elements of steps 1-4 into a statement.

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## Part 2: Build Your Emergency Fund Strategy

A fully funded emergency fund will give you peace of mind and protect your financial future by serving as your financial safety net. To determine how much you need, (1) calculate your essential monthly expenses, (2) choose your Risk Multiplier, and (3) multiply your monthly expenses by your Risk Multiplier.

Essential Monthly Expenses	Risk Multiplier (Months)	Emergency Fund Target

Now that you know your emergency fund target, write down your current balance, your 6-month goal, your 12-month goal, and your fully funded target. These are checkpoint amounts, not the number of months covered, to keep you on track toward your savings goal.

	Current Savings	6-Month Goal	12-Month Goal	Savings Target
Savings Amount				
Action Steps to Achieve Goals:		<ol style="list-style-type: none"> <li>1.</li> <li>2.</li> <li>3.</li> <li>4.</li> <li>5.</li> </ol>	<ol style="list-style-type: none"> <li>1.</li> <li>2.</li> <li>3.</li> <li>4.</li> <li>5.</li> </ol>	<ol style="list-style-type: none"> <li>1.</li> <li>2.</li> <li>3.</li> <li>4.</li> <li>5.</li> </ol>

### Part 3: Create a Budget That Reflects Your Priorities

A budget ensures that your money is being used intentionally, helping you control spending, avoid debt, and build wealth over time. Without cash flow management, it's easy to fall into the trap of living paycheck to paycheck.

To get started:

1. Write down your income and categorize your spending into essentials, debts, wants, and savings to calculate your Purchasing Power and Net Income.
2. Choose a budgeting method that fits your current financial situation—weekly if you're trying to turn things around, or monthly or quarterly if you're more stable.
3. Build a spending plan that reflects your values, assigning percentages to each category (such as 40% for saving and investing, 50% for expenses, and 10% for giving) to keep your money aligned with your goals.
4. Set specific budgeting goals by identifying gaps between your current and ideal allocations, increasing income or cutting costs, and planning for future expenses like medical bills or family needs.
5. Review your progress every 6 months, make adjustments, and remember—budgeting may not be exciting, but it's one of the most powerful tools for reaching financial freedom.

Free budget templates are available at [www.dearkidswealth.com](http://www.dearkidswealth.com). You can also find useful budget templates at <https://www.ramseysolutions.com/budgeting/useful-forms>.

#### Budgeting Goals

Once you've assessed your budget, it is time to set goals to get your finances in shape. If your net worth is under \$1 million, your debts and wants exceed your purchasing power, or your debt load feels unmanageable, choose a debt-reduction strategy—like the snowball method (paying off the smallest balance first) or the avalanche method (tackling the highest interest rate first)—to eliminate your debt and regain control.

	Current	6-Month Goal	12-Month Goal	Ideal Allocation
Total Essentials/Needs				
Purchasing Power				
Total Debts/Wants				
Net Income				
Action Steps to Achieve Goals:		1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.

## Part 4: Protect Your Finances with the Right Insurance

To assess your insurance coverage, start by listing your current policies and reviewing each one with a trusted insurance agent to ensure your real financial risks are covered. Focus on the essentials—health, life, disability, auto, homeowners or renters, umbrella liability, long-term care, and business insurance (if applicable).

For each type, determine whether your current coverage is sufficient, needs to be increased, or is missing altogether. The goal isn't to over-insure but to protect your financial plan from potential setbacks like illness, accidents, or disasters. As your wealth grows, you may reach a point where you can self-insure against certain risks, but until then, make sure your safety net is strong.

Use the checklist provided to identify gaps, set goals to improve your protection, and update your plan as your life evolves.

Insurance	Current Covered	May Need More	Not Covered, But Needed	Not Necessary for Me
<b>Health Insurance</b> Covers medical expenses and prevents financial ruin due to unexpected healthcare costs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Life Insurance</b> Provides financial security for your loved ones in the event of your passing.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Disability Insurance</b> Protects your income if you cannot work due to injury or illness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Homeowners/Renters Insurance</b> Covers property damage, liability, and personal belongings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Automobile Insurance</b> Protects against vehicle-related accidents, liabilities, and damage.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Umbrella Insurance</b> Provides extra liability coverage beyond home and auto policies.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Long-Term Care Insurance</b> Helps cover the costs of extended care services not covered by health insurance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Business Insurance</b> Protects business owners from liability, property damage, or income loss.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Part 5: Design Your Long-Term Investment Strategy

An investment strategy is key to building wealth and reaching long-term financial goals like retirement, buying a home, or creating passive income. It helps you choose investments that align with your risk tolerance, time horizon, and personal objectives—ensuring your portfolio is diversified, goal-focused, and designed to grow steadily while managing market ups and downs. To help define your investment strategy, complete the form fields below.

### Time Horizon

I plan on living on my investment income by \_\_\_\_\_ (mm/dd/yyyy), which is in \_\_\_\_\_ years.

### Risk Tolerance

Risk tolerance is your ability and willingness to endure financial losses in your investments. In the table below, identify your risk tolerance and circle it.

	INVESTMENT MINDSET	HYPOTHETICAL RETURNS	RISK-REWARD PROFILE
<b>Aggressive (High Risk)</b>	I seek high returns, accept significant risk and volatility, and tolerate substantial losses.	<b>Average</b> 12.5% <b>Best-Case</b> 42.1% <b>Worst-Case</b> -28.2%	High risk (fluctuation), high return
<b>Moderately Aggressive</b>	I aim for strong growth, tolerate moderate risk and volatility, and handle occasional losses.	<b>Average</b> 11.7% <b>Best-Case</b> 35.8% <b>Worst-Case</b> -24.9%	Relatively high risk (fluctuation), moderately high returns
<b>Moderate</b>	I balance growth and stability, accept some risk for moderate returns, and endure moderate losses.	<b>Average</b> 10.4% <b>Best-Case</b> 27.6% <b>Worst-Case</b> -18.2%	Some risk (fluctuation), moderate returns
<b>Moderately Conservative</b>	I prefer stability, accept limited risk for modest returns, and tolerate small losses.	<b>Average</b> 9.1% <b>Best-Case</b> 19.4% <b>Worst-Case</b> -12.1%	Relatively low risk (fluctuation), moderately-low returns
<b>Conservative (Low Risk)</b>	I prioritize capital preservation, avoid risk, accept low returns, and tolerate minimal losses.	<b>Average</b> 7.2% <b>Best-Case</b> 14.3% <b>Worst-Case</b> -5.6%	Low risk (fluctuation), low return

## Investment Gap

In this section, you will identify the difference between where you are and where you need to be to hit your investment targets. To determine if you have an investment shortfall or excess, subtract your financial targets from your current investments.

Investment Target	
Current Investments	
<b>Current Savings Goal</b>	

Next, use a savings goal calculator—such as the one at [investor.gov](https://investor.gov)—to calculate how much you need to save each year to close that gap. You'll need the following information:

Time Horizon (in years)	
Current Savings Goal	
Expected Annual Return, based on your portfolio type <i>Possible Returns: Aggressive = 10%, Moderately Aggressive = 8%, Moderate = 6%, Moderately Conservative = 5%, Conservative = 4%</i>	

Once you run the numbers, write down the amount you need to save each year to stay on track. This gives you a clear, measurable goal you can work toward—and helps you adjust your budget and investment strategy accordingly.

## Annual Savings Needed

## Speculation Restrictions

Identify your self-imposed restrictions that will control your speculative investing in land, cryptocurrency, penny stocks, precious metals, currency, collectibles, venture capital, options, private investments, etc.

Here are some examples of limitations:

- I will not allocate more than 5% of my total investment portfolio to speculative assets.
- I will only invest in speculative opportunities using money I can afford to lose—after all savings, debt payments, and retirement contributions are met.
- I will not invest in any asset I do not fully understand or have not thoroughly researched.
- I will not use borrowed money, margin accounts, or credit cards to invest—especially in speculative assets.

Write down your self-imposed speculative restrictions.

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## Investment Strategy

Your asset allocation—the mix of investments you choose—is the heart of your investment strategy. It’s the most important factor in determining how your portfolio will grow and how much risk you’ll take. Every type of investment (called an "asset class") behaves differently, and the right combination depends on your time horizon, goals, and risk tolerance.

Review each investment type and check the box that best reflects your current comfort level. Use this table to identify areas where you might need to learn more, seek professional advice, or adjust your asset allocation based on your risk tolerance.

Investment Type	Risk Level	Ideal Allocation (%)	Comfortable	Unsure/Need to Learn More	Not Comfortable
Cash & CDs	Very Low		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
U.S. Treasury Bonds	Very low		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bonds (Corp. & Municipal)	Low – Medium		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mutual Funds	Medium		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Index Funds/ETFs	Medium		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
U.S. Stocks	Medium – High		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Real Estate & REITs	Medium – High		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
International Stocks	High		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gold & Precious Metals	High		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cryptocurrency	Very High		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Private Equity	Very High		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Part 6: Track and Grow Your Net Worth

Knowing and measuring your net worth is one of the most effective ways to track your overall financial health and progress. Net worth is calculated by subtracting your total liabilities (everything you owe) from your total assets (everything you own).

This step is a vital part of your financial plan because it gives you a clear snapshot of where you stand financially at any given moment and helps you assess whether you're moving toward or away from your goals.

To get started:

1. List all your assets, including cash, bank account balances, investments, retirement accounts, real estate, vehicles, and any valuable personal property.
2. List all your liabilities, such as mortgages, car loans, credit card balances, student loans, or other debts.
3. Subtract your liabilities from your assets to determine your current net worth.
4. Add your net worth and today's date to the chart. Add prior net worth calculations to see your trends!

Use the free net worth calculator and tracker template at [www.dearkidwealth.com](http://www.dearkidwealth.com) to get started.

### Net Worth Goals

Once you know this number, set a realistic goal to increase it each year—either by a specific dollar amount or percentage. Your focus should be on growing your assets while reducing your liabilities, which may mean paying down high-interest debt, increasing your savings rate, or investing more consistently.

If your net worth is under \$1 million—or if debt and spending outweigh your ability to save—focus on reducing liabilities. Ultimately, your aim is to grow your net worth to a level that can fully support your Wealth Vision.

	Current	1-Year Goal	5-Year Goal	Ideal Net Worth
Net Worth				
Action Steps to Achieve Goals:		1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.

## Step 7: Establish Your Estate Plan to Protect Your Legacy

Establishing an estate plan is essential to protecting your legacy, ensuring your assets are distributed according to your wishes, minimizing conflict among heirs, and reducing taxes and legal burdens on your loved ones. Don't overthink it—this process doesn't have to be complicated or overwhelming.

Start by including the most critical legal documents:

1. **Last Will and Testament.** Your last will and testament outlines how your assets will be distributed and who will care for your minor children.
2. **Trusts.** Trusts can help you avoid probate, manage assets efficiently, and reduce estate taxes if structured properly. Think of trusts as wills on steroids—they have many instructions that can be executed over time.
3. **Beneficiary Designations.** Beneficiary designations on life insurance policies, retirement accounts, and bank accounts ensure those assets transfer directly to the people you intend.
4. **Powers of Attorney.** Powers of attorney and medical directives allow trusted individuals to make financial or medical decisions on your behalf if you become incapacitated.
5. **Healthcare Medical Power of Attorney.** A living will or advance directive expresses your wishes regarding end-of-life care, and guardianship designations ensure that your children are placed in the care of people you trust.
6. **Living Will or Advance Directive.** Clearly state your end-of-life care preferences to avoid placing that burden on loved ones.
7. **Guardianship Designations.** If you have minor children, name the person or people you want to raise them if you and your spouse are gone.
8. **Letter of Intent.** Some people also include a letter of intent to provide additional clarity and personal instructions to their family or executor.

Assess your estate planning needs by completing the table below.

Estate Planning Document	Done	I Haven't Done It, But I Need To	Not Necessary for Me
Last Will and Testament	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trusts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Beneficiary Designations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Powers of Attorney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Healthcare Medical Power of Attorney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Living Will or Advance Directive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Guardianship Designations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Letter of Intent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>