Sample First Year Financial Plan

Title page

Name of client

Name of planner

Date of plan

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# (Sample) Disclaimer

Figures stated in the attached report are derived based on assumptions and information provided by you, the client. These assumptions and information will change over time. Some of the information presented is based on current tax rules and legislation which are subject to change. Hence, it is imperative that you review your financial plan regularly with your financial planner to ensure it is up-to-date and addresses your current needs. You may also want to look at a few different scenarios to get an idea of the impact of various assumptions on your planning objectives.

Information provided in the attached report is general in nature and should NOT be construed as providing legal, accounting and/or tax advice. Should you have any specific questions and/or issues in these areas, please consult your legal, tax and/or accounting advisor.

# Letter of Engagement

**Sample Letter of Engagement** – see additional resources

# Financial Plan Summary

The Financial Plan Summary summarizes the key points of the plan, including”

* Net worth as of the plan date
* Annual cash flow
* Allocation of assets in each appropriate category - current and recommended

At this point, the remaining summary items will reflect the areas where the client has requested planning:

* Retirement summary
  + Conclusion as to whether client has enough funds to meet retirement goals
  + Additional assets, if necessary, required to meet retirement goals
  + Annual investment necessary to meet retirement goals
* Insurance Summary for each type of insurance analyzed
  + Insurance needs
  + Current insurance
  + Additional (if necessary) insurance needs
* Education Summary
  + Total education cost needs
  + Amount already funded
  + Additional (if necessary) education cost needs
  + Monthly investment (if necessary)
* Estate Planning Basic Questions
  + Is there a signed will? (Y/N)
  + Is there a signed power of attorney for legal issues? (Y/N)
  + Is there a signed power of attorney for health issues? (Y/N)

# Client personal/family information

* Name of Client and Spouse
* Date of birth
* Marital Status
* Employer
* Occupation
* Address
* Phone number(s)
* Email address(es)
* Client’s financial knowledge (general description: basic, moderate, advanced)
* Client’s risk tolerance (conservative, moderate, aggressive)
* Dependents: Names, Date of birth
* Will(s): Date last updated, where stored
* Insurance policies: Types of insurance, amounts of coverage
* Financial team members with contact information (CPA, Lawyer, Insurance agent)

# Description of the Financial Planning Process

This is basic information for the client. Here is sample text from the CFP Board but you should write this to complement the services you will be offering, and feel free to provide additional explanation about each of these steps:

The *Standards of Professional Conduct* (*Standards*) define financial planning as “the process of determining whether and how an individual can meet life goals through the proper management of financial resources.”

Financial planning integrates the financial planning process with the financial planning subject areas.”

There are six steps to the financial planning process:

1. Establishing and defining the client-planner relationship
2. Gathering client data including goals
3. Analyzing and evaluating the client’s current financial status
4. Developing and presenting recommendations and/or alternatives
5. Implementing the recommendations
6. Monitoring the recommendations

“Financial planning subject areas” denotes the basic subject fields covered in the financial planning process which typically include, but are not limited to:

* Financial statement preparation and analysis (including cash flow analysis/planning and budgeting)
* Insurance planning and risk management
* Employee benefits planning
* Investment planning
* Income tax planning
* Retirement planning
* Estate planning

# Client goals

List of goals learned through discussions with client

# Cash flow summary

* List basic categories of income and spending on an annual basis, arriving at a net cash income figure
* Break out categories into a detailed report which can be displayed with monthly and annual amounts
* If this is useful, separate income categories by spouse

# Summary of assets and liabilities

At this point, the following Optional Sections are chosen based on the letter of engagement and client expectations:

1. Asset allocation profile
2. Asset allocation (%Cash, Bonds, Stocks, Other)
3. Retirement
4. Insurance
5. Education
6. Estate planning

### Summary of Assets and Liabilities

* List basic categories of assets (including personal assets) and liabilities as of a particular date, arriving at a net worth figure
* Break out detail of assets and liabilities showing ownership, type of fund if applicable, basis, interest rate (for loans and credit cards)

### Asset Allocation Profile

(If you will be advising on asset management)

* Description of risk tolerance for both spouses
* Information about time horizon – when goals are expected to be met
* Information about level of investment knowledge

### Asset Allocation Summary

(If you will be advising on asset management)

* Description of asset allocation options
* Display of current assets
* Recommended asset allocation and detail of types of assets recommended

### Retirement Planning Summary

(If you will be advising on retirement planning)

* Summary of retirement plan assumptions
  + Age(s) of client(s)
  + Client retirement goals
  + Anticipated date for distributions to begin
* Description of how you arrived at recommendations
  + Calculation of % of current income needed in retirement
  + Sources of income in retirement
  + Anticipated rates of return for various investments
  + Anticipated government benefits
  + Anticipated tax rates
* Results of retirement planning analysis
* Recommendations for future investment
* This is a good place to include charts in the financial plan to demonstrate the anticipated growth and then the ultimate distribution of retirement savings and investments over time
* An annual chart showing anticipated increases/decreases in retirement savings is helpful to the client for monitoring progress

### Insurance Planning

(If you will be advising on insurance planning)

* Summary of insurance plan assumptions
  + Age(s) of client(s)
  + Client needs
* Description of insurance alternatives
* Description of how you arrived at recommendations
  + Anticipated needs
  + Minimum coverage to meet needs
  + Current coverage
* Results of insurance planning analysis
* Recommendations for changes in insurance coverage

### Education Planning

(If you will be advising on education planning)

* Summary of education planning assumptions
  + Age(s) of student(s)
  + Anticipated cost of schooling
  + Current savings – amounts and type(s) of account(s)
  + Sources of savings
  + Future value of savings
* Description of recommendations
  + Funds needed
  + Monthly investment
  + Options for investment
  + Scholarship opportunities

### Estate Planning

(If you will be advising on estate planning)

* Explanation of need for estate planning
* Description of what is included in your estate planning services
* Summary of estate planning assumptions/needs
  + Names/ages of family members
  + Special requirements
  + General description of plans in place (e.g. existence of will(s), trust(s))
  + Existence of business succession plan
  + Fiduciary information
* Information on attorney/CPA who are/will be involved in will, probate, tax returns

# Conclusion and Recommendations from the planner

### Conclusion

Summary of current findings.

### Recommendations

* Bullet-point list summarizing the recommendatoins made in this financial plan
* Include KPIs
* Next steps
* Plans for frequency of meetings

# Appendices