After providing for these basic financial goals, other financial goals may include these:

- Paying off student loans or credit card debt
- Purchasing a home or making other major asset purchases
- Funding college expenses
- Building wealth
- Saving for retirement

Finally, individuals may establish goals related to the distribution of their assets after death. Estate planning goals may include providing for the future care of disabled dependents, passing wealth on to future generations, or providing funds to favored charities.

**Personal Financial Planning Life Cycle**

Financial goals change over time following changes in earnings, marital status, economic conditions, and so on. The personal financial planning life cycle reflects the changes that occur over a person's lifetime. Throughout this life cycle, individuals have to continually refine their personal financial plan to meet these ever-changing financial goals. See the exhibit “Personal Financial Planning Life Cycle.”

In childhood and adolescence, individuals are dependent on their parents or guardians for support. They typically have little or no income, and their expenses are subsumed within the overall household expenses. They have no need for tax planning, retirement planning, or risk management planning. Even after they go off to college, most adolescents’ personal financial planning issues are taken care of by parents.

Planning becomes more complicated in the early twenties. Some individuals move directly from high school into careers and begin to accumulate savings to buy cars and houses. Others go to college before starting a full-time job. These individuals may have college loans to pay off in addition to saving for cars and houses. They are now typically responsible for their own auto insurance. They may have limited retirement savings through an employer sponsored plan. Recent law changes allow children up to age twenty-six to remain on their parents’ health plan, but they may obtain their own health insurance either through their employer or an individual, private plan.

In their late twenties and thirties, many individuals marry and enjoy the benefits of two incomes with no children. As these couples begin to start families, their financial goals shift toward protecting themselves and their dependents from loss, while at the same time increasing their standard of living. They begin accumulating funds for their children’s college education or other future needs such as buying a first home or moving up to a larger home. Risk management planning becomes more important at this stage of the life cycle when individuals or families have dependent children. Educational needs, life insurance and disability insurance, and the establishment of an emergency fund assume a higher priority.
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Personal Financial Planning Life Cycle

The above illustration of the personal financial planning life cycle shows a hypothetical path for a single person in his or her early 20s. Each individual’s situation will differ depending on various factors, such as one’s health and the economy, as well as on the choices he or she makes in areas such as career, marriage, children, investments, and retirement age.
By their forties and early fifties, the costs of putting their children through college are an immediate focus for families with children, but as the children move out of the house, people begin to focus more on retirement planning. These “empty nesters” are able to accumulate retirement savings at a faster pace because the household expenses have declined. During these peak earning years, they will also be working to minimize income taxes through careful tax planning and they might also begin thinking about efficiently transferring their estates. Another concern during these years may include caring for elderly parents.

At retirement, income is primarily generated from interest on accumulated savings, funds taken out of retirement plans, and Social Security. Although daily living expenses are reduced, there may be special expenses that arise, such as travel. During the retirement years, risk management planning refocuses on health costs, as well as on long term care issues.

The end of life brings a close to the financial planning life cycle. At this point, a well prepared estate plan will minimize estate tax burdens while at the same time maximizing the wealth passed on to heirs and other beneficiaries.

**PERSONAL FINANCIAL PLANNING TECHNIQUES**

Although financial planning may seem to be a daunting task, it can become easier with practice and discipline. A lack of financial planning could make life more difficult.

A comprehensive financial plan includes the following planning techniques:

- Risk management planning
- Savings and investment planning
- Tax planning
- Retirement planning
- Estate planning

Effective financial planning cannot be accomplished by using one technique independently of the others. The decisions made about one technique will affect the decisions made about another. For example, tax planning has a great influence on retirement. Much of retirement planning focuses on how to accumulate retirement resources in the most efficient manner. This process requires using tax-advantaged retirement funding alternatives, such as employer-sponsored retirement plans that allow funds to be deposited into the retirement plan on a pre-tax basis and to accumulate on a tax-deferred basis. An effective financial plan merges techniques into a coordinated plan for achieving individual or family financial goals.