

## Do You Have A Financial Plan?

(b) Reduce your expenses by evaluating each expense (outflow) item. There are some expenses you have to pay, but there may be others that you could reduce, such as food expenses by making your childrens lunch from home, by reducing electricity usage and turning off all power points at night etc. If you do this, you may find that you will have a little bit more to save for your goals.

(c) Don't forget to PAY YOURSELF. Remember that saving for your future is just as important as paying your bills today. So when you draw up your budget, make a commitment to pay yourself also by putting aside an affordable amount for your saving. If your budget is tight, start with a small amount. A small amount will be realistic and achievable rather than trying to put aside a big amount that you can't afford.



For more information, contact the  
Financial System Development Group

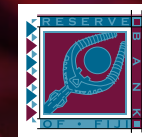
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## Do You Have A Financial Plan?



*Financial planning tells you what your current financial status is, and helps you work out where you want to be in the future financially, and how you can get there.*

## The 3 step approach to starting your financial plan



### Step 1: CALCULATE YOUR CURRENT FINANCIAL STATUS

Your net worth tells you exactly what your current financial status is.

**NET WORTH = ASSETS – LIABILITIES**

**To calculate your net worth, you need to:**

- Make a list of your assets;
- Make a list of your liabilities; then
- Subtract your liabilities from your assets.

Your assets  
will include  
items like:

- cash on hand / account balance;
- possessions, like furniture, appliances, jewellery etc;
- existing investments if any, like shares or unit trusts and insurance policies;
- fixed assets, such as your house, car ; and
- Funds at FNPF.

Your liabilities  
will include  
items like:

- any loans that you have taken for your car, house, business or loans from family and friends;
- your credit card balance; and
- any other debts you owe.

### Understanding your results:

Once you've completed steps (a), (b) and (c) you will arrive at a positive or negative net worth figure.

### Positive Net Worth:

If you arrive at a positive net worth figure, it means that you have enough assets to cover your liabilities. If you are in this position you can begin thinking about what your future financial goals are and how you can achieve them within the time frame you have set for yourself.

### Negative Net Worth:

If you arrive at a negative net worth figure, it means that your liabilities are more than your assets or that you owe more than you own. At this stage your priority should be on decreasing your liabilities and/or increasing your assets. This will take some time to work on as you will need to carefully evaluate your finances to see what you can reduce or increase.



### Step 2:

## SET YOUR FINANCIAL GOALS

- Decide how long you want to plan for - 2 years, 5 years or 10 years;
- Be specific about each goal and ensure that the time frame you set for each goal is realistic and achievable depending on what your net worth is. For example:
  - Buying a house in 1 year - may not be realistic if you have just started working and need more time to save for your down payment. Buying a house in 5 years or 10 years may be more realistic;
  - Sending your daughter to university - is realistic if you start saving when she is in primary school and not when she is in Form 6. If you wait this late and have no saving, you will either have to use your FNPF or try to get a scholarship for her tertiary studies;
  - Saving the equivalent of 6 months' salary for emergencies – this is only realistic if you can start by saving the equivalent of 1 pay first.
- Calculate how much each goal is going to require and how much you will have to save periodically in order to achieve your goals.



### Step 3:

## PLAN TO ACHIEVE YOUR GOALS

- Work out all your income and expenses on a weekly or fortnightly basis.

### Examples of income items:

- salary;
- dividends;
- rental income;
- spouse's income(s);
- maintenance for family support payments etc.

### Examples of expense items:

- Living expenses: clothing, electricity, water and food;
- Repayments for car, credit cards or house mortgages, other loans and hire purchases;
- Bus fare and education expenses;
- Medical expenses, etc.

**Is your total expenses more than your total income?**

**If so, are you able to reduce your expenses so that you have surplus income to put aside for your goals?**

**DO NOT be intimidated by the sum. Step 3 should help you work out how to achieve your financial goals.**