
What makes a good financial strategy?

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When you're going on a journey, there are three essential questions to ensure you have a great trip. How will I get there? How much will it cost? How will I deal with the unexpected? Answering these questions thoughtfully will allow for a more pleasant trip.

A written financial strategy serves the same purpose in the bigger picture of life. When you have a plan for your financial journey, it's easier to decide how you spend money, stay on track, manage unexpected expenses, and achieve your long term goals. It may also help to safeguard your assets when major life changes like retirement, marriage, children, divorce or job loss come along. So what makes a good financial strategy? Here are some critical components it should include¹.

1. **Goals** List all of your financial goals. Consider everything that matters to you, from paying off debt, buying a home, or saving for retirement, to other financial goals that matter for your future. List all assets and liabilities. This includes everything you own, be it real estate, investments, or vehicles. List all debts, don't be afraid to list them. Separate them into short-term and long-term goals. Determine how much you need to achieve each goal.
2. **Assets** List all assets you own, including real estate, investments, vehicles, and other assets. Determine the value of each asset and how it will change over time.
3. **Liabilities** List all debts you owe, including mortgages, credit cards, and other debts. Determine the interest rate and how much you need to pay off each debt.
4. **Income** List all sources of income, including salaries, investments, and other income. Determine how much you need to cover your expenses and how much you can save for your goals.
5. **Expenses** List all expenses, including housing, food, transportation, and other expenses. Determine how much you need to cover your expenses and how much you can save for your goals.
6. **Investments** List all investments you own, including stocks, bonds, and other investments. Determine the value of each investment and how it will change over time.
7. **Retirement** List all retirement plans you have, including 401(k)s, IRAs, and other retirement plans. Determine how much you need to save for retirement and how much you can contribute.

[8 Components of a Good Financial Plan](#) [2]

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