

# Developing and Documenting your Plans



Step 3 in Your Roadmap to  
Financial Independence

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"By failing to prepare, you are preparing to fail"

The best way to begin preparing is to develop a "Flexible" Financial Plan.



Create some general goals around what matters most to you. Consider using the 4 Focus Areas; Service, Experience, Giving, and Achievement.

These goals should cover:

- When to start?
- When to end?
- Financial cost
- Time required

All income should be accounted for. Put income on the left side and outflow (saving, investing, giving, expenses...) on the right side. The left side of the equation should equal the right side. Any income not accounted for will disappear. Here is the current Spending Plan for Bill & Irene:

### Income

Bill's take-home salary      \$4500

Irene's take-home salary      \$3500

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**Total: \$8,000**

### Expenses

Mortgage      \$2400

Food      \$900

Utilities      \$300

Debt Payments      \$800

Insurance      \$300

Fuel      \$300

Donations      \$1000

Vacation      \$2000

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**Total: \$8000**

Once you have a Spending Plan, use these steps to manage the plan:

1. Review the coming month and account for any anomalies. Your planned spending in each category may need to be adjusted each month. Set the amount in each category for the month
2. Track your spending in each category each month
3. Calculate the difference between your planned spending and actual spending in each category for the month
4. Adjust for next month and repeat step 1

## REMINDER!

Words matter. "Budget" sounds restricting and oppressive. "Spending Plan" implies that you were involved in making proactive decisions. Most people need to use a Spending Plan to ensure that they know where every dollar is going

Your Spending Plan should include:

- Income from all sources
- All monthly and annual expenses:
- Living expenses
- Debt payments
- Giving
- Savings for future goals
- Enjoyment

If this is your first experience with a Spending Plan, or it's been a long time, take it easy on yourself. It may take several months to get into a groove as you experiment with different spending amounts for each expense category.

### Next Steps:

1. Create your Flexible Financial Plan (FFP)
2. Develop a Spending Plan that matches the goals of your FFP
3. Manage and review your Spending Plan each month
4. Review your FFP once or twice each year

### Some things to keep in mind:

- Don't use the word, "budget." Use "Spending Plan"
- Allocate income to 4 areas: Living, Giving, Saving, and Enjoying
- Creating a Flexible Financial Plan will help you align your finances with what matters most to you



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