

Essentials of a Comprehensive Financial Plan

Every financial plan could take an individual form or order based on the unique financial situation, objectives and ambitions of a client. Nevertheless, the following elements should usually be included in a comprehensive financial plan, in addition to other factors deemed by the planner to be relevant to the particular client's case:

Personal data: Inclusive of family data, age, age of children, parents, etc.

Client's goals and objectives: A statement of the client's established goals and objectives, in accordance with his priority, and the time frame for achieving each. These should be cast in as precise wording as possible.

Identification of issues and problems: Should include personal and financial issues affecting the client, e.g. illness, cost of education etc, inclusive of hidden and future issues anticipated such as children's marriages.

Assumptions: Material assumptions made, inclusive of inflation, investment growth rate, income growth rate, etc.

Balance sheet/net worth: Presentation and analysis should comprise a schedule listing assets and net worth.

Cash flow management: Statement should include the client's sources of funds and uses for the relevant years, as well as net cash flow, and an individual income statement.

Zakāt and Income tax: Statement and analysis should comprise, but not be limited to, income tax for all the relevant years. Forecasts should display the nature of the income and deductions in sufficient detail to allow estimation of tax liability.

Risk management: The analysis should correspond to mortality, morbidity, liability and property.

Investments: Should outline the current investment portfolio together with details of liquidity, diversification, and investment risk exposure. It should discuss the suitability of the investments in relation to the client's needs and goals.

Financial independence, retirement planning, education and other special needs: The analysis should include a projection of resources expected to be available for fulfilment of these needs in the future.

Estate planning: Identification of assets that could form the client's estate and an analysis of the control, disposition and taxation of these assets.

Recommendations: Clearly stated recommendations specifically addressing the goals and objectives of the client, and actions needed to cover any deficiency.

Implementation: A list of steps needed to implement the recommendations, according to their priority, inclusive of the time to implement and the parties connected.