

# Ovation

SOUND FINANCIAL MANAGEMENT



The Ovation Guide to

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## Financial Life Planning

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Financial Planning | Pensions | Tax | Investments | Protection

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## Ovation Guide to Financial Life Planning

### *What is financial life planning?*

In order to provide financial advice, we firstly need to understand you. Our experience has shown, however, that, when it comes to money, clients often don't understand themselves.

### *What do you mean?*

Well, we like to ask certain questions which will help you, and therefore us, to understand you better.

### *What sort of questions are these?*

A good starting point would be to ask yourself "how much is enough?" The answer to this question is different for everyone, for example, some people want to be wealthy, they end up being multi-millionaires, and are willing to make the sacrifices required to do so. Others have different requirements from life and need less, and we all have different attitude to risk. Knowing the answer to these questions is key in enabling you to set objectives and develop a financial plan.

### *Sounds like you are talking about my relationship to money?*

Very much so. "What does money mean to you?" is another excellent question to ask yourself. Until you understand this and begin to set yourself goals, you are unable to create goals that mean something.

### *What are the type of issues I need to consider?*

Probably the most important is your attitude to investment risk. Many years ago, we used to use a scale of 1 to 5, where 5 is highest and 1 is lowest level of risk. Everyone – and I really do mean everyone – would answer that they are risk category 3 i.e. in the middle, sitting on the fence.

We now use the scale of 1 to 6. How do people answer, "between 3 and 4".

Simply putting a number on an attitude to risk is not enough. We need a methodology as to how we have arrived at that number, and,

perhaps more importantly, you need to understand why you are happy to take a certain amount of investment risk.

The important thing to understand that there is no right answer to the risk question. We have a variety of techniques that we can use to help you to understand the level of risk that is appropriate for you.

### *So will I end up being categorised by a number on your scale?*

We will explain to you what each risk category means so that you leave with a full understanding of your own attitude to investment risk. More importantly, you will understand that risk is an average, and that you can apply different levels of risk to different parts of your life. For example, some individuals choose a lower attitude to risk for their pensions than personal investments, as they see them as their bedrock of their future. Others decide to take a higher risk attitude to pensions, as they are much longer term. Neither is right, neither is wrong, but you need to understand which you are comfortable with.

### *OK, aside from risk, how else can you help me understand my approach to finances?*

Prioritising your goals is another important part of the planning process. You may want an extra holiday a year, and you may want to send your children to private education, but which do you want more?

We will help you to understand your priorities which will enable you to set clear goals and objectives. As a result of this, you will have a clearer understanding of how your money should be invested and allocated in order to achieve these goals.

*This is all very well, but I have a complicated life and don't know how I can make my income go further?*

We'll provide you with cashflow forecasting. If you run a business, you will be used to management accounts which provide a summary of how the business has been performing.

We will provide a similar summary of your pension and personal investments.

The better run businesses tend to also have forecasting which show where the business is likely to be in a years' time based upon income and outgoings and certain assumptions. We can provide such a forecast for personal finances.

This cash flow allows us to show you your true disposable income, where savings can be made and can help you make projections; for example how much you need to set aside to provide the retirement income that you require.

For help with Financial Life Planning and all financial services speak to Ovation

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