

Financial Plan Instructions

GENC3004 Personal Finance

2015 Session 2 Version 1

Please put these dates in your calendar now (with reminders)!

Financial Plan Assignment due date: 9.30am* Mon 26 Oct 2015

* All times are Sydney time

- The **objective** of this assessment is to apply the principles covered in this course to develop a written financial plan that covers your current situation and your most likely situation and needs after graduating.
- This is an **individual assignment**. Copying the work of any other student (past or in previous session) and/or copying the content of the sample financial plans provided on the course website represents academic misconduct. You will be awarded zero for the assignment and further action may be taken against you by the university.

Format

- You should clearly identify your name and student number at the start of the document.
- You must submit your completed financial plan in PDF or Microsoft Word format using the course website under the Assessments ... "Financial Plan Assignment" section by the "Financial Plan Assignment Due Date" listed above. Penalties for late submission are listed in the Course Outline (available on the Course Website).
- Please format your document clearly and make it look nice. Bullet-point format is both permitted and preferred.
- The length of your financial plan should be more than 500 words. There is no maximum word limit (this is your plan and so you can "invest" as much time and detail into it as you like).
- You should avoid including 'screen-dumps' of information from websites in the body of your financial plan. If you would like to include information or charts from a website then it should generally be included as an Appendix (with appropriate citation).

Content

- Sample financial plans are provided on the course website to guide you in your efforts. However, these should be used for reference only. Any copying or paraphrasing of the content of these financial plans is academic misconduct and will result in a fail grade being awarded for this assignment (resulting in a fail for the course). If you write your financial plan to the same quality as these sample plans then you should expect to receive a mark in the low 'Credit' range (65 to 68). Higher marks may be rewarded for going into greater depth and specificity than the sample plans provided and by performing financial modelling (calculations).

- If you have a partner then you are also welcome to perform this assignment based on your “collective” household income and expenses and your “collective” plan for the future. Discussing your financial plan with your partner does not constitute academic misconduct!
- Your plan should include objectives for while you are studying at university and objectives for post-graduation. You should use your judgment concerning which of these to focus on. If you are a first-year student living in a rented flat then you should focus more on financial goals while at university. If you are in your final year or have very little control over your financial situation while at university (for example, you are at College and spend very little) then you should focus more on your post-graduation situation and goals.
- A special note for those students who have no idea what they plan to do after graduation ... Many students struggle with setting goals and strategies when they are not certain about what they will do after university. The approach taken by financial planners is to ask “what is the most likely scenario?” and to base the plan around that. You can then ask what would be the best strategies under various other scenarios and model those separately ... however, you are only required to model one scenario for this assignment.
- This assignment includes a lot of personal information and I will respect your privacy. If you are concerned about the privacy of your information then you may choose to perform the assignment based on an anonymous third party (you can also do it on your own situation and say that it is for an anonymous third party). However, you should note that performing the assignment based on a third party is more difficult, less useful and will not receive extra marks.
- Your plan should be divided into the following sections:
 1. **Current situation** – your age, where you reside, study and work status, current assets and liabilities, income and your current expenses (from expense-tracker), insurance, wills etc. Putting this information in bullet-point format or a table is a good idea.
 2. **Goals and objectives** – a list of short, medium and long-term life and financial goals that are specific, measurable and achievable. It is preferable to set dates for each of your goals. An example of a goal might be, “To buy a Town House in SW Sydney for approximately \$350,000 by 1/7/20XX”. Goals should be descriptions on what you would like to have achieved by a certain date. They can be either financial milestones or lifestyle goals. Remember that your goals should be S.M.A.R.T. which stands for ‘specific’, ‘measurable’, ‘achievable’, ‘resourced’ and ‘time-specific’. This section should not include detailed descriptions of how to achieve a goal (which should be covered in the Financial Strategy section later). For instance, “starting a savings plan” is not a goal but a financial strategy. The goal might be “to accumulate \$50,000 deposit for my first home by 1/7/20XX”. In that case, the savings plan would be a strategy to achieve that goal. Where possible, you should justify your goals with financial calculations.
 3. **Reducing expenses** – identify some specific options to reduce your total living expenses by ten percent. The purpose of this is to brainstorm (creatively) some alternatives to reduce expenses and to free up some savings to achieve your goals. I recognise that some students may find this more difficult than others. However, it is important to be creative and consider various alternatives for reducing expenses (whether or not you plan to do so).

4. **Financial strategy** – a detailed list of strategies for achieving your life and financial goals using the principles outlined in this course. This is the most important part of your financial plan. It should demonstrate a deep understanding of the course and an ability to specifically apply it to your situation and goals. It should also be the longest section of your plan (at least 5 pages) and should go into a lot of detail. There should be elements of your plan that cover both your student life and your expected life after graduation. The relative proportion that you allocate to each should be appropriate according to how close you are to graduation. If you plan to live overseas, then you are welcome to customise the strategies to what is appropriate for that country. If you are uncertain of what you will do after you graduate then you should base it on the 'most likely' scenario.

You should include the following sub-sections:

- **Income:** Your strategy for steadily building your income over the next ten years through both your salary and investments. This may include your plans for matching your career to both your personality type and what skills are in demand in the economy. You should also discuss how you plan to develop your skills over time and reduce the risk of any prolonged periods of unemployment. You can also briefly identify how any investment strategies (discussed later) will add to your income.
- **Expenses:** How you plan to manage your living expenses so that you can consistently save towards your long term goals. It's a good idea to specify target total monthly living expenses here as a percentage of income and then detail those expenses in your budget (next section).
- **Savings:** Regular savings plans that you need to establish for your various goals and objectives. When will you start and finish saving? How much will you save each month? You should use financial calculations to justify your strategy.
- **Investments:** How will you invest your various savings? Cash investments, fixed interest, shares, investment properties, managed funds etc? What specific product(s) are most appropriate to your situation? Show evidence of some research here and be specific! How are the products appropriate for your tolerance of risk and your investment time horizon?
- **Superannuation:** What do you plan to do with your current superannuation account(s)? If you don't have an account, which one will you use when you first start working? Why? Which investment option will you select? If you plan on moving overseas then you should do some research on the retirement savings system in that country and include some details here (they are usually called 'pension systems' overseas rather than 'superannuation').
- **Taxation:** Any legitimate strategies that you plan to implement to make sure that you don't 'over-pay' tax.
- **Insurance:** What do you plan to do with life insurance, health insurance, travel insurance and general insurance (house and motor vehicle) over the next five to ten years? Be specific.

- Estate planning: How will you draft your will? Who will be executor? Who will be the beneficiaries? If you don't have one already, how will you go about arranging for a valid will?

You should also include the names of specific products that you have researched and may use (however, please do not copy and paste information from product websites about these products into your plan or an Appendix).

5. **Budget** – your planned average monthly expenses (by category) for the next year. If you are close to graduating then it is probably also a good idea to create a separate budget for after graduation (you may need to make assumptions about your situation at that point in time). It is a good idea to use the expenses that you recorded over this session as a basis for constructing this budget.
6. **Plan of Action** – a specific list of tasks to implement your strategy with deadline dates for them to be achieved. This is like a one-page “task list” with tick boxes that you can put up on the refrigerator for implementing your chosen strategies. This section may repeat some elements of your 'Financial Strategy' section and can be laid out using a bullet-point or check-box format. However, the key difference is that the plan of action is a brief one-page task list of things that you must do to implement your strategy (1 page) while the financial strategy section provides detailed information about the strategies themselves (5+ pages).

Submission

- You are responsible for uploading your financial plan onto the course website early to avoid last-minute technical problems. There is NO grace period for late submissions. If you cannot upload the assignment from your home computer then you should use a university computer.
- The penalty for **late submission** of the Financial Plan Assignment is 5 marks per day (out of 100) for each day (or part day) it is submitted after the deadline.
- If you submit this assignment after the due date and time, it should be done by email to the lecturer. Late penalties will apply as indicated under the earlier section titled 'Late Submission'.
- Special consideration for pre-existing conditions must be submitted to the university by week 3 of session and you should also email me about it as well. If you have an accident, illness or misadventure near the due date then you should submit an application for Special Consideration with the university within 24 hours of the event and also email me that you have done so.

Marking criteria

- You should make sure that you have reasonable expectations for your marks for this assessment. The sample financial plans provided on the course website are indicative of an upper 'Pass' level assignment (60-64%). You may have received high marks of between 80% and 100% in your other studies. However, high marks like these are rarely awarded for this assessment. An extremely thorough and well written financial plan that demonstrates a good understanding and application of the course material is usually awarded an upper credit or lower distinction (70% to 80%). Marks above 80% are usually reserved for the very best few assessments submitted in the class.

- Financial plans that copy or paraphrase significant amounts of text from the sample plans provided on the course website (or from other students) usually receive zero and may also result in charges of academic misconduct.
- Marks will be awarded for the following attributes:
 1. **Depth**– The plan correctly applies the materials covered in the course to your individual financial situation and demonstrates an accurate perception of your situation and needs and a course of action consistent with the financial wisdom covered in the textbook and course notes. The plan is also detailed enough to provide you with a clear path to follow in the future. The financial strategy comprehensively covers the concepts covered in the various units of the course.
 2. **Specificity** – The plan contains details which are highly specific to your financial situation and includes numerous financial calculations. Marks will be deducted if the plan only contains very general statements that are not specifically linked to your specific situation and goals.
 3. **Compelling** – The plan is interesting to read, is attractively formatted and clearly identifies a clear, specific and compelling action plan.