

## **Book Review: The One Page Financial Plan: A Simple Way to be Smart About Your Money, Carl Richards (Penguin 2015)**

By [Steven Smith](#) / November 15, 2021

Running joke: *If it's a one-page financial plan, then why isn't the book only one page?*

I first read Carl Richards' novelty of a [book](#), *The One-Page Financial Plan*, when it was published in 2015. But I only recently grabbed it off the shelf to re-read and figure out ways to apply it in our practice.

The title of the book is a head fake. The author doesn't really believe that a financial plan can be reduced to one page. But Carl (as he likes to be called) is on to something with this book. (In fact, Carl Richards is on to many things. We'll get to the rest of them later.)

Reducing a financial plan to one written page may not entirely resonate with everyone. But the idea of being utterly clear about the most important things in your life – and being able to reference them when the world starts spinning – is invaluable. And, as Carl puts it in Part Four, Avoid the Big Mistake.

### **Introduction**

Carl gets right to the point. Everybody makes mistakes. And the best way to mitigate their effects is to have a personal financial plan. The lynchpin of your plan is your own personal values and your three or four most important goals. Think of it as the picture on the front cover, not the 50 page instruction manual.

### **Not Just One Page, Of Course**

One clue that the book is about more than *just* a one-page financial plan is that there are four parts, consisting of ten chapters. The idea was conceived, at least in part, as a backlash against the 50-page plan that functioned more as a paper weight than an actionable endeavor. I like to think of the one-page as the *dashboard* – with the rest of the plan being under the hood.

### **Start With Why**

Richards channels his inner [Simon Sinek](#) in counseling that we start by asking the most important money question: Why? Why is money important to me? What's the money for? It's pretty counterproductive, after all, to work and invest toward values and goals that aren't your genuine ones.

Carl offers some good suggestions on how to set aside the time and space to do this work; whether as an individual or as a couple, if you're in a committed relationship. And he warns

this exercise may be a bit uncomfortable. And while you're at it, as a bonus, you'll learn how to prioritize your time, your skills and your energy, and learn to focus on the things that are under your control. You will work hard to distinguish between wants and needs.

One of Carl's colleagues, Tim Maurer, calls this [Intention Powered Financial Planning](#).

For inclusion in the one-page plan, some of us label the answer to the 'why' question: The Statement of Financial Purpose.

**What and How.** After the Why, we get to the What, which is your goals. And then on to the How – which sets up a nice transition into another one of Carl's neat tricks: [What is the Next Smallest Step?](#)

### **Guess Where You Want to Go – And Don't be Afraid to Dream**

Chapter two is titled: *Guess where you want to go.* (In a juxtapose, Chapter three is about figuring out where you are.) Go figure.

Guess? Well, maybe. I prefer estimate. The point is you will probably be wrong. But, engaging in this iterative process will allow us to be *less wrong* over time. For example: How much will you need/want to spend in retirement? It's impossible to know for sure. But we can start with a reasonable estimate and work from there. And that will afford us some flexibility. Listing our goals and prioritizing them also helps us understand the tradeoffs. Doing these exercises as a couple is critically important, to make sure you are both on the same page.

Uncertainty is a given. Having a plan – including the one-page summary – enables decisions to be made when life intervenes, with policies, and not on an ad hoc basis. Adjustments can be made as necessary.

The chapter ends with some wonderful philosophical advice: Whatever your goals, don't be too attached to them because achieving them is only so much within your control. Appreciate the process as much as the results.

The remainder of the book is more about the nuts and bolts of financial planning. Spending and saving. Budgeting. Insurance. And, of course, investing.

### **Investing**

Part three is on the subject of investing. One suggestion is to create a personal investment policy statement to "prepare for a crisis before it happens." This is an excellent practice. Of course, right there you're going to add several pages to your one-page plan. But don't worry about that. These subsidiary documents can be layered and organized so that you can reference them when needed.

And Carl is a strong advocate of [Evidenced Based Investing](#) as supported by academic research.

### **Implementation: The Art of Financial Planning**

Every financial advisor has a different approach to planning. (Of course, some don't do any planning at all, but are just out to sell you the product-du-jour. But that's a different story.)

Where to start? For some advisors, there is an insistence that you have to start with values – and leave things like goals until later. For others – and I tend to fall in this camp – it doesn't matter where you start, as long as all the bases ultimately get covered. Carl likes to start with really deep questions. But some clients don't like to open their kimonos in the first meeting. So, I might prefer a question like: [Is Retirement a Dirty Word?](#)

It's obvious that the breadth and depth of a full financial plan can't be contained on one page. Carl recently described the approach as an Executive Summary with a Technical Appendix, to provide in-depth support for the one-page summary.

**Changing Focus.** Having both the full plan and the summary allows us to zoom in and out. Zooming in to separately analyze key issues. Zooming out to look at the big picture.

The one-page version also allows us to incorporate emotional and behavioral components when making big decisions – and avoid the paralysis of analysis – where it is the forest that matters and not so much the trees. A great example is whether to carry a mortgage in retirement or to pay it off. *Financially*, it might be argued that if your interest rate is lower than your expected portfolio return, it would make sense to keep the mortgage. But I never met anyone who didn't *feel good* at their own mortgage burning party.

**Different styles.** Some advisors do a lot of the number crunching behind the scenes and share just the results with their clients; unless the clients are really curious about the calculations. In our shop, we tend to do a lot of the work collaboratively, so the clients have already peeked under the hood even before we create the dashboard. Some advisors like to have the dashboard on paper or a pdf. We have been experimenting with the online Japanese Kanban software called [Trello](#).

By the way, here's Carl's personal [one-page](#) plan.

### **More About Carl Richards**

Carl has been a leading voice on the subject of personal finance. He first burst on the scene with his previous [book](#), *The Behavior Gap: Simple Ways to Stop Doing Dumb Things with Money* (Penguin Books, 2012)

*The Behavior Gap* introduced us to Carl's now famous back-of-napkin [sketches](#), many of which are either X/Y axis charts or Venn diagrams. Carl publishes a calendar with them every year and we hang them in the office. *The Behavior Gap* traces his biographical plunge into near bankruptcy that informs everything he has done since. Carl has been through some stuff (getting nearly wiped out personally by the 2008 real estate crash) and been open and honest about it as told in this 2011 [column](#) in the New York Times; which is worth reading even if you never get around to the One-Page Financial Plan. All of which has made Carl a better person, advisor and coach.

Thereafter Carl has had a [column](#) in the New York Times based on his sketches .

Currently, Carl is a muse and [advocate](#) for consumers of financial planning services and for us advisors, to help us get better at what we do.

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