

PERSPECTIVES

The Back of a Napkin Financial Plan

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In the years I worked as a financial planner, I frequently observed that many of the people who came to me for advice didn't have a clear picture of their financial lives. Indeed, as I have [previously written](#), most are so unconscious about their money (provided they think they have enough) that they can't answer basic questions about their finances, like how much they spend on a monthly basis.

People often have a very fragmented view of their finances. Obviously, they have bits and pieces: income, bills, savings or investments, pensions. But unless they work with a professional who can create a comprehensive financial plan for them, they seldom look at the whole picture. They assume it's going to be complicated. And in some ways, they're right.

That is why, when I was working with a new potential client, I often started with a simple framework sketched literally on the back of a napkin.

The reason this is possible is because the core of every financial plan—the beating heart of the whole thing—is actually incredibly simple.

It fits on a napkin.

It fits in your head.

It fits around four words:

Earn. Spend. Own. Owe.

That's it. That's the model. That's the map. Everything else—the spreadsheets, the platforms, the pensions, the asset allocations—is just detail.

So to take you through the actual sketch, I would start by drawing a simple cross, creating four boxes.

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Earn.	Spend.
Own.	Owe.

That's it. Four words. Four moving parts. The entire shape of a financial life. Now, if you've got a background in finance or accounting, you'll recognise this as a hybrid of an income statement and a balance sheet. But I don't use those terms with clients—because most people don't. This is simpler. More human. Everyone understands earn, spend, own and owe.

The whole of your financial life on a napkin—and a simple rule for working out what you'll need.

A QUICK TOUR OF THE FOUR

If we look at the four key elements, Earn is everything coming in: salary, dividends, rental income, pensions. It's what funds your lifestyle today.

Spend is everything going out: the mortgage, food, heating, Amazon, holidays, nights out, the works.

Own is what you've built up: your home, pensions, individual savings accounts, investments, savings—everything that has value and belongs to you.

And finally, Owe is everything you've borrowed: mortgages, credit cards, car finance, student loans.

These are four simple ideas. But when you map them out on a napkin, the effect can be surprisingly powerful. Suddenly, your potential client sees their financial life as a whole. They can spot imbalances. Patterns. Risks.

And that's when I offer the reveal—the idea that shifts the conversation completely:

“When you retire, what you own will have to pay for what you spend.”

THE SHIFT THAT CHANGES EVERYTHING

This is the moment that lands hardest. Because most people, for most of their lives, rely on the Earn box to pay for their Spend box.

They don't think much about the bottom two boxes—Own and Owe—because they don't need to. As long as the income keeps coming in, everything feels manageable.

But when work stops—or slows down—the Earn box shrinks. The Spend box doesn't. If anything, it might get larger: travel, hobbies, helping family, health costs, inflation.

So what's going to fund it?

That's the shift. The dependency moves from Earn to Own. Your assets—pensions, savings, investments—are now responsible for delivering the income you'll need. If they're not up to the task, you have a problem.

SO . . . HOW MUCH IS ENOUGH?

The question that follows, almost every time, is:

"OK, but how much do I need?"

That's when I introduce a simple rule of thumb. It's not a formula. It's not exact. But it's memorable, and it gets people thinking in the right way.

I call it the Rule of 375.

The idea is this:

To generate £1,000 per month in retirement income, you'll need roughly £375,000 in capital set aside.

So if your desired retirement income is £3,000 per month (after the state pension), you're going to need around £1.125 million.

Now, before the planners and compliance teams panic—yes, this is just a heuristic. It's based on a set of reasonable but simplified assumptions: a 4% sustainable withdrawal rate, adjusted for inflation, net of fees and taxes, starting at retirement age.¹

It's not a plan. But it's an eye-opener.

Because suddenly people realise:

Their retirement spending target needs to be specific.

The capital required to support that lifestyle might be higher than they thought.

They now have a reason to pay attention to the Own box.

And they start to ask better questions:

“How far off am I?”

“How long have I got to close the gap?”

“What am I doing today to increase what I own?”

WHY THIS MATTERS

People come into financial planning conversations with fragmented ideas—questions about pensions, investments, ISAs, tax, retirement ages.

But when you start with a napkin and a pen and give them this framework—Earn, Spend, Own, Owe—everything starts to make sense. And when you layer in the Rule of 375, they suddenly have a way to connect the present with the future. Their money starts to have context.

That’s what they really need from us. Not just product selection or performance reporting.

Clarity. Structure. A way to think.

And it starts with four boxes, one big insight and a rule that fits in your back pocket:

When you retire, what you own will have to pay for what you spend.

The Rule of 375 tells you how much that might be.

Simple. Clear. Transformational.

1. The Rule of 375 is based on the “safe withdrawal rate” concept, where a retiree can sustainably withdraw 4% of their capital per year without depleting it too quickly. To generate £12,000 a year (£1,000 per month), divide £12,000 by 0.04 = £300,000. Add a margin for taxes, fees and a cushion against market volatility and inflation—and you arrive at a practical rule of thumb: £375,000 per £1,000 per month.

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