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Am I on track with my finances?

The above question is often asked or thought about as we progress through our working careers. The following checklist will hopefully shed some light on your answers to this question.

Step 1

- [ ] I have taken inventory of my assets and liabilities and have a net worth statement - Exhibit A

- [ ] I have a solid grasp of my cash flows, both in and out and have a budget in place - Exhibit B

Step 2

- [ ] I have adequate Emergency Reserves (i.e. – rainy day funds) - Exhibit C
- [ ] I have a good plan in place to manage my outstanding debt – Exhibit D
- [ ] I am saving toward my future goals - Exhibit E
- [ ] I have proper insurance coverage for my situation – Exhibit F
- [ ] I have completed the proper estate planning for my situation – Exhibit G

Also remember to check your credit report annually

Under federal law, a consumer is entitled to one free credit report every 12 months from each of the three major credit bureaus: Equifax, Experian, and Transunion. Under Federal Trade Commission (FTC) rules, these credit bureaus must provide a central access point where a consumer may request a copy of his or her credit report @ www.annualcreditreport.com. It is advisable to do this on an annual basis to ensure that your credit record remains accurate and for awareness against identity theft.

Exhibit A Net Worth Statement

		Self	Spouse	Joint	Total
Assets					
Portfolio Assets					
Cash Equivalents/ Bank Accounts					
Taxable Investments					
Qualified Retirement				n/a	
				n/a	
				n/a	
				n/a	
				n/a	
				n/a	
Life Insurance (cash value)					
Property					
Real Estate					
TOTAL ASSETS					

		Self	Spouse	Joint	Total
Liabilities					
Mortgages					
Loans					
Credit Card/ Other					
TOTAL LIABILITIES					

Total Net Worth
(assets - liabilities)

Exhibit B Cash Flows

Current Income

Source	Annual $	
		Total income
		$

Current Outflows

Source	Annual $	
Liability payments (May include mortgage, student loans, car payments, etc.)		
		Total liability
		$
Estimated taxes		
Federal income taxes		Total taxes
State income taxes		$
Local income taxes		
FICA (payroll) taxes		
Real estate/property taxes		
Savings		
Includes 401k, IRA, College, Emergency Reserves, etc. and any unintentional savings (Ex: bank account has $10,000, a year later it has $20,000, you unintentionally saved an additional $10,000)		Total savings
		$

Core living expenses
(Income - liability payments - taxes - savings)

Budget and Expense Tracking

It is advisable to not only track what you have been spending your money on, but also budget what you should be spending your money on. This worksheet can be used for either or both purposes.

Housing	Monthly or	Annually
Rent/Mortgage Payment		
Homeowner's Insurance		
Property Taxes		
Maintenance/Repairs		
House Cleaning		
Lawn/Gardening Work		
Utilities	----------	----------
Electric		
Gas or Oil		
Water/Sewer		
Garbage Collection		
Cable TV/Internet		
Land Line Telephone		
Other		

Transportation	Monthly or	Annually
Car Payments/Lease		
Fuel		
Car Insurance		
Taxes/Registration/License		
Repairs/Maintenance		
Public Trans./Parking		
Other		

Living Expenses	Monthly or	Annually
Groceries		
Childcare		
Child Support/Alimony		
Clothing		
Education		
Out of Pocket Medical		
Other		
Other		

Debt	Monthly or	Annually
Home Equity Loan		
Credit Card Payments		
Student Loan		
Other		
Other		

Taxes	Monthly or	Annually
Federal Income Taxes		
State Income Taxes		
Local Income Taxes		
School Taxes		
Other Taxes		

Savings	Monthly or	Annually
Client Retirement Plan		
Spouse Retirement Plan		
Other		
Other		
Other		

Insurance Premiums	Monthly or	Annually
Client Life Insurance		
Spouse Life Insurance		
Client Long Term Care		
Spouse Long Term Care		
Health Insurance		
Other		

Discretionary Expenses	Monthly or	Annually
Charity/Tithing		
Personal Care (salon, etc.)		
Cell Phone		
Dining Out		
Entertainment		
Gifts		
Pets		
Recreation		
Subscriptions		
Vacation/Travel		
Memberships (gym, etc.)		
Dry Cleaning		
Other		
Other		
Other		
Other		

Exhibit C Emergency Reserves

A financial hardship or crisis is closer than some would like to admit. A big part of your financial fitness is being prepared. Nothing can derail your financial plans more than not having adequate cash reserves. Those who are unprepared are then forced to borrow at high interest rates or liquidate investment assets or real estate at inappropriate times. Emergency reserves should be kept in bank accounts and/or short-term liquid bond funds, something that will not decline in value. They also need to be fully liquid, meaning you can access this money at a moment's notice.

When determining how much to keep in emergency reserves, most experts agree that it depends on your unique circumstances. However, it is usually safe to earmark at least 3-12 months of liability payments, estimated taxes and core living expenses. Realize that income taxes will be lower if unemployed and a reserve at this level will likely last more than 3 months. In this scenario, let's assume you want to create an emergency reserve equal to 3 or 6 months of living expenses.

Current Outflows - copy amounts from Exhibit B	
	Annual $
Liability payments	
Estimated taxes	
Core living expenses	

Total

Total current outflow from above

Divided by 12 months ÷ 12

Needed per month

x3 x6

3 month **6 month**

Total emergency reserve needed

Total current emergency reserves

(sum of bank accounts and short-term liquid $)

Exhibit D Debt management

Most people have some level of debt during much of their working careers.

Good debt:
Low or reasonable interest rate for needed items

- If low interest rate, make minimum payments. If other areas of your financial situation are solid and on track and if you have excess cash flow, consider accelerating the payoff of good debt.

Bad debt:
High interest rate and/or debt on items that are wants or wishes

- Make considerable effort to pay down this debt as soon as possible
- Balance the need to pay off this debt with other financial goals (Emergency Reserves, Goal Saving, etc.).

Debt (highest interest rate first)

Loan	Balance	Current rate %	Regular monthly payment $	Month year paid off	Good or bad debt
					☐ G B ☐
					☐ G B ☐
					☐ G B ☐
					☐ G B ☐
					☐ G B ☐
					☐ G B ☐
					☐ G B ☐

List all bad debt and a plan of how you will pay them off as soon as you can. Start with either the highest interest rate debt or ones with nominal balances that can be paid off quickly. Consider how much additional cash flow you can devote to accelerating the payoff and establish a time frame goal that you will pay it off.

Bad Debt

Loan	Regular monthly payment $	Additional monthly payment goal

Exhibit E Goal Savings

It is important to regularly reclassify your goals by type and make sure the investments being used are still appropriate as time gets closer to your goal. Goals may include: down payment for house, buying a new car (or other large ticket item), paying off loans or a mortgage, saving for college or a wedding or other event, saving for retirement, etc.

List your goals below by type, $ amount needed (if known) and current savings plan to reach goal. Your current savings plan may be a certain $ per month or quarter, % of each paycheck or something else.

Short-term

Now - 5 years

Bank savings/money market/CDs/short-term bond funds

Intermed-term

5 - 10 years

Short/Intermediate-term bond funds with limited exposure to well-diversified, index stock mutual funds

Long-term

10+ years

Mix of well-diversified, index stock mutual funds and short/intermediate-term bond funds appropriate for your level of risk appetite

Short-term goals	$ amount needed	Current savings plan

Intermediate-term goals	$ amount needed	Current savings plan

Long-term goals	$ amount needed	Current savings plan

Retirement Saving:

It is generally advisable to save between 10-15% of your earned income each year throughout your working career. If you have not done this earlier in your career, you may need to increase this % later on to "catch-up". Many employers provide matching contributions to their retirement plan if the employee is making a contribution of a certain amount – it is critical to ensure you are contributing enough to maximize your employer's match.

	Self	Spouse
% of earned income currently saving for retirement		
Saving enough to qualify for full employer matching contribution?	☐ yes ☐ no	☐ yes ☐ no

College Saving:

Great resource on this subject can be found at SavingforCollege.com

Exhibit F Insurance Coverage

Many people assume bad things won't happen to them and do not have adequate insurance coverage early in their working careers. This can often backfire if an event happens to an under- or uninsured person, and as a result can create a tremendous financial and emotional burden for years to come.

Below are types of insurance all adults should highly consider:

- ☐ **Homeowner's Insurance:** If a homeowner, this is a must. Homeowner's insurance protects one of your largest investments. The dwelling protection in a homeowner's insurance policy should equal the full replacement value of your home given current material and labor rates. Your home's personal property protection should be at least the standard 70% of the dwelling coverage.

- ☐ **Renter's Insurance:** If renting a unit, you should insure the contents.

- ☐ **Auto Insurance:** For all vehicles you own, make sure you have adequate coverage, especially for the other person's vehicle in an accident you cause and liability protection. Our preferred minimum automobile insurance coverage is 250/500/100: $250,000 bodily injury liability coverage per person, $500,000 in total bodily injury liability coverage per accident, and $100,000 in property damage liability per accident.

- ☐ **Umbrella Insurance:** As you build wealth, umbrella (i.e. – excess liability) coverage becomes more important. In the rare event you are sued, you could be forced to pay a legal judgment from your current assets and future earnings. Umbrella insurance would provide coverage for liability claims in excess of your other insurance policies.

- ☐ **Health Insurance:** This can be costly but not as costly as an injury or illness can be without proper health insurance.

- ☐ **Life Insurance:** Life insurance isn't for the people who die, it is for the people who live. If you have one or more people in your life that depend upon you financially – such as a spouse, children or other loved ones – you likely have a need for life insurance.

  Life insurance is used by most people to replace the income lost due to a premature death. Your ability to earn an income could be considered your family's biggest asset, and without it your family's standard of living and financial security could be lost. By supplying your loved ones with an income even after your death, you can help to ensure their financial future. Life insurance proceeds can cover:

  - Liabilities like mortgages
  - Income replacement (day to day living expenses) for dependents
  - Final expenses like funeral costs
  - Education expenses for your children

  Remember, your financial needs today may not be the same as your needs tomorrow. Changes in your life such as marriage, the birth of a child, a new job, starting a business or getting a divorce necessitate a re-evaluation of your life insurance needs.

  In the majority of cases, term life insurance is preferable rather than permanent (or whole) life insurance. This is due to the low cost of term insurance for a high amount of coverage. A broad rule of thumb is to have a death benefit of a minimum multiplier (i.e. – times your salary) of 10 for those under age 50 and possibly a less multiplier for those over age 50 until retirement.

Life insurance coverage				
Person Insured	Length (if term)	Death Benefit	Beneficiaries	Annual Premiums
		$		$
		$		$
		$		$
		$		$
		$		$
		$		$

☐ **Disability Income Insurance:** This type of insurance helps protect a portion of income when you are unable to work due to a sickness or injury by providing benefits that can be used to help cover living expenses while disabled.

Perhaps the largest risk that a working person carries is the lack of income. An unexpected event that causes a worker to stop working and lose their income stream can be financially devastating to a family. The maximum amount of long-term disability coverage that is allowable is typically 80% of earned income. The long-term disability plans offered by most employers range from 60-80% of income replacement coverage. If the employee qualifies for a disability event under the terms of the policy, coverage usually will last until age 65.

Disability Income Insurance				
Person Insured	Short-Term (ST) or Long-Term (LT)	% of income replaced	Length of term	Annual Premiums
				$
				$
				$
				$
				$
				$

Exhibit G Estate Planning

Estate planning documents may not always feel like pressing needs or be particularly fun to think about, but for the sake of your loved ones, it is important to be prepared.

We tend to put these items off in light of more immediate concerns or expenses, but life events are unpredictable. This is a case of "hope for the best, plan for the worst." Take the extra time and resources now to avoid complications later. When doing estate planning, it is highly recommended to consult with a qualified attorney for guidance and implementation.

The following 4 documents are essential for every person over age 21. Enter your estate planning progress below:

Last Will & Testament	Date Designed	Date Last Reviewed	Comments
☐ Self ☐ Spouse			

Living Will	Date Designed	Date Last Reviewed	Comments
☐ Self ☐ Spouse			

Durable Power of Attorney	Date Designed	Date Last Reviewed	Comments
☐ Self ☐ Spouse			

Healthcare Power of Attorney	Date Designed	Date Last Reviewed	Comments
☐ Self ☐ Spouse			

Last Will & Testament: Everybody has an estate and everybody NEEDS a last will & testament to dictate how they want their assets to be distributed and handled when they pass away. This is especially critical if married and if you have any children so you can dictate guardianship over minor children.

Living Will: A written document detailing your desires regarding medical treatment in circumstances in which you are no longer able to express informed consent for deathbed concerns only. A living will is used to state your desire to not have life-prolonging measures, such as "DNR" (or "do not resuscitate"), be taken if there is no hope of recovery.

Durable Power of Attorney: Names another person to handle any financial affairs (pay bills, etc.) if you are incapacitated and not able to handle it yourself.

Healthcare Power of Attorney: Names another person to make healthcare decisions on your behalf if you are incapacitated and not able to make them yourself. A healthcare POA covers all health care decisions and will only last as long as you are unable to make those decisions for yourself.