

PERSONAL FINANCE CHECKLIST FOR YOUNGER PEOPLE

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As the holidays approached last year, did you find yourself getting a little nervous about the financial side of the holiday? Did you come out of the holidays with some unwanted debt? If so, here are some things that individuals, spouses or partners, and families can do as part of their personal financial planning. As the next holiday season approaches, keep your spirits up by using some down time at the end of the year to financially plan for the coming year and years. With this will come peace of mind and financial health.

Addressing the following questions will help you get your financial house in order. Apart from identifying strengths, the questions will help uncover areas to work on as you build your financial security, and set priorities for the coming year and beyond.

- 1. Do you check your credit report once a year?** Doing so will alert you to possible errors that could negatively affect your credit rating or potential identity theft activity, such as unauthorized credit card applications. A check of each report from the three major credit reporting agencies can be completed at the website Annual Credit Report.com at www.annualcreditreport.com.
- 2. Do you have a written budget for yourself? If you're in a relationship or have family, do you have a budget covering everyone involved?** If not, developing a spending plan will give you knowledge about where your finances go, and direct them to the places of highest use.
- 3. Do you have written financial goals, with timelines?** Goals help us accomplish our financial vision by breaking each one down into doable components. Setting deadlines helps ensure that we stay on track.
- 4. Do you know if you're making progress on your financial goals?** The single most useful number to track to see if you are increasing your personal equity over time is your net worth. A net worth statement measures our wealth—all you own (assets), less all you owe (debts)—at a single point. Updating such a document at the same time each year is a good way to determine if you're reaching your goals. Consider doing this when you're preparing income taxes, because you are already thinking financially.
- 5. Are you saving at least 10% of your gross income each year? If that's not possible, what percentage is achievable?** Paying yourself is a good habit to get into, just like tracking your expenses and budgeting for the future.
- 6. Do you have an emergency fund?** A cash reserve that will cover about three months of living expenses will help smooth income fluctuations and provide protection for unforeseen circumstances, like a job loss or a health condition.
- 7. Are you contributing to your employers' retirement plan?** If your employer offers a retirement benefit such as a pension plan, 401(k), 403(b), etc., be sure to take advantage of it. Employers often match part of your contributions, so don't turn down this free cash. Also, when you contribute to an employer-sponsored plan, this is done 'pre-tax,' meaning that any contributions flow directly from your paycheck before getting taxed.
- 8. Have you set up and started contributing to an individual retirement account (IRA), such as a traditional IRA or a Roth IRA?** If you've got the money, there is no reason not to invest in an IRA. It will build wealth over the long term by combining the power of compound interest combined with annual tax savings.
- 9. Do you have health insurance?** Even young adults get seriously ill or injured, and the debts could ruin your financial health for years, even decades, to come.

10. **Have you considered life insurance?** Life insurance is useful for those financially dependent on you—a spouse, children, a sibling, parents.
11. **Do you have insurance to cover other large expenses?** Renters or homeowners insurance, among the many types available, can help protect you from damage caused by such things as severe storms, as well as from theft.
12. **Are you protected against disability?** Possible tools include revocable living trusts, disability insurance, and Social Security’s disability coverage.
13. **Have you paid self-employment taxes enough quarters to qualify?** Self-employment tax consists of Social Security and Medicare taxes, and is primarily for individuals who work for themselves. It is similar to the Social Security and Medicare taxes withheld from the pay of most wage earners.
14. **Do you have a will?** A will ensures that your possessions and financial assets go where you want them to go upon your death. Wills are not only important for older people to have, but also younger people in the event of a sudden death. And for those having children, a will helps ensure that your child or children receive the guardianship and care according to your wishes.
15. **Have you prepared advance directives?** Advance directives are legal mechanisms that allow somebody to act on your behalf if you are unable to do so. These cover important quality of life issues.
 1. *durable power of attorney*: designates someone of your choosing to take care of your finances in the event you cannot.
 2. *health-care power of attorney*: designates someone of your choosing to take care of your health-care decisions in the event you cannot.
 3. *living will*: ensures that you get the medical treatment that you want if you are or become terminally ill or in a permanent coma.
16. **Do you have an ‘important papers’ file?** Organizing your personal finance and other important paperwork into a file with appropriate folders will make the information accessible for your own record keeping as well as if something happens and another person must manage your finances or settle your estate. It’s a good idea to have two notebooks containing such documents, one in your place of residence and another elsewhere as a back-up. Consider storing the back-up notebook in a bank safe deposit box, and this notebook could contain original documents such as birth certificates, Social Security cards, and notarized legal paperwork such as wills.
17. **Do others know where your important financial documents are? And who your power of attorney, financial advisor, accountant, etc., are?** If another person had to step in and manage your affairs or property for a time, would they know who to contact and where things are?
18. **Have you estimated how much money you need to retire comfortably?** Calculators are available at sites such as Choose to Save® (www.choosetosave.org/ballpark/).
19. **Have you estimated how much money will be needed for your children’s college education, and how much must be set aside each year to achieve that goal?** Possible tax-advantaged investments include 529 plans, Roth IRAs, and Coverdell education savings accounts (ESAs), along with investments such as qualified U.S. savings bonds, mutual funds, certificates of deposit, etc.
20. **If you’re in a family business, do you know what form your investment in it will take?** If working with others, are the expectations for ownership clear?
21. **Are plans in place for the transfer of management and ownership of family business assets in a multi-generation operation?** Is there a timeline for the transfer? Is this plan well communicated amongst family members and stakeholders? Is the plan written down?
22. **Are plans in place for the transfer of management and ownership of farm or ranch assets in a multi-generation operation?** Is there a timeline for the transfer? Is this plan well communicated amongst family members and stakeholders? Is the plan written down?
23. **Are you continuing to invest in your education?** Even if you’ve finished school, studying and training throughout your career is the best financial investment you can make.

- 24. Do you talk over your finances with your spouse or partner?** Financial conflicts—not low income—are a major cause of divorce and separation. Be honest about your personal finances (your debts). Talk about how you view money (are you a spender or saver), your financial aspirations, how household money will be managed, and how assets should be titled. And listen to your spouse or partner share their views.
- 25. Have you paid off credit card debts?** Debt is an albatross that stymies other financial moves. If you have high-interest debt through credit cards, auto loans, education loans, or some other loan, pay it off as quickly as you can—you surely have a better use for your money than paying interest. And with credit cards, pay more than the minimum, or better yet, pay your card off each month. This establishes good credit for major purchases such as automobiles, homes, and other property.

Final Thought

What would you add to or subtract from this list? There are many things to consider, and some will jump out as much higher priority items than others—including some that aren't on this particular list. You might consider the questions here, along with your initial answers, to get you started on your journey to financial security tomorrow and in the months and years to come. So a serious question to ponder: What are you going to do next?