



# Financial Checklist for Your 30's & 40's

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- Build an Emergency Fund:** Build an emergency fund to assist with any unexpected expenses. It is recommended that your emergency fund be equal to 3-6 times your monthly income. Keep this emergency fund liquid in either cash or cash equivalents.
- Review Your Budget Each Month:** Understand your cash flows that are coming in and going out each month. Organize your expenses in categories including discretionary and non-discretionary spending. Include monthly savings as a budget item.
- Calculate Your Net Worth Annually:** Make a list of all of your assets and liabilities. Subtract the liability figure from the asset figure to calculate your net worth. Monthly consumer debt payments should not exceed 15% of take home pay. Monthly mortgage payments including principal, interest, taxes and insurance should not exceed 28% of gross income. Monthly payments on all debt should not exceed 36% of monthly gross income.
- Pay Down Debt:** If you have multiple loans, start by paying off your loans with the highest interest rate. If the interest rate on your loan is higher than a potential return on investment, work to alleviate your debt rather than investing those same dollars.
- Build a Relationship with a Financial Professional:** Once you have established your emergency fund and have an understanding of your budget, take the next step and meet with a financial professional. A financial professional can help you develop a plan for your future saving, spending and investing. Review your plan with a financial professional on a regular basis.
- Participate in Employer-Sponsored Retirement Plans or Open an IRA or Roth IRA:** Does your employer offer a retirement plan? Understand the details of the plan(s) that are offered. If your employer offers a match, be sure to take advantage of that "free" money. If your employer does not offer a retirement plan, do not fear. Look at opening and contributing to a Traditional IRA (before tax contributions) or a Roth IRA (after tax contributions).
- Review Your Retirement Plan:** Congratulations for taking the first step and participating in your employer's retirement plan or funding your own Traditional IRA or Roth IRA! The next step is to understand the investment options and find an allocation that fits for you. Need help? Contact a Senior Wealth Advisor at Albion Financial Group.
- Review Your Credit Report and Understand the Components of Your Credit Score:** Set a date and review your credit report each year on that date. Federal law allows you to get a free copy of your credit report every 12 months from each credit reporting agency.



**Coordinate Asset Titling:** Look at how each account on your net worth statement is titled. Is it in an individual name, joint name, name of a trust? Confirm that each account is titled as you desire. Look at the title on your home, mortgage and insurance policies too.



### **Create / Review Estate Planning Documents:**

- Will: Where would you like your assets to go upon your death? Who would you like to be the guardian for any minor children in the event of your death?
- Power of Attorney for Finances and Health Care: Who would you like to make financial decisions and health care decisions for you if you are unable to do so?
- Beneficiary Designations: Review beneficiary designations to ensure they are in line with your estate plan and personal desires.
- Medical Directive: What life sustaining measures would you like to have?



### **Understand Tools for Education Savings:**

- 529 Plans allow for tax deferred savings, and tax free spending, if used for qualified college education expenses.
- Interested in saving for primary education (elementary through high school)? Consider a tool such as a UTMA or a Coverdell Education Savings Account.
- It is important to understand how accounts held in the name of a child versus the name of a parent are considered for college financial aid purposes.



### **Do an Insurance Check-Up:**

- Life Insurance: Look at term life insurance for income replacement purposes. Be sure to look at replacing income for both spouses, even if one spouse does not work outside of the home.
- Review Health Insurance: Understand your deductible, your out of pocket maximum and any co-pay amounts.
- Review Home Owners or Renters Insurance: Is the coverage adequate?



### **Understand Potential Inheritance and/or Potential Cost of Aging Parents:**

It is good to have a rough idea of the financial well-being of parents and in-laws. Do they have a plan in place for care as they age? Will they need assistance? Is there likely to be a transfer of wealth from one generation to another?