The Ultimate Personal Finance Checklist Before You Turn 30

A checklist to give you structure, and not anxiety.

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There are two types of people in the world — those who get married, have kids and are living the perfect suburban life by the time they are 30; and then, there are those who are still dealing with the hangover from yesterday's party and are busy unfollowing the first kind of people on social media.

But don't worry, whichever end of the spectrum you fall on, this **Ultimate Personal Finance Checklist** will help you ensure that you've got all your ducks in a row! The items are listed in order of priority and ease of completing, so you just need to begin at the beginning and go from there!

1. Learn about Pay Yourself First

If I had to, gun against my temple, choose just ONE personal finance hack that I could live by, it would be this one. The costliest mistake we make is to treat savings as an option. It is not; not unless you relish the thought of being old and penniless. Even before you start earning, you need to learn this lesson (I've explained it with a very simple example).

In short, Pay Yourself First means that you come up with a monthly savings goal that is achievable for you, and automatically transfer that amount to savings as soon as your salary hits your account. Whatever is left **after your savings**, is all you have for expenses.

I actually recommend that parents start teaching this as soon as their kids can understand — I will do an entire series of what personal finance concepts we need to teach our kids at which age.

2. Implement Pay Yourself First

Now that you know the concept, implement the lesson. Unfortunately, we live in a generation where we only consume information and don't put it to use. Don't fall for that scam — determine your budget, decide what is the average amount that you can

If you already invest, then you know where to move it. If you don't (and we will come to that), just move it to another account (not your primary account) for the time being.

The action points for Pay Yourself First are:

- Track your expenses for a month.
- Categorize these expenses into four broad categories — food (including groceries, eating out), housing (rent, mortgage, etc.), transportation (gas, car payment, etc.), and miscellaneous. These are your recurring expenses.
- Add annual expenses like home decor/maintenance, gifts for birthdays, anniversaries or holidays, insurance payments, and travel plans. Even if you don't own insurance, estimate an amount for basic health insurance and term life insurance and set it aside.
- Determine your monthly budget using your recurring and annual expenses.
- The difference between your monthly budget and your net monthly income is your saving. Set up a standing instruction with your bank to transfer this amount directly to another bank account immediately after your salary is credited. Set it and forget it.
- If this number is zero or negative, you need to either cut your expenses or augment your income, in order to move ahead financially.

3. Check your emergency fund status

Broadly, you need an emergency fund of 3–6 months of your bare minimum expenses. Now that you have completed the lesson in Point 1, you have a handy grip on what your expenses would be. Try to hit at least 3 times that number before proceeding to the next step.

How? Simple — the money that you are putting aside in Point 2, will go towards this goal, till you hit your number.

mutual funds and the like. The best personal finance plans are simple and easy to use.

The action points for building your Emergency Fund are:

- Open a high yield savings bank account, preferably in a bank other than the one you primarily use.
- Modify the standing instruction in Point 2 to move your savings to this account.
- Track the status of this Fund. When you reach your target (3 months of expenses), you can start saving up for other goals. Till then, this is your only priority.
- Try to accelerate the target by chipping in any extra income towards the Fund.

4. Set up life and health insurance

Once your emergency fund is set up, it is time to set up two insurances. The first is health — health expenses are the foremost reason for tacking up debt. Set up a generic insurance that will cover major hospitalization expenses. If your job provides this for you, great, skip ahead. Second, set up a term life insurance — the one that doesn't pay back anything if you don't die within the term.

Do NOT be mislead into buying insurance-cum-investment products, or whole life insurance — they are a scam (unless you want to use it as a tool for estate planning — but if you are rich enough to do that, your financial advisor will tell you so). You can see the scam part for yourself:

https://www.nerdwallet.com/blog/insurance/what-is-the-difference-between-term-whole-life-insurance/

Since you have already set aside the estimated insurance payments in Point 2 itself, this step can be done even while your savings are being diverted to your Emergency Fund.

5. Check your credit score and get a no-fee credit card

Credit history is an important variable, which will decide how cheaply you can get big-ticket items in the future like mortgages and car loans. Check your score, and if it seems incorrect (majorly), engage with a credit repair agency.

If all is fine, get a no-fee credit card, and learn how not to get into the trap of CC debt. Use it for mandatory bills, pay it off in full, and watch your credit score rise with the sun.

The rules for using a CC responsibly are:

- Only route budgeted payments through your CC, i.e. anything that has been covered in Point 2 can be safely charged to your CC. From your budget, you will already have an estimate of how much your CC bill would be.
- Keep a note on your phone, in case any of the payments are out of their usual range. For example, if your electricity is $100 usually, a $200 bill needs to be noted down. This will help you to avoid any surprises in the bill, and will help you to have a realistic estimate of what you have spent.
- Once your salary has been credited (and your savings debited), the remaining money is yours to spend — minus the estimated CC bill.
- ALWAYS pay the total credit outstanding, even if you have to beg or borrow (no stealing). The CC APR, i.e. the interest they charge you for outstanding payments, is usurious and can doom you to debt.

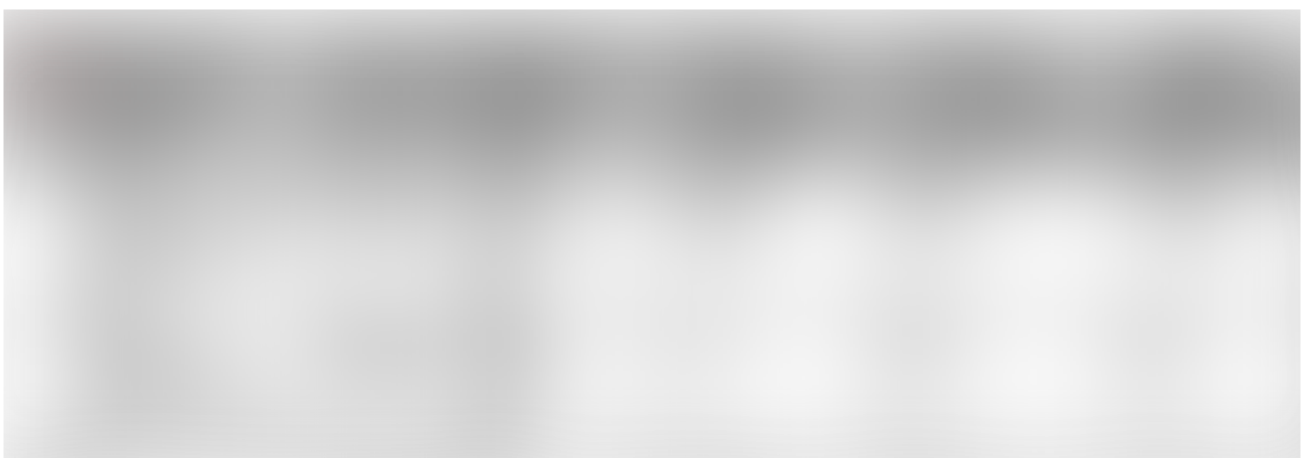
6. Rapid debt payoff

lowest rate debts like a mortgage can be skipped for this step. If you would like to check out which debt payoff method suits you the best, please check out my blog.

Both the debt avalanche and the debt snowball methods require you to pay the minimum amount due to every debt owed. The only point of divergence is the allocation of the surplus amount to be paid — while the debt avalanche allocates it to the debt having the highest interest rate (and hence saving you from the most toxic debts first), the debt snowball allocates it to the smallest debt irrespective of the interest charged (thus giving you a psychological boost as smaller debts get paid off quickly). The debt avalanche will help you pay off the debts the quickest, so that is the one we follow.

The action points to rapidly pay off your debt are:

- Make your own personal Table of Debt in the format below



- Ensure that the total of your payments made ($950) is higher than the total of minimum payments ($600), since that is the only way to pay off the debt. Once your Emergency Fund is paid off, divert your entire savings towards this.
- Now, manage your surplus payments being made in a way that the minimum payment for each debt is met, and the remaining surplus is put towards the first debt in your table (sort by interest rate — highest first). In this case, you would pay $0 to Aunt Sally (thank her, though!), $500 to the Auto Loan, and the remaining $450 towards the CC.

$450 that can be paid towards the auto loan, in addition to the $500 minimum payment already being made.

- Soon, you will have an avalanche of debts being paid off rapidly!
- Note that not all debts should be paid off rapidly. Since you can expect an average return of about 8–9% from your investments, anything above that definitely needs to be paid off. Anything below 5% can be delayed. In the mid-range of 5–8%, you should take a call depending on your own risk appetite (higher the risk you are willing to take, the higher will be your return from investments) and the time horizon for investments (the longer the time available with you before you retire, the higher will be your return).

7. Get planning for retirement

If you have followed everything till now, you would have a surplus going into a savings account (from Point 2), with no purpose (since you are done with building up the emergency fund and paying off your debt).

Get comfortable with retirement calculators, and see when you can retire comfortably with that surplus amount. If it fits in with your idea of life, great. Otherwise, you will either have to cut expenses or increase income, in order to bump up that figure. Set up a meeting with your HR, or research the usual tax-saving retirement avenues. Do not overthink it. Anything that is tax-saving, low cost, and diversified, is perfect. If your retirement funds so allow, invest in low-cost index mutual funds. Once you have maxed out your tax-saving alternatives, invest the remaining in non-tax-advantaged but still low-cost index mutual funds. Yes, that's right. The recommendation remains constant — no stocks, no other investment avenues. **Just the index.** And no, it isn't too soon — it's just right.

The action points for planning your retirement are:

- Estimate when you can retire by investing your current surplus. Accept it, or plan to increase the surplus to retire earlier.

- Invest in low-cost index funds till you max out these vehicles
- Invest in low-cost index funds outside these vehicles (i.e. through a brokerage) if your surplus is more than what the tax-saving vehicles allow

8. Start tracking your net worth

This is the time to really buckle up and begin putting numbers where your mouth is. Put together a quick net worth table in a spreadsheet, with a list of all your assets and liabilities. The net worth tracker is a simple table of all your assets and your liabilities, and the difference between the two. And update it every month, on a fixed date.

The action points for tracking your net worth are:

- Brainstorm for an hour or so and note down all the assets you own. This would range from financial assets like bank accounts, deposits, mutual funds/stocks, and retirement funds, to other 'real' assets like jewelry, real estate, cars, etc.
- Make a list and put down their values. While financial assets will not prove a problem in this, real assets can be notoriously difficult to evaluate. Do your best — there are sites that will give you current prices for cars, real estate, etc. Underestimate rather than overestimate.
- The other side of this equation — the debt side, was already prepared in Point 6. Plug this in and your table is ready.
- Now for the difficult part — subtract your debt from the assets. The number left is your net worth.
- Every month, without fail, you need to set aside just 10 minutes of your time and update this tracker. And watch it rise as your savings start building up.

9. Get an accountability buddy

Now that your basic ducks are in a row, you should pass on the knowledge. It is a win-win because you get an accountability partner when you do this. And what should you speak about with said partner? Now is the time to make a list of your remaining financial

Sharing them with each other makes you MUCH more likely to actually achieve it. You can divert some amount of your retirement contribution if you are okay with increasing that timeline a bit. Or you can cut expenses. Or, my favorite, you can find a way to make some extra cash and put that towards these secondary goals. Yes, they are all secondary — emergency funds, insurance, debt payoff, and retirement need to be prioritized. If all of them are in place, then there is very little life can throw at you that you will be unable to sustain, at least for a while.

The beauty of this checklist is that you can safely follow it **in order** and it will basically give you a blueprint of what you could achieve in your 30s. But if not your 30s, your 40s or 50s. Try your best, but also recognize that everyone's life follows a different path. Someone who has graduated in STEM and has no student debt will naturally be much more ahead than someone who is struggling for a job and has three dependents. The goal of this checklist (and all checklists, if you so decide) is to give structure, not anxiety! Get cracking and get checking!

For an **absolutely free** 10-day crash course in organizing your finances, join here!

Personal Development Personal Finance Self Improvement Investing Money