# Is it time for a financial checkup?

## 6 EASY STEPS TO HEALTHY FINANCES


QUEEN CITY
FINANCIAL ADVISORS, LLC

# Is it time for a financial checkup?

Everyone knows you should go to your doctor for a physical every couple years, but how many of us do? There are hundreds of excuses not to, we're too busy, we simply forget, and if we were totally honest, we are afraid to face the realities that may be exposed. The same often is true for our financial health, we take it for granted and only get it checked out when something goes wrong. For many of the same reasons we avoid going to the doctor, rarely do we take the proactive step of giving our financial health a routine checkup.

Much like medical professionals recommend a periodic physical, financial professionals recommend you conduct a personal financial checkup annually. But how do we give ourselves a financial checkup, what should we be looking for and when do we consult a professional? Through this article we will walk you through the six topics that you and your families should be discussing in your checkup. By doing so you are not only gauging your financial health, but you are also building yourself a Financial Plan.

# Wellness starts with a plan.

One of the best first steps you can take in evaluating your financial well-being is developing a financial plan. In its simplest term, a financial plan is a road map for your money. It is the long-term method of wisely managing your finances so you can achieve your goals and dreams, while at the same time negotiating the financial barriers that inevitably arise in every stage of life. A financial plan should show you how the different parts of your financial life (goals, budgets, taxes, investments, retirement, insurance, estate plans and even debt payoff) work together to get you to where you want to be financially.


## A financial Check up in 6 Easy Steps

Financial plans are not one-size-fits-all, your financial life is as unique as you are, and your plan should reflect that. A good financial plan starts with your goals, what you want both now and in the future, ideally discovering goals you didn’t know you had. From there, needs to be an analysis of where you are, considering things such as your budget, debt levels and account balances. Finally, there needs to be actionable steps defined that will guide you to the achievement of your goals.

While your plan should be uniquely yours, we will walk you through a few key action items and components almost every plan should include.

# #1 Take time to Dream

The first step in your financial checkup should be establishing or revisiting your goals. Your goals should be combination of short-, medium- and long-term dreams. A few mainstays could be: establishing an emergency fund, saving up for a new car, starting college funds for your kids and building a retirement nest egg. But don't be afraid to dream big, don't just think about when you want to retire but what you want to do after you retire, go beyond what would make life better and picture what living your dream life looks like.


These goals will be the benchmarks by which we measure our financial success/wellness against going forward. Everything else in your financial plan should be built around working towards, achieving, or protecting these goals.

# #2 Build a budget

Your budget is the framework that will enable you to manage your monthly expenses, prepare for unexpected events and afford the goals you've established.

There are countless ways to build and track your budget from pen and paper to expensive budgeting software, whatever method you choose, your goal should be the same, ensure you have enough income to cover your expenses while saving for the goals you've established. It all starts with tracking your income and expenses, or cash flow. From there it is a balancing act between eliminating debt, building an emergency fund to protect you in the near term and savings for the future.

# #3 Assess your Debt

It is vital to have a clear picture of all the money that you owe, as unchecked debt can quickly derail your financial health. Once you have a clear picture of all your debts, the associated interest rates and maturities, you need to develop a plan to eliminate them. Now you're probably asking yourself "should I focus on paying off debt, saving for the future or both?"

Unfortunately, there is no hard and fast rule when it comes to the decision to pay off debt or save for the future as there are many variables in life that will impact this decision. You will need to develop a balance that works for your unique situation considering your cash flow and your feelings on debt. A few things you should consider doing are focus on paying off high interest debt, i.e. credit cards, first, then building an emergency fund that will help cover non-discretionary expenses for a period of 3-6 months and finally finding a balance of paying off other debts while building your savings.

# #4 Plan for the Worst

While you plan for the best, you need to be prepared for the worst. What happens if you or your spouse become disabled or die prematurely? Will your family be protected, and will your assets be divided according to your wishes?
You've worked hard for everything you have in your life, it is vital you have the appropriate insurance to help protect it and those you love. Your coverages should be unique to your situation but some insurance coverages to consider are; umbrella coverage for protection from legal liability, life insurance to protect your family and disability insurance for income protection.

**Umbrella Insurance:**

If you own a home and/or car, you should already have insurance providing minimum coverage for both but as your assets and net worth grow it is important to consider an umbrella liability policy. Umbrella insurance is an affordable form of personal liability insurance that covers claims in excess of your homeowners and auto policies. With how seemingly litigious our society has become it is important to protect ourselves from unforeseen liabilities.

**Life Insurance:**

Life insurance is an often relatively affordable way to cover your debts and take care of the needs of your family in case of an untimely death. For most people a simple, cost-effective level premium term life insurance policy will provide the protection you are looking for. Beware of whole life and/or permanent policies, while there are situations when they make sense we believe they are not the planning solution they are often sold to be. And as tempting as it may be, unless your physical health precludes you from doing so, we encourage you to consider buying life insurance individually before taking the easy route and increasing your employer provided insurance. You can often get much higher death benefits for less money in the open market.

**Disability Insurance:**

Applicable across all professions but especially for anyone that is the primary bread winner, works in a specialized field, is self-employed or a is business owner, disability insurance is a “must-have” coverage. You are more likely to become disabled during your working career than you are to pass away, making it vital to be able to ensure you will have income protection. Disability insurance ensures that you will continue to receive at least a portion of your current income should you become disabled.

Considering all this, do you have the appropriate insurance coverages to protect yourself and your family? It may be helpful to sit down with an unbiased 3rd party that has an obligation to work in your best interest to do an analysis on your coverages.

**Estate Planning:**

So insurance will protect your property, income and family in case you become disabled or pass away, but what happens to all your stuff? This is where a good estate plan comes in. Even if your only in the “accumulation phase” and don’t think you have enough assets to need an estate plan we are here to tell you that you do. What many people don’t realize is that estate planning doesn’t just involve what happens when we die but can have a profound impact on the control we have while still alive.

The first step when establishing an estate plan is to review your beneficiaries for all your accounts that can pass via beneficiary. These include but are not limited to your retirement plans, IRA’s, life insurance and annuity contracts. For your other assets it’s beneficial to work with a licensed attorney to determine whether a will or trust makes more sense for your situation. Both are means by which you dictate how your assets will be divided according to your wishes, just with different levels of control.

As part of your estate planning, an attorney can help you draft several additional documents we believe everyone should have.

**Additional Legal Documents:**

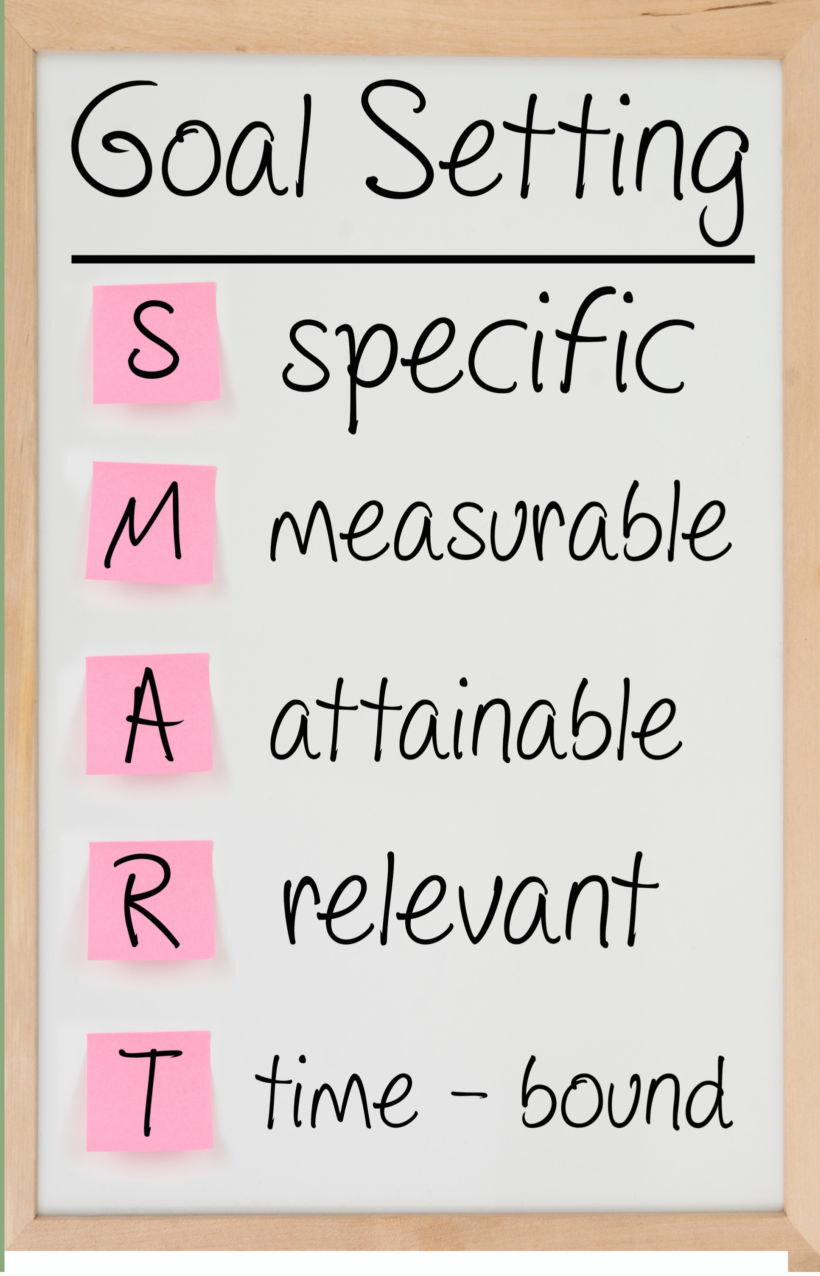
- **Financial Power of Attorney -** Allows you to give a trusted person the legal responsibility of making financial decisions for you if you are unable to do so yourself
- **Power of Attorney for Healthcare Decisions** - Allows you to give a trusted person the legal responsibility of making healthcare decisions for you if you are unable to do so yourself
- **Living Will -** A legal document that spells out medical treatments you would and would not want to be used to keep you alive, as well as your preferences for other medical decisions, such as pain management or organ donation.
- **HIPAA Directive -** The HIPAA Authorization form gives your healthcare providers the authority to share your personal information with those you designate.

Without these in place, if you were to become incapacitated, legally the courts would be responsible for making all your medical, financial and end of life decisions. What most people don't realize is that without a POA even spouses are not able to make decisions on their spouse's life or individually owned accounts.

# #5 Think Long Term

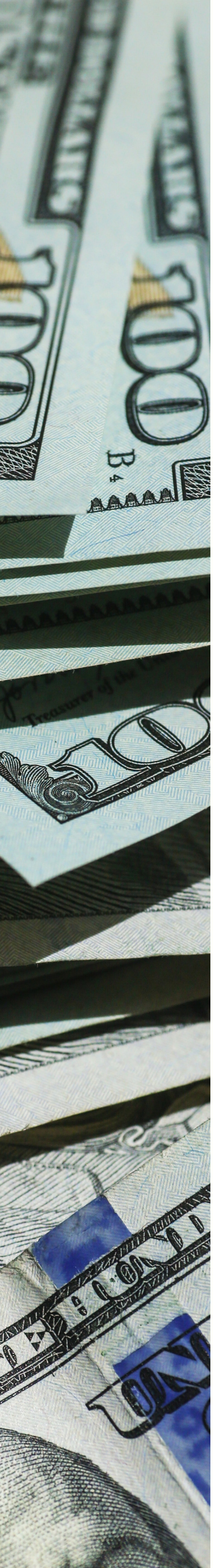
Almost everyone's goal is to stop working, or at least work less someday. Your plan should help you prepare for that day by ensuring you've accumulated the assets needed to do so comfortably.

A good place to start is to revisit the contributions you are making to your retirement plans whether that is a 401k, 403b, 457 or SEP IRA. An easy rule to follow is that you contribute at least enough to receive the full match offered by your employer. Many experts suggest you should be saving 10%-20% of your pre-tax income for retirement. An easy way to increase this over time is to simply allocate all or a portion of raises to retirement, you had been living on your pre-raise wages so you won't even notice its gone.




If you are enrolled in a State program such as STRS or OPERS you should utilize the retirement income projection tools they offer, to help evaluate what is available and whether there will be a sufficient amount to cover your retirement income needs.

Finally, take some time to review how your retirement assets are invested. Do your investments match your retirement timeline, risk tolerance and income needs?



# #6 Be Honest with Yourself

If your finances aren't particularly complicated, you should be able to perform a financial checkup and develop a financial plan on your own. However, as your assets grow, as life gets more complicated and as you get closer to retirement you should begin to at least consider whether it is in your best interest to continue managing your finances yourself. There is a sense of freedom and independence in handling everything yourself but just like doing your own taxes or diagnosing yourself off WebMD you are missing out on the insight and experience that a professional provides and therefore exposing yourself to unseen risks. Not to mention, an impartial third party can help expose biases that may be clouding your view of your financial picture preventing you from taking an objective look at what's going on.

If you do decide to seek the help of a financial professional, do not simply select the first Google search result when you search for "financial planner in my area." Your Financial Planner is someone that will play a huge part in your financial success and therefore should be someone that aligns with your unique needs, mission and values. There are plenty of resources online that provide a list of questions to ask potential advisors, but the primary factors you're looking for are someone who offers comprehensive financial planning, not just investment/insurance planning, someone who is held to a fiduciary standard, and one who is transparent on how they get paid. Added bonus if you can find an advisor that specializes in areas that are pertinent to you such as your profession or stage of life. Double bonus points if you find an advisor that offers Life Planning which helps you visualize your ideal life and then builds a financial plan around that.

# Are your finances healthy?

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## Find out if you need a financial checkup.

- Have you had a financial checkup within the last year?
- Did your financial checkup include these 6 elements?
  - Take Time to Dream
  - Build a Budget
  - Assess Your Debt
  - Plan for the Worst
  - Think Long Term
  - Be Honest with Yourself
- Contact Queen City Advisors today to help get you started on your personalized path.

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