



Your Financial Health

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DEVELOPING A FINANCIAL STRATEGY

The prospect of developing and adhering to a financial strategy can be overwhelming. However, it does not have to be so complicated. Consider taking the following three steps:

- **Measure your current financial status.**
- **Identify your financial objectives.**
- **Identify the steps to get you there.**

Measuring your current financial status can be accomplished by preparing a personal balance sheet. Identifying your financial objectives is simple. Most people indicate that retirement security, funding children's education, increasing current income, reducing taxes and passing accumulated wealth to their families at death are their primary financial objectives.

Quantifying what it will take to reach those objectives can be more complex.

Here are some points to include in your financial strategy.

Sensible spending

Understand how you spend your money. Prepare a household spending worksheet. It will enable you to prioritize your spending and identify areas of potential saving.

Prudent borrowing

Borrowing can enable you to obtain things that are otherwise beyond your current reach, but borrowing costs money. Loans for things that provide lasting and ongoing value (such as an education, a home or auto) are smarter than borrowing for short term gratification (extravagant vacations or expensive jewelry).

Prudent borrowing also includes making sure the rates and terms of your loans are as attractive as you can get. Before borrowing (whether it is a credit card, auto loan, mortgage or other loan), make sure you understand all the terms. The interest rate, length of loan and method of calculating interest should be clearly understood.

Consistent saving

Utilizing a payroll deduction or another automatic savings program is usually more successful than trying to save on a less regular basis. Automatic saving plans result in consistent deposits and are available in a number of forms. Select one that fits your budget and meets your long-term needs.

Wise investing

Investments come with risks, and hopefully higher returns to compensate for those risks. Understanding the risks of loss, price fluctuation and inflation are necessary when creating a sound investment strategy. Diversification, asset allocation (dividing funds into stock, bond and cash investments) and investment costs should all be considered as part of a wise investment strategy.

Adequate protection

Periodically, you should review all your insurance coverage. This includes homeowners/renters, health, disability, auto and any umbrella policies you may have. For peace of mind, make sure you have the right combination of coverage and deductibles. If you use insurance primarily for "catastrophic" coverage, remember that higher deductibles usually translate into lower premiums.

For life insurance, evaluate how much you really need. If your family would need significant funds to replace your income, a larger policy may make sense. If you are single, perhaps a smaller policy (and smaller premiums) will be sufficient. Also, compare the benefits and costs of term and whole life policies. For younger, healthy individuals without a need for permanent protection, a term policy may be a better choice.

Use a qualified advisor, if you need one

In areas where you need or want help, find the right advisor. It may be an investment professional, insurance agent, financial planner, credit counselor or trusted family friend that can provide guidance. Make sure they are qualified and that you can comfortably work with them. Do your homework. The more knowledgeable you are, the better you will be able to evaluate recommendations. Remember, that your decisions will affect you and your family for a long time.