

Your Financial Health Checkup

Your annual physical checkup and health screenings are scheduled. Your dental checkups, and perhaps those for your spouse and children, are on your calendar or smartphone. Yet many people fail to schedule time for a regular financial health checkup.



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Whether you prefer to block out some time each month or review your financial goals annually, here is what you need to do at least once a year to make sure your money is working hard for you, and that you address the goals most important to you and your family.

1. Create a Snapshot of Where You Are Today

Take a fresh look at your net worth.

Ideally, comparing where you were last year at this time with where you are today is encouraging, but it may raise questions. Once you've completed a [balance sheet](#), think about what the numbers are telling you.

- Do you have enough money in your short term accounts to be able to cover six months of expenses and any emergencies?
- Are you adding to your retirement and non-retirement accounts?
- Have you insured your personal property?
- Do you see an increase in total net worth from last year to this year? If not, why?

Compare your budget to actual.

It is revealing to track your expenses using Mint, Microsoft Excel, Quicken, Xpenditure or any other method that helps you track where your money goes. If you find you've veered off course, get back on track as soon as possible.

Take a step back and make sure that you are comfortable with how you're allocating your money to savings and spending. For example, are you so bogged down with household expenses that you have little left for enjoyment or investing? Maybe you can reprioritize how you're allocating your money to both spending and investing so that you can take control of creating a stable financial life you are excited about.

Check your emergency fund.

Everyone needs an emergency fund. You need to know if something unexpected comes up, you'll be okay. If you are young (perhaps in your 20s or 30s), you can probably get by with having three months' worth of expenses in highly liquid investments (most people use a savings account). As you get older and as your income increases, you'll want to increase that to cover six to nine months of expenses. That's because those higher-paying jobs are harder to snag should you find

yourself unemployed. Every now and then your emergency fund may get depleted. So do a quick calculation right now to see that you've put away enough.

2. Protect Yourself

You'll have more confidence knowing your family is protected.

Is your estate planning in order?

Have you been procrastinating about getting this done? It's so important, yet so difficult to contemplate for many people.

- Find an attorney who specializes in estate planning to prepare your documents. You can go to www.lawyers.com and look under Trusts and Estates/Estate Planning for specialists in your area, or ask your financial advisor if she or he works regularly with a local estate planning attorney.
- If you already have an estate plan, do your documents need to be updated? Many people think of their pets as their family. Don't forget to plan for their care when you update your legal documents as well as your estate plan.
- Do your Last Will and Testament and Power of Attorney grant access to your digital assets? If not, you may want to research the Revised Uniform Fiduciary Access to Digital Assets Act (RUFADAA) now to save on headaches later. Afterwards, you will want to sit down and complete a [Digital Assets](#) worksheet.

Are your family and property protected with insurance?

Most people are familiar with common insurance products, but it is easy to miss the need for new financial protection and insurance as your life changes.

Life insurance: Most people need life insurance when their kids are little and they have a mortgage. There are also many other situations and reasons to hold more permanent types of insurance. Assess this need with someone who is both qualified and objective so you can decide what amount and type of coverage is appropriate for you.

Disability insurance: Unfortunately, people get hurt. Injuries, auto accidents, and a whole host of other things can happen that may prevent you from working. Usually policies cover about 60% of your current income.

"Umbrella" insurance: Personal liability coverage is often referred to as an "umbrella" policy. It provides additional coverage for your home and auto. Most people should have a minimum of \$1 million or more of coverage in case you're

sued for an accident on your property. The cost—usually \$100-\$300 per year—is minimal given what you’ll get in return. Check with your property and casualty agent for specific advice.

Health insurance: Review your elections and adjust as necessary. Be sure to account for higher medical costs as you do your retirement planning.

Long-term care insurance: Everyone over 45 needs to consider how they would deal with a longer-term illness that requires ongoing care. This type of insurance can cover home health care and institutional nursing home care. Long-term care can be very expensive and can quickly eat through your nest egg. According to data on the government website <https://longtermcare.acl.gov/>, the average cost of a nursing home stay is close to \$82,000 per year; but not everyone will need this care. At a minimum, educate yourself about the issues.

Protect yourself from identity theft.

It can take 500 hours of your time to undo the chaos created by identity theft. No doubt you have better things to do than to spend endless hours on hold in automated phone systems. Here’s what you need to do:

- If you haven’t already, buy a shredder and routinely shred any paperwork or records, and credit card offers.
- Get a free copy of your credit report annually at www.annualcreditreport.com or by calling (877)322-8228.
- Don’t leave your laptop or smartphone in your car or in your hotel room. Some of the worst cases of identity theft have happened when a thief gets a laptop with lots of sensitive financial information on it. If you must travel with your laptop, learn how to encrypt and password-protect your hard drive. Remember to use only secured wireless networks.

Update your beneficiary designations.

Make sure your beneficiary designations on your life insurance, retirement plans, and other contracts specify the beneficiary you want today; make sure they coordinate with your estate plan. It’s easy to forget to update these over time. Don’t forget to name secondary beneficiaries in case something happens to your primary beneficiaries.

3. Strategic Planning for Tomorrow

Review your investment plans.

Have you defined your goals, asset-allocation targets, return expectations, and risk tolerance? By committing your intentions in writing, you’ve taken a major step in getting your investments on the right track. You can use this document to set up your investments and then to monitor them over time.

“Save more money” is not an investment plan. The only way you’ll make any real progress is to make your goal specific and measurable — set a dollar amount to save each month — and then automate the investment process. Your retirement savings plan at work is a good way to automatically invest money. Start with at least the minimum contribution to get any employer match.

If you decide you would like to have some objective advice to help you decide on an asset allocation plan that’s right for you, you can go to the CFP Board’s website (www.CFP.net) and use their “Find a CFP® Professional” tool.

Review your investment objectives periodically and confirm that your portfolio matches them. You should ponder your risk tolerance and how you feel about volatility. If you think you may need to get more conservative or aggressive, you should take a risk measurement questionnaire to make sure your portfolio risk is aligned with your comfort level.

Review how much you’ve saved for the kids’ education expenses.

You can gift up to \$15,000 to any one person free of gift tax in 2018. If you are using 529 Savings Plans to fund college, you can contribute five times the gift tax annual exclusion in one year—or \$75,000. Those funds are treated as ratable gifts over the next five years.

4. Results of Your Financial Health Checkup

Check your Score

Use our “Financial Health Checkup” questionnaire as a guide to help you review your financial health. If you find there are areas that you’ve neglected or ideas that sound completely foreign to you, you may want to consult a professional (planner/advisor, accountant, attorney, etc.).

Congratulate yourself!

Give yourself a pat on the back. Financially, you are healthier and closer to meeting your goals simply because you’ve made the time to complete this checkup.

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