

A Financial Checklist to Last a Lifetime



Time Is Money

- ✓ Start saving as early as possible for large cash needs.

Whether you're saving for retirement or to fund a college education, the earlier you start the more likely you are to reach your goal (see chart).



Savings per year to reach \$1,000,000 at age 67

Social Security

- ✓ Visit www.ssa.gov to calculate your expected benefits, estimate how much you need for retirement, and more.

If you can wait until your full retirement date or later to start collecting Social Security, you have many more options to maximize the value of your benefits (especially if you are married). There are websites that detail the options that may be available to you. Receiving your benefits early will substantially reduce your choices.

Budgeting

- ✓ Pay off your credit card balances in full each month. Have the payment directly debited from your bank account so you know it will be on time.
- ✓ Set up bills for automatic payment on a bill-pay system. You can enter the amount as soon as you receive the bill and not have to part with the money until the due date.

Most people do not have much control over their income, but they can control many of their expenses. Always keep your expenses less than your income. If you are not saving anything on a monthly basis, then you are probably spending more than you earn. If your credit card balances are rising, your expenses must be managed to decrease your balances.

Increasing credit card balances is a slippery slope toward financial disaster. When you fail to make timely credit card payments, you may be subject to penalties and interest on

the principle, thereby increasing your monthly expenses. This only makes it more difficult to keep total expenses lower than your income.

Establish an Emergency Fund

- ✓ If your pay is directly deposited into your checking account, you may be able to have a set amount transferred to a savings account. Pay yourself first.

Have some cash set aside for unexpected expenses, such as a car or major appliance repair or purchase. Other possible events, such as medical costs or unemployment, should also be considered when determining how much to save. Experts recommend having enough to cover three to six months' worth of expenses.

Education

- ✓ Start saving soon after a child is born.

An education savings plan known as a 529 account can be a good place to financially prepare for educational costs. There are two main types of 529 accounts: investment-based accounts and prepaid tuition credit accounts. Plans are available from most states around the country. A child does not have to attend a school located in the state that offers the plan, but using a plan in the state of residency may provide additional benefits. Contributions

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may only be deductible for state taxes, but all the earnings are completely tax free if the account is used for qualified educational expenses.

Credit Score

- ✓ Limit the number of credit cards to about three, and pay them on time.
- ✓ Set up bills to be paid automatically a few days before the due date. This can be done either directly with the creditor (if the amount changes from month to month) or through a bank's bill-pay system.
- ✓ Check your free credit report annually for incorrect information. Getting your credit score may cost you, but you will be able to see where you stand. This does not impact your score, unlike when done by third-party creditors.

Although the calculation of your credit score is out of your control, consider the possible impact of your actions on your score. Commitment to consistent, on-time payments is one of the best ways to improve your score. Late payments may be due to not having the money or just forgetting about a bill. If you use electronic payment options, you can schedule the bill for a future date so it will get paid, but you don't have to give up the cash until the due

date. If you have too many credit cards or are frequently opening and closing credit accounts, it may hurt your score.

The number of times potential creditors check your record also affects your score. Therefore, don't use credit from more sources than necessary.

Your score can make a big difference on the interest rates you receive and the availability of fringe benefits provided to more qualified customers. Credit scores are like trust – it takes a long time to build and a short time to ruin.

Advance Planning for Your Estate and Incapacity

- ✓ Create an estate plan if you don't already have one. It may be an uncomfortable topic, but it's necessary.
- ✓ Create an estate planning team, which should include a lawyer and a financial adviser.
- ✓ Gather and organize all your financial documents before visiting your estate planning team.

This is a critical area for everyone. Incapacity can occur over time or in a matter of seconds. Appointing a person to handle your financial affairs and make medical decisions for you when you

are not able to is very important. Also, stating your wishes ahead of time may reduce conflicting family opinions on what services, treatments, or procedures you would want and not want done.

Wills and trust documents are not exclusive to the wealthy. Although the federal estate tax does not currently apply to most estates, an estate plan is still needed to ensure your assets are distributed to people and organizations according to the amounts and timing of your choosing. There is a state inheritance tax in certain states (Pennsylvania included) that will apply to most estates where assets are passed to nonspouses. This tax should be considered, but it is far less costly than the federal estate tax when applicable.

Retirement

- ✓ Contribute an amount of your pay to a 401(k) plan that maximizes the employer's match. This is free money, so don't pass it up.

If you have a retirement plan such as a 401(k) that allows you to put a portion of your earnings into an account for your benefit, start contributing now. Don't take the fund in cash until you retire, even if the plan allows you to. You may get hit with fees or taxes.

The PICPA offers resources for a variety of financial topics.

Visit www.picpa.org/resources to learn more.



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