

#Financial Planning Wednesday

The Fall FINANCIAL FITNESS \$ Test



Fall's cooler weather is an opportunity to harvest smart money habits and shed the bad ones, especially because the holiday season is quickly approaching. **How would you score on the following quiz?**

1. Have you started your holiday gift strategy? YES/NO

If your answer is NO: October is a month to focus on organization. Create and follow your gift budget. **Flash cash, not credit, towards gifts:** This year, pay cash for gifts, and try to avoid credit unless you'll pay the balance in full. **Invest in social media:** Establish Facebook and Twitter connections to like and follow your favorite retailers for deals that I'm certain will appear many weeks before Thanksgiving. **Write it down:** Set up a holiday money diary. Make a list of names and specific amounts you'll spend this year and stick to it. Try to come in under budget and then reward yourself. **Be tech savvy:** Begin downloading free smartphone and tablet applications to stay connected to holiday deals. For example, the free Black Friday App will push the latest Black Friday ads and specials to your mobile devices as soon as they're available.

2. Have you assessed your risk exposures lately? YES/NO

If your answer is NO: **Review your current disability and health care insurance:** Review this year's medical expenses and or disability incidents to determine whether your benefits should change. Most likely, your health insurance options will differ for 2016 as the Affordable Care Act employer mandate kicks in and health insurance must be provided for businesses with 50 full-time equivalent employees. Your health care plan may require higher premium charges and greater out-of-pocket deductibles to defray employer costs. So be prepared when your company benefits

enrollment period arrives. A budget assessment and money makeover could be required to meet increased insurance expenses. ***Dig into risk you rarely think about:*** Is your current automobile insurance coverage enough? Sit with an insurance or financial advisor to determine if you need more than your state's minimum requirement. Next, explore whether umbrella insurance fits into your financial plan. Umbrella insurance premiums are affordable, and coverage expands on limits available for auto and homeowners policies. It's extra liability insurance to protect against risks like being sued or if you become party to a judgment. ***Don't ignore investments:*** When was the last time you scheduled a portfolio overview? Fall is the season to harvest losses, rethink your asset allocation, take profits and assess your risk attitude in the face of an expensive stock market. ***Don't ignore your 401(k).*** Are your current investment selections aligned with your personal investment philosophy? A philosophy isn't complicated. It should be a clear, concise statement, no longer than three sentences, that describes your views about risk, fees, investments to avoid, diversification, time horizons, and why you invest in the first place.

3. Do you understand where your money goes? YES/NO

If your answer is NO: ***Know whether your emergency fund can truly cover emergencies:*** How many months of living expenses do you maintain in a savings account or equivalent? Three months minimum would be wise; six months set aside even better. Don't save for retirement -- not a penny -- until your emergency fund is where you need it to be. ***Monitor your discretionary income:*** Break down expenses to determine whether additional cash can be directed towards paying down high-interest debts like the balances on credit cards. ***Build money awareness:*** Quick: Think about where your money goes. Even if you don't manage a formal household budget, I'm certain your frequent expenditures immediately come to mind. How can you avoid a spending pitfall? A simple method is to just say no to one want. It's a matter of building confidence using a simple, powerful word. Saying no to a latte isn't going to impact your long-term net worth; however, the action will build confidence and control. Eventually, you'll be saying no to expensive wants, and that can materially affect wealth over time. ***The Fall Financial Fitness Test is never pass/fail.*** It's designed to help fight the temptation to overspend and to get in the best financial shape for the new year. Financial fitness is yours, one small challenge at a time.