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## **Your Annual *Financial Checkup***

Just like physical health, it's important to review finances yearly. Most people know that to maintain good physical health, it's a good idea to visit your doctor once a year. The same advice holds true when it comes to your money.

Martin Seay, department head and associate professor in Kansas State University's Department of Personal Financial Planning has these words of advice – "For most folks, life is busy and thinking about finances takes a back seat. Taking the time at least once a year to think about your financial and life goals, and how your actions are helping to make those come true, is important."

The first step in looking at your financial health is knowing where you are at currently. Whether it is good or bad, it is important to know where you are at regarding your financial health so you can make a plan for where you want to be. This baseline will help you identify areas of improvement and will help you in setting your financial goals.

Evaluating your financial fitness goes beyond whether or not you follow a budget or pay your bills on time. A complete financial checkup involves looking at how you manage your money, saving and investing efforts, insurance and estate planning, use of credit and your shopping practices.

Financial goals should be SMART: Specific (amount and time to achieve), Measurable (show progress), Attainable (be realistic), Relevant (be important for your needs) and Time-related (deadline for attaining). Goals can be short-term (less than a year), intermediate (1 to 5 years) or long-term (more than 5 years). Short-term and intermediate goals may include paying off debt or building an emergency fund. Long-term goals many times focus on retirement. No matter the goal or timeframe, write down your goals to measure progress. Then develop an action plan that includes your path to achieving your goals.

When looking at financial health, one area that is often overlooked is the area of insurance. The purpose of insurance is to cover major losses. Each year you need to review your homeowners/renters, auto, life and health insurance. Does your homeowners/renters insurance have "replacement cost" riders on the contents? Is your home insured for at least 80 percent of the replacement cost? Do you have the required minimum auto insurance for Kansas? Can you afford to add additional coverage to your vehicle policy? All of these things must be taken into consideration.

Family needs change through life stages, which changes the amount of life insurance required.

Financial planners generally estimate most workers need 75% of current household income in the event of the wage earner's death. Things to take into consideration when determining the level of life insurance needed include your net worth and the survivor's income, if any.

As health care costs continue to rise, it is important to stay current on insurance premiums and save an emergency reserve to meet your deductible, co-insurance amounts and uninsured medical costs. Build your knowledge of risk, costs and financing options for health care and develop a plan for managing long-term health care needs.

A final step in evaluating your financial health includes estate planning. It is important for you to have a last letter of instruction and will. Provide location of personal documents and prepare information about financial records so an executor can take over immediately. Regardless of age, it is also recommended that you appoint a durable power of attorney for finances if you are physically or mentally unable to do so.

There is no "one size fits all" answer in financial planning. What is workable for one individual or family may not be the best option for another. To help find your starting point and plan for your financial future, visit our website at [www.maraisdescygnes.k-state.edu](http://www.maraisdescygnes.k-state.edu) and download our booklet "How Are You Doing? A Financial Checkup". Copies of the booklet are also available at our Mound City and Paola offices, or by email at [kgoul@ksu.edu](mailto:kgoul@ksu.edu).

*Source: How Are You Doing? A Financial Checkup. Diane Burnett and Susie Latta, Kansas State University, August 2019.*