



Financial Questions Everyone Should Ask

Personal finance is just that: personal. And for many, even knowing where to begin can be a challenge. Below are a few questions to ask yourself to help improve your financial confidence.

Questions to Ask Yourself

What Are My Financial Goals?

Start here! Decision making is easier when you know where you're headed. Consider the various financial aspirations you might have for yourself and your family in the next one, five and ten years. Perhaps it's a down payment on a car or home, a retirement nest egg, a big vacation or saving for education.

How Much Am I Spending Versus Saving?

Tracking income and expenses helps ensure your spending is in line with your goals. For some, this needs to be ongoing and for others it might be sufficient for a month or two. Keep track and learn about your spending profile: are your fixed expenses high and there is little discretionary income? Or do you have a large amount to spend on discretionary items? If you have discretionary income, are you allocating sufficiently to accomplish your goals? If you heard "budget" – that's not the goal. The goal is to track your income and expenses to give you the information to make more informed decisions.

Do I Have an Emergency Fund?

An emergency fund is money set aside for unplanned expenses such as losing your job, getting sick and are unable to work, or encountering some other kind of catastrophic event. An emergency fund is not for vacation or a non-urgent home upgrade – those are expenses that can be planned for ahead of time.

Am I Making Retirement Contributions?

If you have a retirement plan through work, make sure you're contributing to benefit from any employer matching contributions. Even if you're not able to contribute up to the maximum IRS limit, do what you can and increase when you get a raise or bonus.

How Am I Managing Debt?

Not all debt is bad. Make a list of your debts and determine where you are paying the highest fees or interest rate. Some debt, like a mortgage, might have tax benefits. Others, like high-interest credit cards or student loans would be the place to focus extra payments to get paid off.

What Are My Credit Scores and Reports?

Check your credit scores and reports periodically. Do you know the components that make up your credit score? A high credit score means you will more likely qualify for a loan and a good interest rate. You can get your free credit report from each of the three reporting agencies at: www.AnnualCreditReport.com

What Is My Tax Rate?

Many things can affect your taxes – income, investing, inheritance, location, marriage, divorce, kids, large purchases, etc. Understanding the impact decisions will have on taxes can be significant.

Here are just a few examples of decisions that can change your tax picture:

- Taking a new job or earning a raise (higher income may push you into a new tax bracket)
- Getting married or divorced (your filing status and deductions change)
- Buying or selling a home (mortgage interest and property taxes can affect deductions)

Also, understanding your tax rate—and what influences it—will help you make smart financial decisions. Use IRS tools or calculators online to estimate your current-year tax rate. Talk to a tax professional or financial advisor to understand how upcoming changes—like a big purchase or life event—could affect you.

Is My Estate Plan in Order?

No matter your marriage, family or asset status, having your estate planning documents in place is a kind thing to do for your loved ones. This includes a Will or if warranted, a Trust. And a Power of Attorney for both financial and health care decisions. If you have children, then Guardianship instructions are important. If you don't have these in place, the state will decide who gets your estate or is guardian of your children, which may or may not align with your wishes.

What Is My Investment Strategy?

Consistency is most important. It's time in the markets, not timing the markets that will help you achieve your goals. Great if you love investing and want to spend time understanding the options and doing research. Honestly, most people don't! You don't have to do it yourself – either hire a professional or opt for a 'ready-made' portfolio appropriate for your risk tolerance.

Am I Prepared for Major Life Changes?

Think about how you will be affected when life's big changes occur: you get married, have a child, get divorced, move or change jobs. Do you have a plan to handle such transitions?

Am I Seeking Professional Financial Advice?

Do you use a financial professional or planner? It might be useful to seek professional counsel if your finances are complicated, or if you prefer to have an ongoing advice relationship. If you're unsure how to approach any of the above questions, seeking help from a professional may help you find clarity.