

Financial First Aid Kit

The number one worry that people have is money. Next, they worry about relationships and health. Guess what? Money affects both relationships and health. So, here is a fun-filled first aid kit to come to your rescue.

1. Key – The first item in the kit is a key. Unlock your passions and goals. List 10 things you are really good at and enjoy. Next, fantasize your life 40 years in the future: What do picture yourself doing? What will your life be like? What path will you take? Given your passions, your strong points, and your vision, how are you going to get there? This vision is the key to creating your fulfilling life.

2. Piggy Bank – With a fulfilling life, some purchases might no longer seem important. Start putting more into your savings; pay yourself first by saving at least 10 percent of your earnings. Target your savings initially towards building an emergency fund with at least 10% to 20% of income. Next, create a plan to fund and achieve your goals; use those savings to create new opportunities.

3. Scissors – One way to reduce expenses and debt is to cut up credit cards. Yet, you also need a strong credit rating. So, limit the number of credit cards you own. Only charge the amount you can afford to pay each month. This will reduce or eliminate interest expenses, improve your credit score, and lower the interest rate you will be charged for a loan.

4. Bottle of Water – Are your liabilities drowning your assets? Is your income still afloat? Use a budget to manage the flow of cash and to begin to achieve financial goals. If you do incur debt or create liabilities, make sure it goes for something that has a payback, such as purchasing a home, starting a business, or going to school.

5. Band-Aid – A band-aid stands for a means of protection. Throughout life, there are risks. Insurance protects people from risks—events that are not likely to occur, but which would create a large financial loss if they happen. You should be prepared with life, disability, liability, health care, home, auto, and long-term care insurance.

6. Package of Seeds – As you accumulate assets, you want them to grow, or at least to outpace inflation. There are varying risks associated with investments. Just like sowing seeds, you can diversify your garden (and reduce your risk of failure) by diversifying and selecting the mix of assets (cash, bonds, or stock) based on when the assets will be needed. If the assets are needed within five years, it is better to have most of your money in a cash equivalent account.

7. U.S. Flag – Although we live in a great country, everyone complains about taxes. It's fair to minimize your taxes within the limits of the law. Utilize your retirement accounts to the fullest, because they are one of the best ways to defer taxes.

8. Scroll / Document – You can control some of your risks. For example, you can communicate how your financial and personal affairs should be handled if you die or become incapacitated. A will, durable power of attorney, titling of assets, and documentation of the location of your assets should be in your financial kit.