

Dad's Budget

FINANCIAL CHECKUP

Before starting your budgeting use the following worksheet to compare the present state of your finances to your long term goals. Then determine what changes to include in your budget for the upcoming year.

<u>ITEM</u>	<u>PRESENTLY</u>	<u>GOAL</u>
<u>INSURANCE</u>		
• <u>Amount of Home Insurance</u>	_____	_____
• <u>Type of Personal Property Coverage</u>	_____	_____
• <u>Lifetime Medical</u>	_____	_____
• <u>Auto Liability</u>	_____	_____
• <u>Uninsured Motorist</u>	_____	_____
• <u>Umbrella Liability</u>	_____	_____
• <u>Life Insurance (adult 1)</u>	_____	_____
• <u>Life Insurance (adult 2)</u>	_____	_____
• <u>Disability Insurance</u>	_____	_____
<u>DEBT MANAGEMENT</u>		
• <u>Credit Score</u>	_____	_____
• <u>Monthly mortgage/monthly income</u>	_____	_____
• <u>Monthly loan payments/monthly income</u>	_____	_____
• <u>Credit card debt</u>	_____	_____
<u>SAVING GOALS</u>		
• <u>Emergency Fund</u>	_____	_____
• <u>Future home expenses (annually)</u>	_____	_____
• <u>New Vehicle</u>	_____	_____
• <u>Retirement (annually)</u>	_____	_____
• <u>New home</u>	_____	_____
• <u>College (annually)</u>	_____	_____
<u>LEGAL DOCUMENTS</u>		
	<u>ADULT</u>	<u>ADULT 2</u>
• <u>Current will</u>	Yes _____	Yes _____
• <u>Beneficiaries updated</u>	Yes _____	Yes _____
• <u>Durable power of attorney for finances</u>	Yes _____	Yes _____
• <u>Durable power of attorney for medical care</u>	Yes _____	Yes _____
• <u>Living will</u>	Yes _____	Yes _____

HOME INSURANCE COVERAGE

Estimate the cost to rebuild your home by asking the insurance company, hiring an independent appraiser, or using web sites such as www.building-cost.net (free) or www.accucoverage.com. Ask your insurer how much they would pay if your house was partially or totally destroyed. The best coverage is ***guaranteed replacement or extended replacement coverage***. The web site www.iii.org offers a good review of the basics of home insurance.
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PERSONAL PROPERTY

Home personal property insurance and renter's insurance protect the contents of your home/apartment and personal possessions against damage or theft. ***Replacement cost coverage*** which pays the full cost at today's prices of replacing any items is superior to cash value coverage which only pays an item's depreciated value.
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MEDICAL INSURANCE MAXIMUM

Medical maximum refers to the total amount the insurance company will payout to one person during their lifetime. In the past \$1,000,000 was a common standard, but as medical costs have increased \$2,000,000 has become the minimum standard with ***\$3,000,000*** as the preferred goal.
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AUTO LIABILITY

Liability insurance protects if you or the person driving your car is responsible for an accident that injures someone or damages someone else's property. Buy the maximum liability coverage you can afford (usually ***300/500/100***) as you are personally responsible for claims made in excess of the limits in your policy. Review the basics of auto insurance at www.iii.org.
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UNINSURED MOTORIST

Uninsured motorist coverage applies when an accident occurs that is not your fault, and the guilty driver either does not have enough insurance or their identification is unknown. Coverage limits should be the ***same as your liability coverage***.
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UMBRELLA LIABILITY INSURANCE

Umbrella liability coverage starts when a liability claim exceeds basic liability coverage from home and auto policies. Try to buy ***coverage equal to the value of your total assets plus salary for the next few years minus your underlying auto or home liability coverage***. Review the basics of umbrella liability at www.iii.org.
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LIFE INSURANCE

The most affordable type is term insurance which pays a death benefit only if you die within a specified period of time. Use calculators at www.reliaquote.com (*needs analysis*) or www.moneycentral.msn.com/investor/calcs/n_life/main.asp to determine how much you need.
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DISABILITY INSURANCE

Disability insurance provides income if you are not able to work due to disabling injuries or illnesses caused outside the workplace such as back trouble, heart attack, cancer, and stress. Buy enough coverage to receive ***monthly benefits equal to 60-70% of your current monthly salary***. Costs will vary significantly depending upon the definition of "disabled" you select. Review the basics of disability insurance at www.iii.org.
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CREDIT SCORE

Fico Score is the most widely accepted credit score with a **score of 700-759 good and 760-850 excellent**. At www.myFICO.com you can obtain your score as well as a description of how a credit score is calculated, an explanation as to why your score is good or bad, and a simulation on how changes would affect your score. The book "Your Credit Score" by Liz Weston offers excellent information about credit scores.

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MONTHLY MORTGAGE/MONTHLY INCOME

The generally accepted guideline from banks is that your monthly mortgage payment **should not exceed 25% of your gross monthly income**. This figure may need to be **closer to 20-22%** if you want to keep your total essential expenses around 50% of your after tax income.

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MONTHLY LOAN PAYMENTS/MONTHLY INCOME

Most banks require the total of all monthly loan payments (excluding home mortgages) and minimum monthly credit card payments **should not exceed 8% of monthly gross income**. This figure may need to be **closer to 0%** if you want to keep your total essential expenses no more than 50 % of your after tax income.

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CREDIT CARD DEBT

The ultimate goal should be **zero credit card debt**.

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EMERGENCY FUND

An emergency cash fund provides protection against major financial challenges such as job loss, disability, major auto and home repairs, and medical or family emergencies. Start with a goal of covering **three months of essential expenses and increase to six months** depending upon your job security and economic outlook.

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FUTURE HOME EXPENSES

Each year your house, appliances, and furniture depreciate bringing their repair or replacement date one year closer. Each year save **1% of the insured value of homes less than ten years old and 2% of the insured value of older homes** so cash is available when future repairs and replacements happen.

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NEW VEHICLE

Paying cash for your next vehicle will reduce interest charges and provide a better guideline as to the total amount you can afford to spend on a vehicle. Calculate the savings required by projecting **the cost of your next vehicle and subtracting the trade in value of your present vehicle (www.kbb.com)**.

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RETIREMENT

Use our [calculator](#) to determine how much to save annually for retirement.

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NEW HOME

Use our [calculator](#) to determine how much to save for a new home.

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COLLEGE

Use the calculator at www.savingforcollege.com to compute how much to save annually for college.

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WILL

A will dictates what a person wants to happen upon their death, and it should be updated as necessary for major life changes such as death, divorce, and the birth of a child. Review the basics of wills at www.legalzoom.com or www.nolo.com .
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BENEFICIARY UPDATES

Review on a regular basis the beneficiaries of assets that do not pass through a will. Assets such as life insurance, annuities, pensions, IRAs, and payable on demand (POD) and transfer on death (TOD) accounts transfer to the person(s) designated as beneficiary. Other asset beneficiaries could be determined by a living trust or how the asset is owned such as joint tenancy on property.
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DURABLE POWER OF ATTORNEY (Finances)

This document names someone to handle the finances of an individual who due to age or illness can no longer take care of their own finances. The document's instructions spell out the extent of the powers granted and when they become effective. The power can be revoked at anytime as long as the grantor is not mentally incapacitated. Helpful information is available at www.legalzoom.com .
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DURABLE POWER OF ATTORNEY (Health Care)

This document (also called a health care proxy) appoints a person to make health care decisions for someone who can't make them for them self. Powers can be effective immediately or only when the grantor is rendered unconscious. Forms or waivers may have to be signed to allow the agent access to the grantor's medical records and documents. Helpful information is available at www.legalzoom.com .
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LIVING WILL

A living will expresses someone's wishes for medical care at the end of their life by stating their preference for treatments when they become terminally ill or unconscious and cannot be revived. Helpful information is available at www.legalzoom.com .
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