

The Road to Financial Health

Financial stress affects everyone. Here's a step-by-step guide on how to ease the confusion and start building your financial strength.



Life is a journey full of twists and turns, and so is the road to financial fitness. As with any trip, it takes planning, calculations and tune-ups along the way.

Before you begin:

The first part of any journey is to understand where you are today and then plan for where you want to go. How can we know where we're headed if we don't know where we want to be? Financial fitness is attainable, but it takes time, commitment, determination, and making some tough decisions.

The term "financial planning" seems daunting, but it's merely a road map to help us along the way - a step-by-step process as easy as counting to 5. So what are we waiting for, let's get started!

First Steps:

The first part of any journey is to understand where you are today and then plan for where you want to go. How can we know where we're headed if we don't know where we want to be? Financial fitness is attainable, but it takes time, commitment, determination, and making some tough decisions.

Financial rules of thumb:

- **Spend less than you make** - seems like a no-brainer, but it can be hard to do.
- **Track spending in detail** - for a minimum of 30 days. This will help determine where things may be getting off track. Build a family budget based on your consistent income. Even seemingly small things add up. Spending \$3 a day on coffee or soda at work adds up to \$780 a year. That money could be diverted toward a financial goal. Taking a close look at your spending can be quite an eye-opener.
- **Save where you can** - find ways to save or exchange goods for less expensive items. Cut down on dining out. Whatever particular leaks you've found – now is the time to find solutions for them. Cutting back is not the same as doing without. Think of it as moderation. Being thrifty is trendy.
- **Pay off debt** - if you have credit card or installment debts, work to pay these off as quickly as possible. The right financial answer may be to work on the bill with the highest interest rate first. However, if you are strapped paycheck to paycheck, focusing on the debt with the lowest balance or highest payment may be the answer for you. This depends on what your personal goal is - freeing up cash monthly or saving money in interest over the long haul. Make a plan and stick to it!
- **Establish an emergency fund** - a general rule of thumb is to have 6 months take-home pay in some type of liquid account, available in the event of an emergency. For dual income homes, 3 months may make more sense as generally both earners won't lose their incomes at the same time. This fund will give you peace of mind and protect you and your credit in the event of a job loss or emergency. Build savings into your budget.
- **Maximize your company benefits and pre-tax accounts** - if your employer matches the first 6% of your contribution to your 401(k) plan, at minimum contribute that amount to earn the full match (in this example, 6% of your income). Do the same with any other type of company-funded benefits and pre-tax accounts such as Flexible Spending or Health Savings Accounts. Read the fine print to understand any penalties or restrictions associated with all types of plans and programs.
- **Review insurance needs in detail** - take a look at your life, disability, property, and medical insurance. The proper types and amount of coverage are critical if there are others dependent on your income. Health plans with a Health Savings Account (HSA), are a great way to save for medical expenses.
- **Determine the need for retirement planning** - outside of your 401(k) you may want to look at setting up an IRA.
- **Monitor progress** - and make any needed adjustments along the way. Depending where you are on the road to financial fitness, the plan may be different. Thinking about your plan for the future and how to manage your money the right way can be overwhelming. People are making changes - Americans are saving more, spending less, and rebalancing expectations about what's important in life. You can do it, just get going! Start with one piece and go from there. Becoming financially fit can provide peace of mind in all aspects of life, freeing up your attention for friends, family, and hobbies.

About the author: **Jamie Turner**

Jamie Turner is a consultant in Humana's Human Capital Performance Group. Jamie joined Humana in 2008 to lead the development of the "My Money, My Health" a guide to financial fitness" program. Jamie has a BBA from Marshall University and a MBA from Point Park University.