



THE WILDCAT WAY TO WELLNESS

Give Yourself A Financial Checkup



It is important to do a regular checkup of your finances, much like getting an annual checkup from your doctor. Research shows that finances are the biggest stress for both individuals and families, causing lost productivity at home and at work. Take a positive approach, and commit to preventive financial maintenance. Some financial maintenance checks should be done monthly, some quarterly, and some annually.

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In doing your regular financial checkups, you may find areas that need further work if you are going to improve your financial health. Be on top of your situation by keeping your finances healthy.

The first step is to set both short and long term financial goals. They are the road map that helps you achieve good financial health. Without clearly defined goals, you have no guide to your saving and spending patterns. Goals also serve as reminders of what you need and want. It is important to put your goals in writing, and each goal should be measurable. For example, your goal might be to save \$2,000 over the next six months in order to have a down payment for a new car.

Financial Pulse

How healthy is your household's financial pulse? Just as your pulse is an indicator of your health, taking your financial pulse by looking at some key indicators

can show how well your finances are doing overall and if you have clearly defined financial goals. A negative financial pulse can be just as threatening to your overall financial health as an abnormal pulse rate could be to your physical health. Some of the areas to look at when checking your financial pulse are your net worth, cash flow, estate plan, and how you would handle your affairs if you became incapacitated.

Net Worth. One way to track your financial pulse is to regularly calculate your net worth. It is the sum of all of your assets at current market value minus all your liabilities. Over time, your net worth should increase. Keeping track of your net worth will help you know if you are improving your financial position each year and if you are keeping up or falling behind with inflation. It is advisable to calculate your net worth at least once a year.

If you have cash flow problems, challenge yourself to eliminate or reduce unnecessary expenses to free up money for regular expenses and debt repayment.

If inflation was 3 percent last year, your net worth should have increased by 3 percent in the past 12 months in order for you to maintain the same buying power in the coming year that you had last year. If your net worth did not grow as much as inflation, you have a negative financial pulse. Take time to determine what is causing your problems.

Cash Flow. Cash flow is a measure of how much cash you have on a day-to-day basis to meet current expenses and to repay what you owe. A realistic look at your spending can help you assess your cash flow. Monthly evaluation of your cash flow is necessary to make any needed changes in your money management. If you find that you are spending more than your income each month, you have a negative cash flow. Unless you take action to change your cash flow, you will soon be seriously ill financially. Making changes in your cash flow is simple. You can either increase your income or decrease your spending. If you have cash flow problems, challenge yourself to eliminate or reduce unnecessary expenses to free up money for regular expenses and debt repayment.

Estate Plan. All of us will die sometime, but many people procrastinate about making an estate plan. Have you prepared an estate plan—the proper documents for the disposal of your goods after your death? Everyone 18 and over should have an estate plan. If you do not, the state of Kentucky has one for you, even if your es-

tate is small. Part of taking your financial pulse is making plans for how your assets will be used after your death. Even if you already have an estate plan, it should be reviewed regularly. Events in our lives and changes in federal and state tax laws can make our estate documents invalid. Be sure you include a review of your estate plan in your annual checkup of your financial wellness.

For more information, obtain a series of publications on estate planning, FCS5-420 through FCS5-428, from your local Cooperative Extension Service office.

Incapacitation. Another condition that can have a huge impact on financial wellness is incapacitation. What would happen to your financial affairs if you were in an accident or had a stroke and could no longer make decisions about your finances? A healthy financial pulse includes documents that correctly designate and provide legal authority for someone you trust to take over your financial affairs if you should become incapacitated. Do you have a durable power of attorney (sometimes referred to as a *springing* power of attorney) and a health care directive? Are your documents for both up-to-date?

Financial Pressure

The body's blood pressure can vary with age and gender. Likewise, financial pressures can vary because personal circumstances vary. In doing your financial checkup, take a look at the amount and type of debt you have.

Amount of Debt. First look at the amount of money you owe. Calculate what percentage of your monthly income goes to repay debt. Find your debt-to-income ratio by dividing your monthly income into the amount of debt you repay each month. Is the amount of your debt decreasing or increasing? Compare the amount of debt you have now to what it was six months and a year ago. Your debt should be decreasing over time unless you have had a medical emergency or job loss.

Bad Debt. Carefully examine your debts. Look at how many of your debts are on credit cards or are other loans with high interest rates. When you make minimum payments on credit card debt, you never get the balance paid. Bad debt occurs when you purchase things on credit that are no longer of value to you but you are still paying for them. If you find a large amount of bad debt as part of your financial checkup, take steps to reduce and eliminate it. Commit to avoid using credit in the future for items that will be used up or worn out before you have them paid for.

Financial Attitude

Often your attitude has a big influence on your health and even your life as a whole. The same is true of financial wellness. Recognizing your attitude toward money is a first step to a healthy attitude about finances in general.

Spender. Are you a person who spends money as if it grows on trees? Maybe you see things you like or want, but don't need. You simply buy them because you want them. Sometimes people

spend money to cheer themselves up. But some people know how much they can spend and stay within the limits of their income. Examine your spending attitudes. Do you need to make some adjustments?

Hoarder. The opposite of a big spender is a person who hoards money. Hoarders find it painful to spend and have money saved up for more than enough rainy days. If this is your attitude toward money, it is equally unhealthy as being a spender. You need to explore what necessities you are passing up because you cannot part with your money.

If you are a spender or a hoarder, try taking on the opposite role for a specified time as one possible way to adjust your financial attitude. For example, if you are a spender, try putting some money aside in a savings account each pay period. You will see how easy it is to build up money in a savings account. Work toward maintaining an amount in your savings large enough to help you meet financial emergencies. Don't spend your savings just to spend it.

If you are a hoarder, force yourself to spend a little money each pay period. The role reversal may also help you better understand other members of your family and their attitudes toward money.

Financial wellness depends on regular checkups of your financial condition. Make a commitment to keep track of your financial pulse, pressure, and attitude. Taking these preventive steps can help you assure that your finances are healthy.

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