Stanford | Initiative for Financial Decision-Making

Annual Financial Checkup

Take charge of your financial situation and get your finances in order. Achieving financial security lays a solid foundation for a happier life!

An annual financial checkup provides an overview of financial health, helping you identify potential issues before they become serious. With this assessment, you can take appropriate action as needed and ensure your financial wellness.

Do you know the basics of money management?

Recommended

- ☐ Revisit core financial concepts—compound interest, inflation, and risk diversification

Tip: Visit the Big Three Explained page on IFDM's website to quickly revisit these concepts!

Do you have a budget?

Recommended

- ☐ List your monthly inflows (labor and other income)
- ☐ List your monthly outflows (fixed, variable, and other expenses)
- ☐ Check in on your buffer stock of savings

As needed

- ☐ Revisit your budget to keep building your savings buffer

Tips:

In your budget, organize expenses into categories: housing & utilities, groceries, transportation, debt payments, savings, entertainment, dining out, hobbies.

Utilize a tool to monitor your monthly budget effectively.

The recommendation has been to have 6-12 months of expenses saved. Start small and keep building and replenishing your savings buffer.

Do you have control of your debt?

Recommended

- ☐ Pay off your credit card on time and, if possible, in full
- ☐ Ensure timely payments on other debts

As needed

- ☐ Examine your budget to uncover opportunities for reducing debt

Tip: Automate credit card and debt payments. Late payments will significantly harm your creditworthiness.

Are you taking care of your credit score?

Recommended

- ☐ Pay your credit card balance in full and on time.
- ☐ Keep credit utilization low—Ideally no more than 30% of your limit on any credit card.
- ☐ Don't open several new credit cards at the same time.
- ☐ Don't close old credit cards if a card isn't costing you money.
- ☐ Have a credit mix—both credit cards and installment loans.

Tip: Regularly check your credit score. Use free online resources to do this, or see if your bank offers this service as a benefit.

Fact Check: A higher credit score translates to better access to credit and more favorable terms on your loans.

Are you investing to grow your wealth?

Recommended

- ☐ Reduce your financial risk by investing in a diversified portfolio.
- ☐ Check the transaction fees, as they can erode long-term returns.

Tip: Academic research suggests that index mutual funds and exchange-traded funds (ETFs) are a low-cost way to achieve diversification.

Fact Check: Higher returns are normally associated with higher risk; there is no free lunch in finance!

Are you taking advantage of tax-favored assets and employer benefits?

Recommended

- ☐ Take advantage of your employer pension plan, normally a 401(k). If your employer offers a match, try to contribute up to that match.
- ☐ Contribute to tax-favored assets, such as IRAs, Roth IRAs, SEP IRAs, HSAs, and 529 plans, if you are capable.
- ☐ Inquire if your employer offers financial advice as part of your pension plan.

As needed

- ☐ Check if your employer offers short- or long-term disability insurance, paid family leave, and severance packages—these can be invaluable during difficult times.
- ☐ Check if you qualify for government unemployment insurance, Social Security disability insurance, and health insurance (via Medicaid), if you are unemployed.

Tip: Take full advantage of government- and employer-provided incentives to grow your wealth, particularly your retirement savings.

Are you planning for the future?

Recommended

- ☐ Have the right amount of insurance! Shield yourself and your loved ones from bad events.
- ☐ Prepare for life's big events and milestones!

Types of insurance to consider

- ☐ Health insurance
- ☐ Property insurance
- ☐ Life insurance

Big events to anticipate and save for

- ☐ Children's education
- ☐ Buying a new house
- ☐ Transitioning to a new job

Tip: Use the AARP Retirement Calculator to estimate how much you need to save for your retirement.

This checklist is a great starting point for your journey to financial wellness. For additional information and resources visit the IFDM website.