

5 STEPS TO FINANCIAL SUITABILITY

STEP 1: GET ORGANIZED.

- Identify all assets and debts.
- Summarize insurance coverage and related beneficiaries.
- Update beneficiaries accordingly.

STEP 2: PROTECT YOURSELF AND YOUR FAMILY.

- Ensure coverage of health, life, disability, liability, and LTC insurances.
- Review insurance coverage and beneficiaries annually.
- Establish POA, health care directives, and health care surrogate.
- Establish guardians for minor children.
- Review estate documents every 3-5 years.
- Establish an emergency fund (3-6 months of spending).

STEP 3: IDENTIFY YOUR “WHY.”

- Identify the purpose of money in your life.
- Write down your short-term and long-term life goals.
- What do you want to be doing 10, 20, or 30 years from now?

STEP 4: SIMPLIFY!

- Reduce debt and unnecessary spending.
- Eliminate credit card and non-deductible debt.
- Automate bills and other routine payments.
- Consolidate bank and retirement accounts.

STEP 5: SAVE AND INVEST WISELY.

- Save 12-15% of current pre-tax income for retirement.
- Utilize broad-based, diversified, low-cost, passive indexes.
- Avoid market timing, stock picking, and behavioral mistakes.
- Focus on your life goals, not the market.
- Consider help from a professional advisor.

RULES OF THUMB

- **Life Insurance:** Coverage range of 7-10 times your annual income
- **Liability (Umbrella) Insurance:** A policy at least equal to your net worth
- **Long-Term Care:** Premiums no more than 5% of your annual gross income
- **Disability:** Benefit to replace at least 60% of pre-tax income
 - Premiums paid by employer: Benefits are taxable.
 - Premiums paid by you: Benefits are tax-free.
- **Retirement Savings:** 12-15% of your gross income
- **Emergency Fund:** 3-6 months' worth of expenses
- **Estate Planning:** Review of documents at least every 3-5 years
- **Retirement Distributions:** Maximum 3-4% of the portfolio value annually
- **Credit Score:** Annual review
- **Debt-to-Income Ratio:** Recommended to be at or below 35%
- **Mortgage Affordability:** Housing expenses no more than 25% of gross income
- **Self-Check:** Annual review of financial and life goals