
Financial Checkup

A financial checkup is as important as a physical checkup. A regular check of financial health can identify problems, chart progress, and outline action steps to achieve goals. It can also provide motivation to change.

There is no "one size fits all" answer in financial planning. What might be workable for one individual or family may not be for another.



This quiz will help determine how you are progressing toward your financial goals and whether or not you have acted to improve your finances. Think of this as you would an annual physical with a health professional—a checkup to improve your financial health and screen for potential problems.

Financial Fitness Quiz

Barbara O'Neil, specialist in financial resource management at Rutgers Cooperative Research and Extension in New Jersey, created the quiz you will find below. Take this quiz to get an idea of how well you have managed your money so far. Choose the score that best describes your current financial management practices:

- 5 = always (or yes)
- 4 = usually
- 3 = sometimes
- 2 = seldom
- 1 = never (or no, or don't know)

Financial Management

- I have a checking account (or credit union share draft account) with which to pay bills.
- I have enough money to pay my rent or mortgage and other monthly expenses.
- I have enough money for an emergency, such as an unexpected vehicle repair bill.
- I have written financial goals with a date and dollar cost, for example: \$10,000 for a car by October.
- I have a written plan or budget for spending and saving.
- I keep financial records organized and can find important documents easily.
- I know the effective percentage rate of my federal marginal tax bracket.
- I calculate my net worth (assets minus debts) at least annually.

Saving and Investing

- I save regularly for long-term financial goals (education for my children, a house, or retirement).
- I have at least 3 months' expenses set aside in a readily accessible account.
- I increase savings when I receive a salary increase.

I have a personal investment account for retirement (in addition to an employer-sponsored pension, if one is provided).

I have money in more than one type of investment (bonds, mutual funds, CDs).

The after-tax yield of my savings and investments is greater than the rate of inflation.

Insurance and Estate Planning

I have insurance to cover large, unexpected expenses, such as a hospital bill or disability.

I have a current will.

Credit

Less than half of 1 week's pay goes to my credit cards, student loans, and car payments.

I pay off credit card bills to avoid interest charges.

Shopping

I comparison shop for major purchases by checking at least three sources.

I avoid impulse purchases and don't use shopping as a form of recreation.

Scoring: Financial Fitness Quiz

- 0-20 points: You need help, but don't despair. It's never too late to improve your finances.
- 21-40 points: You are headed for financial difficulty. Now is the time to reverse the trend.
- 41-60 points: You are doing a fair job of managing your finances and have taken some steps in the right direction.
- 61-80 points: You are doing a good job and are above average in managing your finances.
- 81-100 points: You are in excellent financial shape!

Note: Items scored 1, 2, or 3 indicate areas for focus to improve finances.

Financial Goals

Financial goals should be SMART:

Specific (amount and time to achieve)

Measurable (show progress)

Attainable (be realistic)

Relevant (be important for your needs)

Time related (deadline for attaining)

Consider time frames when making investment goal decisions:

Short-term goals: less than a year

Intermediate goals: 1 to 5 years

Long-term goals: more than 5 years

Write down your goals to measure progress. Then, for each goal, develop an action plan that includes the amount needed and number of months available to save. For each goal, divide number of months available to save into that amount. Try to automate savings by having part of each paycheck automatically deposited into a designated account.

Final Thoughts

Like a physical, a financial checkup can help identify problems—such as a high debt load—and evaluate progress toward goals. It can also identify future action steps and provide motivation to form new habits and improve your financial health.

Source: Burnett, D. & Latta, S. (2006, August). How are you doing? A financial checkup. Alabama Cooperative Extension Service. Retrieved September 20, 2007, from the Kansas State University Agricultural Experiment Station and Cooperative Extension Service website: <http://www.oznet.ksu.edu>

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