

How to Get Your Financial House in Order

By Nanci Hellmich

Parents with growing children often walk a financial tightrope.

They have to balance covering daily expenses, paying off debt, and saving for the future on a limited income, says Kyle Tucker, a CAPTRUST financial advisor in Raleigh, North Carolina.

â??I get questions all the time from clients who ask, â??What should I be focusing on? Should I be paying down credit cards, or should I be saving for my kidsâ?? college education or my own retirement?â??â?• says Tucker, who has three children, ages 4, 7, and 9.

Money problems often snowball when people donâ??t have a financial plan. Some folks launch into adulthood with thousands of dollars in college debt, and then they get married, buy a house with a big mortgage, and start having children. â??They get caught in the trap of never starting to save because there is always another expense that comes up,â?• he says.

Everybodyâ??s situation is different, but most people need to create a financial plan that gets them in the habit of saving while knocking out their debt as quickly as possible, Tucker says.

Money woes are rampant in this country. In fact, 75 percent of people say they have financial worries, and 60 percent donâ??t have a budget, according to a 2017 survey of 1,649 adults conducted for the National Foundation for Credit Counseling.

The survey also found that about 40 percent say their households carry credit card debt from month to month, and 32 percent say they have zero non-retirement savings.

Many of these trends could be reversed if families figured out a way to curb their spending and focus more on savings, says Bruce McClary, vice president of communications for the National Foundation for Credit Counseling.

Parents need to do everything they can to save more now for their own future and the future of their childrenâ??even if it means scrimping instead of spending, he says.

â??I suggest taking a lean approach to supporting your lifestyle in your childrenâ??s early years so you can cover the increasing costs that are going to come along in your later years when children head to college,â?• he says.

Tucker and McClary offer these ideas for becoming more financially secure:

Evaluate your spending habits. Too often, people get to the end of the month, and they donâ??t know where all their money went, Tucker says.

Having a budget helps you think before you spend, he says. â??Itâ??s not necessary that you follow it dogmatically, but at least it gives you a basic idea of what is a reasonable amount to be spending on different things.â?•

Take advantage of apps and online tools, including budget calculators, that make budget and money management easier, McClary says.

Take stock of your lifestyle. Some people choose a lifestyle that burns through most of their incomes each month, so many people may need to rethink their choices in order to save, Tucker says.

He suggests asking yourself these questions: Am I willing to say no to some things now so I have a healthier financial future? What is my biggest priority? How can I modify my lifestyle to save for the future?

Adjusting your lifestyle may mean buying a used car instead of a new one or selling your larger home for a more modest one thatâ??s less expensive to heat, cool, and maintain, Tucker says.

A lot of it comes down to saying no to one thing so you can say yes to another, he says. This kind of discipline is critical to saving.

Power pay off debt. Pay off high-interest debts as quickly as possible, McClary says. â??Theyâ??re toxic to your financial future.â?•

The average credit card interest rate is about 15 percent right now, McClary says. If you are carrying balances on your card, think about how much money is being wasted on the cost of the high interest, he says. Develop a strategy so you are not carrying over large balances from month to month, he

says.

Tucker agrees. Paying down debt has got to be a high priority, he says. â??Itâ??s a weight around your neck that wonâ??t go away if you donâ??t focus on it.â?•

Put a plan in place to pay it down, and avoid taking on debt going forward, he says.

Turbocharge your savings. Try to save as much as you can. You might begin by saving 10 percent of your income and then working up from there, Tucker says.

One way to boost your savings: Save at least half of your raise each year. You wonâ??t miss it because youâ??re not used to having it, he says.

Consider college savings plans. McClary advises parents to think about the 529 plan, a tax-advantaged savings plan designed to encourage saving for future college expenses.

Tucker agrees a 529 plan is usually the best vehicle for saving for college because you get tax-sheltered growth.

Fund your retirement plan. Saving for your retirement is one of the best gifts you can give your children because you will be able to take care of yourself financially in your later years, Tucker says.

An easy way to save is to have retirement savings automatically taken out of your paycheck, he says. Itâ??s important to take full advantage of your company match. Not investing up to the match is like leaving free money on the table, Tucker says.

Some people put their retirement savings in target date funds, which are invested more aggressively when people are younger and get more conservative as investors get older. This is an easy and effective way to invest, Tucker says.

Start investing early. The earlier you start saving and investing for your future, the better off youâ??ll be, Tucker says. People who begin investing early tend to have better outcomes.

Sometimes people want to pay for their childrenâ??s entire college education instead of saving for their retirement, but thatâ??s not always the wisest decision, Tucker says. â??Thereâ??s a saying that you can borrow money for your childâ??s college, but you canâ??t borrow for retirement.â?•

Look for ways to invest wisely and diversely. He recommends getting a financial advisor to help you do that, but if you canâ??t afford one, then at least get a financial planner to put a plan in place, and then check on your plan every few years, he says.

Consider life insurance. The majority of Americans donâ??t have enough life insurance, but people with kids should make sure they are properly insured, Tucker says.

He recommends having an insurance analysis done to determine how much your surviving spouse and children would need if something were to happen to you. Then you should consider purchasing a

term insurance policy for the amount they would need, he says.

Set a good example. Both Tucker and McClary say parents should set a good example so their children learn how to steer clear of debt, spend wisely, and save aggressively.

â??Itâ??s important for parents who are financially stable to do everything they can to share their financial management strategies with their children,â?• McClary says.

Tucker agrees. â??Passing down sound financial discipline to your kids can be a great part of your family legacy,â?• he says.

Have questions? Need help? Call the CAPTRUST Advice Desk at 800.967.9948, or schedule an appointment with a retirement counselor today.

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