

Financial Checklist Can Help Keep Priorities in Order

No matter what is at the top of your financial priority list, AAA Financial Services suggests developing a checklist that includes the key financial components that make a household run. By looking at each component, you can determine what financial repairs or maintenance may be necessary.

While creating a budget is a great first step toward improved money management, the household budget often tinkers with existing situations and may not enhance overall financial performance. Consumers who fix each of the major financial components in their household - including income, spending, saving, insurance, credit and taxes – are more likely to have a smoother financial ride. Knowing what to look for and reviewing these areas on a regular basis are the keys to successfully spotting and preventing financial problems.

Income

Know to the nearest dollar your total annual income as well as your monthly income from all sources including salaries, interest, support payments and tax refunds. To make sure you know your income review last year's income tax return, your year-end paycheck or the withholding statement your employer files with federal and state tax authorities.

Look at bank account statements and other potential income records. Many people overestimate their take-home or spendable income and then spend more than they make. Knowing what you really earn – not just your gross income -- is important when planning where and how far you can go, as well as when to stop.

Spending

Make a list of all of your monthly and annual expenses including rent or mortgage payment, utilities, loans, insurance and other predictable bills. Start writing down all spending, or log it on a computer. You need to know where your money is going before you can change direction. Ask yourself if there are ways you can make spending less money part of your normal routine, such as by using coupons, paying with a credit card that earns reward points or by using AAA's Show Your Card & Save[®] program. Consumers who frequently go out of their way to save money on a gallon of gasoline should adopt the same mindset in other areas of spending.

Savings

Saving for retirement, a home, automobile, education or even a dream vacation is an essential part of sound money management. Having an emergency fund of ready cash equivalent to six months of income also is important. Are you spending all the money you make each month, or are you planning to go the distance by setting money aside for emergencies and future goals? If so, do you have a fixed plan and are you following it?

It is best to save a pre-set amount each time you are paid and to place the money in an account that is not easily accessed for other purposes, such as in a money market account or a certificate of deposit. When doing so, make sure you are earning maximum available interest on your money and that all deposits are federally insured against loss.

Even small differences in the amount of interest your deposits earn can make a big difference over time. There are a variety of sites that let consumers compare rates. AAA offers better-than-average rates on FDIC-insured certificates of deposit, online savings and money market accounts to members.

Insurance

Having the right insurance and the right amount of insurance is a way to help protect against financial calamities. Review policies and coverage at the start of each year because the value of assets change over time and our financial responsibilities do too. Most people understand the need for auto and home insurance, but many do not have medical coverage, life insurance or liability protection. Although insurance isn't cheap, not having the coverage you need when you need it can be financially ruinous. If you have not reviewed your coverage in some time or know you are missing important protection you need, take time to speak with an insurance agent.

Credit

The terms and availability of credit have changed dramatically in recent years. Things that have not changed are the need to establish and keep a good credit score and to use available credit wisely. If making more than the minimum payments is a problem or you have a high amount of debt from multiple sources, credit payment consolidation or refinancing might make sense. Working with a registered consumer credit counseling service to adjust repayment terms may be another option to explore.

Beware of services that promise miracles, however. If credit debt isn't burdensome, keep it that way by only charging items that will be repaid at the end of each month and by carrying a balance only when an emergency expense is incurred. Cards that offer reward points and cash back – such as the AAA WorldPoints Reward or Cash Rewards Credit Cards -- are a good idea when interest rates are competitive with cards that don't offer such rewards

Taxes

Keeping more of the money you earn in the form of tax savings is an excellent way to improve your household balance sheet. The federal government provides several ways for savers to enjoy tax-advantaged savings plans to assist with eventual retirement expenses. These include traditional and Roth Individual Retirement Accounts and various savings plans, such as a 401K account.

When looking for tax savings it is always a good idea to consult with a tax professional. If they recommend investing in a traditional or Roth Individual Retirement Account, AAA can help. It's no secret most Americans are not saving enough for retirement. Don't let another year pass without planning ahead.

Once you have completed your financial tune-up keep your budget in shape by performing regular maintenance checkups. Just as a vehicle needs to have its oil changed and its tires rotated, your finances need to be reviewed from time to time to be sure nothing is amiss and you won't be left stranded. A weekly or monthly review of your budget is essential, and a quarterly look at where you are in reaching your longer-range financial goals is a good idea too.

AAA offers a range of financial products and services to assist consumers including money market and online savings accounts, certificates of deposit, traditional and Roth Individual Retirement Accounts CDs, and AAA credit cards. For more information on these products and services, contact your local AAA club or visit AAA.com.