10 STEPS TO FINANCIAL SUCCESS

Financial success means being in control of your money. Your income doesn't determine how financially successful you are, your choices and priorities do. By understanding what you want to achieve financially, establishing a realistic spending and savings plan, and preparing for your future, you can establish personal financial control. These ten steps will help you make educated choices based on clear priorities. Changing life-long financial habits may take some work, but by following these steps, you can make the adjustments you need to make your money work for you.

Step 1: Establish Goals

Most of us have goals and dreams that we'd like to achieve. A very important first step in reaching them is to know exactly what they are – and to understand the steps you need to take to achieve them. All financial goals should be specific, measurable, and realistic.

Determine the amount of money you need and the timeline for saving the money. There are three types of goals: short-range, mid-range, and long-range. Short-range goals are to be met in one year or less, mid-range in two to five years, and long-range in five years or more. Make your progress toward your goals trackable by setting aside a predetermined amount of money for them each month or pay period. It is important to remember that the goals must be within reason in order to achieve them. For example, setting a goal to retire at age 35 when you are 33 and have yet to save anything is likely not as achievable as setting that retirement goal further down the road.

The Financial Goals Worksheet will help you determine the timeline for your goals and the amount of money you'll need to regularly set aside in order to reach them. You may find the numbers daunting or even not realistic based on your current financial situation. To resolve this, consider ways to increase your income or decrease your expenses. You may even consider adjusting your goals. Determining your priorities at this point is essential. If you share your finances with someone else, discuss and set priorities together. It is not uncommon for couples to work at cross-purposes financially without even knowing it. By communicating with each other and determining what's most important, it will be much easier to reach your goals.

Financial Goals. Your financial goals are specific things you want to do with your money within a certain time period. Short-range goals are accomplished within one year, mid-range goals are accomplished within two to five years, and long-range goals generally take more than five years to achieve.

	Target Date	Total Needed	Current Savings	Additional Savings Needed	Pay Periods Until Target Date	Savings Needed Per Pay Period	Savings Needed Per Month
Ex: Down payment for a house	36 months	$20,000	$5,000	$15,000	72	$208.50	$417.00
Short Range Goals							
Mid Range Goals							
Long Range Goals							
					Total		

Step 2: Take Stock

In order to evaluate your progress as you work toward your goals, you must determine what your overall financial picture looks like today. Your net worth is simply the difference between what you own and what you owe. To make sure you are staying on track, calculate your assets and liabilities at least annually. If you conscientiously follow your plan, you should see a gradual, steady increase in your net worth. Complete the Net Worth Worksheet to see where you currently stand.

What You Own	
Checking/saving accounts	
Investment accounts	
Stocks & Bonds	
IRAs/Employer-sponsored retirement plans	
Home/real estate	
Automobile(s)	
Other assets	
TOTAL OWNED (A)	

What You Owe	
Mortgage	
Credit cards	
Credit cards	
Auto loan(s)	
Other loan(s)	
Other loan(s)	
Other debt(s)	
TOTAL OWED (B)	

To figure your net worth, subtract the total owed from the total owned.

Total owned (A)____________ – Total owed (B)____________ = _____________ (Net worth)

Step 3: Create a Spending and Savings Plan

Now that you know what you want to achieve financially and what your net worth is, it's time to take a close look at the reality of your day-to-day financial situation. You know where you want your money to take you, but it's also important to know where you are right now.

Income
The first step in examining your spending plan is to look at your income. How do your gross and net income compare? Are your tax withholdings appropriate for you? If you get a large tax refund or owe taxes each year, you may want to make some withholding adjustments. Use the Income Worksheet to write down how much you make. Be realistic when it comes to any non-guaranteed income such as overtime and bonuses. Also, if your income fluctuates, use a conservative figure to make sure you don't overestimate.

Monthly Income. *Enter your gross (pre-tax) and net (post-tax) income from all sources. For income that you receive infrequently (such as bonuses or tax returns) calculate the annual income, then divide by twelve to find the monthly amount.*

Source	Gross	Net
Job		
Spouse's job		
Part-time job		
Rental/room & board received		
Commissions/bonuses		
Tax refunds		
Investment income		
Government benefits		
Unemployment insurance		
Child support/alimony		
Support from family/friends		
Other		
Total		

Expenses

Analyzing expenses by developing a detailed budget can be a challenge, especially if you have never done it before. However, if you think of it as establishing a plan for spending and a tool for reaching your financial goals, it becomes a much more pleasant concept.

Use the Weekly Expense Worksheet and Monthly Expense Worksheet to list your expenses. You may need to track your daily spending for several weeks or months to get a realistic cash flow picture. Consider listing every item you buy in notebook, or save receipts and tally them up at the end of the day. Another option is to use your debit card for all or most of your purchases and refer to the statement that your financial institution provides for spending information. After you have accurate figures, plug the numbers into the worksheets. If more money is going out than coming in, consider all reasonable options to at least come out even. Perhaps you can increase your income with a part-time job, car pool to save on gas, or bring your own lunch to work.

Be aware of "budget busters." These vary from person to person, but often include impulse purchases, splurging on gifts or vacations, and the mysterious way the $40 you took out of the ATM is suddenly gone.

Item	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Total Weekly Expenses	Weekly Budget	Over / Under
Groceries										
Restaurants/ take-out										
Laundry/dry cleaning										
Medical/dental										
Auto/gas/ parking										
Other Transportation										
Babysitting										
Personal care										
Clothing										
Bank fees/ postage										
Entertainment										
Books/music/ video										
Cigarettes/ alcohol										
Gifts/cards										
Home/garden										
Contributions										
Other										
Other										
Other										
Other										
Weekly Totals										

Budget Overview:

Income ____________________ Expenses ________________ Balance (+/-) __________________________

Item	Week 1	Week 2	Week 3	Week 4	Week 5	Total Monthly Expenses	Monthly Budget	Over / Under
Savings								
Groceries								
Restaurants/ take-out								
Laundry/dry cleaning								
Medical/dental								
Auto/gas/ parking								
Other transportation								
Babysitting								
Personal care								
Clothing								
Bank fees/ postage								
Entertainment								
Books/music/ video								
Cigarettes/ alcohol								
Gifts/cards								
Home/garden								
Contributions								
Other								
Other								
Other								
Monthly Totals								

Budget Overview:

Income ____________________ Expenses ________________ Balance (+/-) __________________________

Savings
Saving money is an important, but often neglected, part of every financial plan. Even with the best intentions, there always seems to be a reason to put off getting started until next month. The only way to reach your financial goals, however, is to start setting aside the money now. Before allocating cash for your goals, make sure you set up an emergency savings account. Financial emergencies are a fact of life and can drain your dream fund if you're not prepared. Having three to six months' worth of basic living expenses set aside in a liquid account can protect you if the unexpected happens. In tougher economic times, you may want to save six to nine months worth of expenses to be safe. Set a target date for having this safety net in place, and include the monthly amount needed to get there into your spending plan.

Once you have the emergency savings in place, you can factor in the amount you want to save toward the goals you determined in Step One.

Debt
If you are holding on to unsecured debt, make repayment a priority. It makes sense to rapidly eliminate high interest balances before you save for a luxury vacation or dream home. Use the Unsecured Debt Worksheet to list your creditors and add your balances. By knowing what you owe, you'll be better prepared to commit the funds necessary to tackle that obstacle.

Unsecured Debt. *List all debts (except auto loans and mortgages) along with the name of the creditor, interest rate, total balance owing, and the required minimum payment. This includes credit and charge cards, installment loans, personal loans, and outstanding medical bills.*

Unsecured Debt Worksheet

Creditor Name	Interest Rate	Monthly Payment	Balance
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

Add your expenses, the amount you need to save to reach your goals, and the payments to your creditors. Subtract the total from your income. If the numbers balance, congratulations – you're on the right track. If not, you will need to take action, which could mean increasing income, decreasing expenses, adjusting your goals, or a combination of these activities.

Bottom Line. *Once you have determined the total of your take-home pay and expenses, you are ready to figure out your bottom line. Using the Bottom Line Worksheet, subtract the total of all expenses including debt payments from your net income. If the result is a positive number, you can add the extra money to your savings to reach your goals sooner. If your expenses exceed your income, you'll need to make some adjustments to bring your finances back into balance.*

Bottom Line Worksheet

Monthly Net Income	Total Essential Expenses	Total Discretionary Expenses	Total Debt Payment	Balance
	–	–	–	=

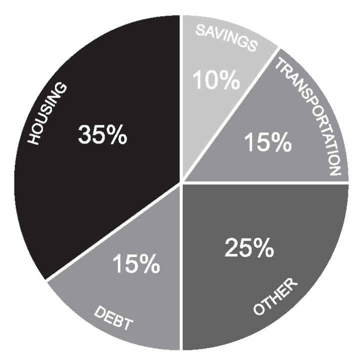
Step 4: Live Within Your Means

Living within your means may seem like simple common sense. All you need to do is spend less than you make, right? For many of us, though, the reality is much more challenging than this basic concept. If your expenses exceed your income, you charge more each month than you pay off, or you're not saving toward your goals, you are, in fact, living beyond your means – and cheating yourself out of making the most of your money. Don't get discouraged, though. There are ways to gain control of your finances.

You may have a few options for increasing your income. Working overtime, getting a part-time job, a better paying job, or applying for a promotion are a few possible ways to bring in more money. Selling assets can bring in lump sums that can be used for eliminating debt or applying to savings plans for future goals. If you decide to liquidate assets, though, be sure to find out if you will have any tax consequences or penalties for doing so.

Most of us have some expenses we can reduce or eliminate. While fixed living expenses are generally more difficult to adjust than discretionary expenses, if you are truly committed to your goals, a little creativity can go a long way. Consider each expense carefully. Is there anything you currently spend money on that you can reduce, substitute, postpone, or forego?

Budget Guidelines



Housing
Spend no more than 35% of net income on housing. Depending on whether you rent or own, that can include mortgage/rent, utilities, insurance, taxes, and home maintenance.

Savings
Save at least 10% of income throughout your working life. Make sure you have 3–6 months income in an emergency fund before you start saving for other goals.

Transportation
Spend no more than 15% of net income on transportation. That includes a car payment, auto insurance, tag or license, maintenance, gasoline, and parking.

Debt
Spend no more than 15% of net income on such consumer debt as student loans, retail installment contracts, credit cards, personal loans, tax debts, and medical debts.

Other
Spend no more than 25% of net income on all other expenses. This includes food, clothing, entertainment, childcare, medical expenses, tithing/charity, and vacations.

Step 5: Pay Yourself First

There never seems to be a convenient time to start saving – the car breaks down, you have to buy holiday gifts, a larger than expected utility bill comes in.... However, because of the power of compound interest, continuingly making even small investments in your future can result in saving a small fortune over time. That's why the most frequently given advice by financial planners is to pay yourself first. In other words, make savings your top priority.

The easiest, most painless way to save money is through an automatic savings plan. Talk to your employer about having a set amount deducted from your paycheck and deposited into a savings account before you even see it. Another option is to have your financial institution move a set sum from your checking account to a savings account on a designated day each month.

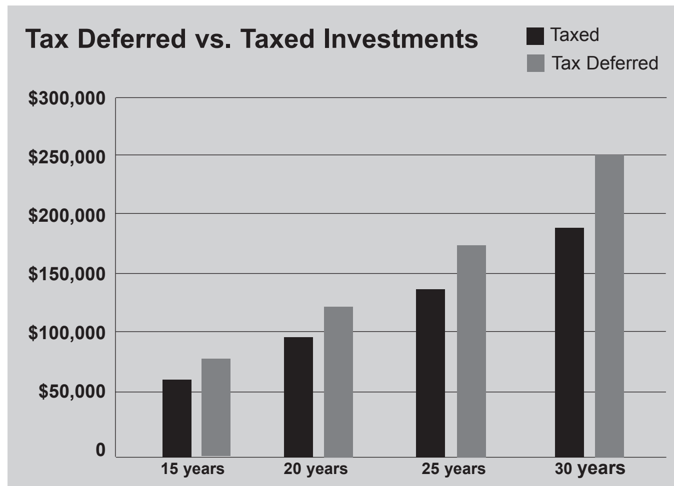
An excellent goal to shoot for is to save ten percent of your net income. This can seem like an intimidating figure, but if you prioritize your spending, you may very well be able to meet it. By weighing the instant gratification you feel by making some of your current financial choices against the ultimate reward of reaching your goals, you may find that you are able to save much more than you ever thought you could. Establishing a three-tiered savings plan allows you to protect yourself against the inevitable financial surprises that come your way while working toward your future financial dreams.

The first tier is an emergency savings that should equal two to six months of your essential expenses. This will provide you a safety cushion should you become unemployed or suffer some other financial setback. Keep these funds in an account where there are no penalties for early withdrawal. So you aren't tempted to dip into it for something other than emergencies, don't save the money in a checking account, but use a separate savings account instead. If you have any other important goals that you want to save for in twelve months or fewer, include them in this first tier as well.

The next tier of savings is for your medium term goals- the ones you want to reach in two to five years. It is a good idea to keep these funds in a semi-liquid investment account – one where the interest you earn outpaces inflation. Avoid investing the money in an account that puts your savings at great risk. If the market is down when you are ready to take the funds out, you won't have enough for your goals.

Long-term savings plans are the third tier. For most people, long-term savings are for retirement or a child's college education. Because you have many years to save, investment earnings can make your money work for you. There are several savings plans available for these goals with favorable tax advantages.

The chart shows the difference between a $250 a month contribution to a tax-deferred account and a taxable account, assuming a 6% annual return and state and federal marginal tax rate of 30%.



Employer-sponsored Retirement Plans
If you work for a for-profit company you may have a 401(k) plan available to you, and if you work for a non-profit organization, a charity, or a school you may have a 403(b) plan available to you. Both plans allow you to save for your retirement using tax-deferred funds. You don't pay taxes on the amount you contribute or on the investment earnings in your plan account until you withdraw funds, usually when you retire. As an added incentive to save, your employer may even match a portion of your contributions – which is essentially free money for you.

Individual Retirement Accounts
IRAs are personal accounts set up for retirement planning. For traditional IRAs, contributions are limited to a specific dollar amount, and are completely tax deductible as long as you don't participate in an employer-sponsored retirement plan. If either you or your spouse participate in an employer-sponsored plan, your IRA deduction may be limited or eliminated based on your income.

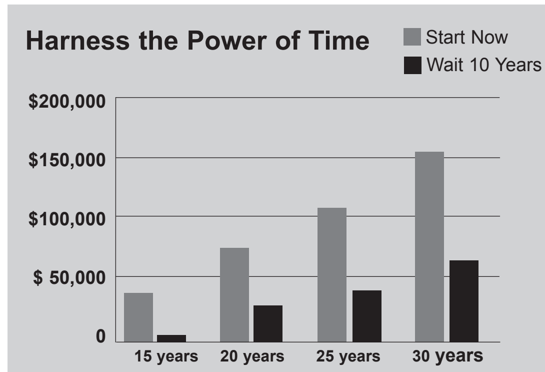
Roth IRA
Like a traditional IRA, the Roth IRA is set up for personal retirement planning. While Roth IRA contributions are non-deductible, the earnings accumulate tax-deferred and may be withdrawn tax-free if you've had the Roth IRA for more than five years and you are at least 59.5 years old. There is a ten percent penalty for withdrawals made before you are 59.5, however, this penalty may be waived for qualified higher education expenses, first-time home purchases, disability, death, and certain medical expenses.

Coverdell Education Savings Accounts
Previously called Educational IRAs, Coverdell Education Savings Accounts are tax-deferred accounts. The contributions are not tax deductible, but they do grow tax-free, and the funds can be withdrawn tax-free as long as they are used to pay eligible schooling costs. Most people can use the Coverdell, though if your adjusted gross income is high, the amount you can contribute is limited or phased out entirely. You can open a Coverdell at any financial institution that handles traditional IRAs, and you may use just about any investment option to build your savings, including stocks, bonds, mutual funds, and certificates of deposits. The money in the account must be used before the child reaches 30. If your child decides not to attend college or there is an unused portion left over, there will be a tax consequence and ten percent penalty. To avoid this, you can roll over the balance to another Coverdell plan for a different family member.

529 Plans
529 plans allow you to save for your child's higher education expenses while greatly reducing your tax liability. As long as the investment is used for qualified education expenses, you won't have to pay income tax on the earnings, and if you use your own state's plan you may also qualify for a state tax deduction. There are two varieties of 529 plans: the college savings plan and the prepaid tuition program. With a college savings plan, the plan manager provides a selection of investments from which you are able to choose. Prepaid tuition programs are really a way to lock in tomorrow's tuition costs at today's prices. Contributions are limited to amounts necessary to pay your child's education expenses at a specific institution. The program manager makes the investment decisions for you, ensuring there is enough accumulated for the tuition.

It can feel overwhelming to embark on these savings plans, and as noted earlier, there always seem to be reasons to put it off. However, the benefits of starting now, as illustrated in the Harness the Power of Time chart, may be just the inspiration you need to begin. As soon as you do, your deposits will reap the benefit of compound interest. In order to save money, you may have to spend a little less today, but your future, and that of your family, is probably worth the sacrifice.

This chart reflects a savings plan of $150 a month with a 6% annual return.



Step 6: Delete Your Debt

If consumer debt is throwing your budget out of whack, discipline and commitment are the keys to get it back on track. First, make a pact with yourself to live a cash-only lifestyle. Before you can reduce your balances, you need to stop increasing them. Close the accounts if you don't feel you can control your spending. If you keep an emergency credit card, don't carry it with you. Keep it in a secure place in your home.

There are two basic methods of efficiently repaying your debt. Increasing your payments will dramatically reduce the length of time, and thus the cost, of paying your creditors. Reducing interest rates will also save you repayment time and money. If your credit rating is good, requesting better rates from your lenders may work.

Transferring balances to lower rate accounts is also effective. If you have equity in your home, converting high-interest credit card debt to low-interest secured debt is a tool to consider- and the interest may be tax deductible. Be sure you can handle the payments involved in this option, as defaulting on a loan secured by your home can have dire consequences. If you do transfer balances to lower rate cards or secured debt, make sure you close the old accounts to keep from using them again.

By paying attention to your balances, interest rates, and finance charges, you can make educated decisions about how to most sensibly repay your debt. Some people like to increase their payments to their lowest balance cards and make just the minimum payments on their larger-balance accounts. This system does provide quick gratification as the number of accounts with outstanding balances reduces quickly, but may not make the most sense financially. To repay debt most efficiently, commit the bulk of your available debt repayment funds to the account that is most expensive and pay the minimum payments on other accounts. As the more expensive accounts pay off, commit the funds to the next most expensive account.

The Cost of Credit chart shows how much a $5,000 debt can cost with different interest rates and payments. By increasing the payment amounts, decreasing the interest rates, or a combination of the two, it is possible to reduce the time it takes to repay the debt by more than half, saving thousands of dollars in the process.

The Cost of Credit

Balance	Interest Rate	Monthly Payment	Repayment Time	Total Cost
$5000	18%	$ 100	7 years 10 months	$ 9311
$5000	18%	$ 150	3 years 10 months	$ 6984
$5000	15%	$ 100	6 years 8 months	$ 7896
$5000	15%	$ 150	3 years 8 months	$ 6509

It is very important to recognize that credit is not a bad thing – it is a tool, and when used well, can be beneficial. In many ways credit can help us achieve our goals. A mortgage loan used to buy a home or a student loan used to get an education can be debt that works in your favor in the long run – it's an investment and in many cases, the interest can be tax-deductible.

Step 7: Buy a Home

Purchasing a home can be a wise investment. While the real estate market fluctuates, most houses gain value over time. Additionally, Uncle Sam subsidizes your property investment with tax breaks. If you itemize your deductions, you can deduct the amount paid on mortgage interest and property taxes on your income tax return, and when you sell the house, you are exempt from paying taxes on up to $250,000 ($500,000 for married couples filing jointly) of the profits from the sale if the home had been your primary residence for at least two of the last five years.

If you dream of owning your own home someday, it's never too early to start planning. It is typically easier to get approved for a mortgage if you have a down payment – in fact, you may not be able to get a mortgage if you don't have one. While 20% of the purchase price used to be the standard down payment amount, today, many lenders will accept less. However, you may have to purchase private mortgage insurance or get a second mortgage at a higher interest rate. In addition to the down payment, it is a good idea to save for closing costs (the costs required to execute the sales transaction) and post-purchase reserve funds.

Having a good credit score and low debt load also help when applying for a mortgage. Many mortgage lenders require a FICO score of at least 620 for approval and mid-700s for the best interest rate. The lower your level of debt, the higher the loan amount you can qualify for. Many lenders require that your existing debt payments plus your mortgage payment not exceed 36-38% of your gross income.

Homeownership isn't right for everyone. If you move around often or are struggling to meet your current financial obligations, having a mortgage may only be a burden. It is important to honestly assess your financial situation and determine if you can carry a mortgage and how much can you afford to pay. Don't just rely on the lender's approval amount to tell you what you can afford – take a close look at your budget. If you get a mortgage you can't keep up with and lose your home, you are not accumulating any wealth – only damaging your credit report. You can always reconsider purchasing a home in the future if you decide it is not a good option now.

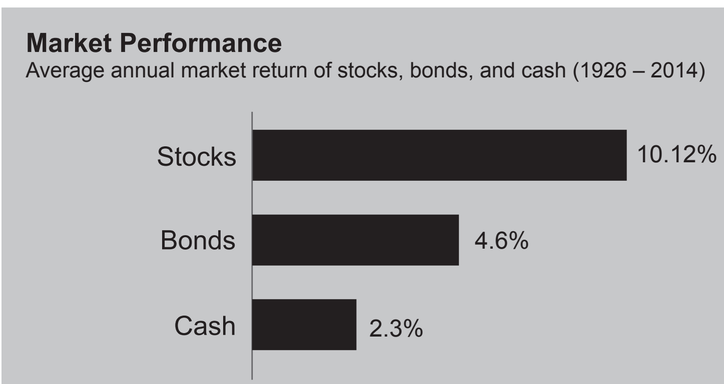
Step 8: Diversify

All investments involve some trade-off between risk and return. Diversification reduces unnecessary risk by spreading your money among a variety of investments. Simply put, avoid putting all your eggs in one basket.

First diversify among the three major asset classes:

cash, stocks, and bonds. Once you have decided on an allocation strategy among these three investment classes, then diversify within each type of asset. This means buying multiple stocks within a variety of industries and holding bonds of varying maturities. Also, don't make the mistake of putting most or all of your money in "safe" investments like savings accounts, CDs, and money market funds. Over the long haul, inflation and taxes will devour the purchasing power of your money in these "safe havens."

Aside from diversification, the single most effective strategy is to invest continually, and with a long-term perspective. As illustrated in the chart to the right, over time different types of investments have had different rates of return.



(Data is based on the S&P 500 index for stocks, aggregate indexes for bonds, and 30-day U.S. Treasury bills for cash.)

Stocks
A share of common stock represents an ownership interest in a company. It has intrinsic value based on the net worth of the company. However, on the stock market, the selling price of the stock is what buyers are willing to pay. As an investment type, stocks are very volatile – their values can change wildly within short periods. This volatility is what increases the risk, but also provides the potential for greater gains than other investment types.

Bonds
When you buy a bond, you are basically lending money to the issuer of the bond until the bond matures. The issuer pays you continuing interest. Bonds are issued by the federal government, state and local governments, and corporations. The interest on some bonds, such as municipal bonds, may be exempt from federal income taxes. Bonds are typically less volatile than stocks, and historically have had a lower return. Because bonds pay a fixed rate of interest, they are subject to more inflation risk than stocks. Rising inflation has the potential to wipe out the benefits of your bond investment if its rate is less than the rate of inflation.

Cash Equivalent Securities
Also known as money market investments, these include CDs and U.S. Treasury bills. There is very low risk of losing principal when investing in high-quality money market securities. Along with this low risk, however, comes comparatively low return potential.

Mutual Funds
A mutual fund is an investment company that purchases bonds, stocks, and other securities and sells shares to the public. They are popular because of the benefits they provide individual investors: since fund shares represent investments in many different companies, shareholders are able to achieve diversification and therefore reduce their risk. Also, mutual funds provide professional management. In effect, you're hiring a portfolio manager to use your money, and that of other shareholders, to buy a portfolio of stocks, bonds or other investments. You can invest in one mutual fund that holds the selection of stocks, bonds, and cash equivalents you want, or diversify even further by investing in various types of funds. For example, you may want to invest in a mutual fund that only holds foreign stock, government bonds, or concentrates on the technology sector.

Step 9: Plan Ahead

Insurance is an essential part of almost everyone's budget. Having the right coverage protects you and your family against the financial problems associated with auto accidents, medical emergencies, job loss, natural disasters, or the death of you or a family member. The goal when buying insurance is to purchase the right amount of the correct type, without becoming over-insured.

Health Insurance
Just about everybody needs health insurance. Even routine medical procedures can cause serious financial difficulty if you have to pay for them all yourself. Many employers offer group health insurance to their workers, and in many cases extend it to their employees' dependants. Even if your employer requires you to pay a portion of the insurance premium, in most cases you'll pay far less than you would if you had to buy a policy on your own. A comprehensive health plan covers doctors' visits, surgery and other treatments and tests, hospitalization, and major (catastrophic) medical expenses from a prolonged illness.

Disability Insurance
Statistics show that one in four workers will be out of work for at least six months due to an injury or illness. If you don't have disability insurance, such a prolonged loss of income could result in serious financial trouble.

Disability insurance usually replaces between 50 and 70 percent of your income. Benefits do not begin immediately when you get sick or are injured; there is a waiting period that varies from policy to policy. The longer the waiting period before you start receiving checks, the lower the premium. An important consideration when buying disability insurance is how the policy defines "disability." Some policies consider you disabled if you cannot perform your own job, while others consider you disabled only if you cannot perform the duties of any job for which you are reasonably suited, even if it pays substantially less than your current occupation. Make sure you understand what is offered through your employer. If you feel that the coverage is not sufficient, or if you are self-employed, seriously consider purchasing an individual policy.

Life Insurance
The purpose of life insurance is to provide protection for family members or others who depend on your income and would suffer financial hardship if you were to die prematurely. The amount of coverage needed varies widely from person to person. Whether you have children, and their ages, are important factors to consider when calculating your insurance needs, as are your age, your spouse's employment status, and your housing situation.

When buying life insurance, you have a choice between term insurance and the type of policy that has a savings component built in. Term life provides only death protection over a specified period of time (usually five, ten, or 20 years). Because term insurance is not an investment, policies are, initially, less expensive than whole, variable, or universal life. Cash-value life (whole, universal, and variable) is substantially more expensive in the early years than term because part of your premium goes into a savings account. That cash value portion grows tax-deferred as you pay your premiums, usually at returns better than savings accounts or CDs, but lower than traditional returns on other investments, such as stocks.

Liability Insurance
Liability insurance protects you from financial loss resulting from a lawsuit against you. Homeowner's and auto policies generally include some liability coverage, though many consumers choose to supplement it with a personal liability umbrella policy. Your umbrella policy kicks in when the damages you pay exceed the limits of your other policies.

Auto Insurance
State law requires that drivers have at least a minimum of auto insurance, and it is your responsibility to be adequately covered. Without the proper insurance, an accident could put your physical and financial well-being in jeopardy, as well as that of the passengers in your car and any pedestrians or passengers in other cars involved. There are several components to auto insurance (bodily injury, medical payments, collision, comprehensive, and uninsured motorist), which means you can customize your own policy to meet your needs.

Renter's Insurance
It is surprising how few renters purchase insurance to cover their belongings in case of fire, theft, or other loss. Renter's insurance policies are relatively inexpensive – as low as a few hundred dollars a year – compared with what it would cost you to replace all your clothing, furniture, electronics, and other property if they were stolen or damaged. If you purchase replacement cost coverage, which covers the actual cost to replace your property with a new comparable item, you will pay a higher premium than you would for basic coverage, which only reimburses you the actual value of the property at the time of the loss.

Homeowner's Insurance
If there is a mortgage on your property, your lender requires you to have homeowner's insurance. Even if you do not owe anything on your home, allowing the insurance to lapse would be a grave mistake. If you are like most homeowners, your home is your greatest asset – without insurance coverage, a fire or other disaster could lead to financial ruin. Homeowner's insurance generally provides coverage for fire damage, theft and liability (useful when your child hits a baseball through the neighbor's window or a tree in your yard falls and takes down someone else's fence). Unfortunately, a basic homeowner's policy does not automatically cover losses resulting from certain natural disasters, such as earthquake and flood. For this type of coverage you need to purchase a special separate policy along with your regular homeowner's insurance.

Wills and Trusts
The simplest way to ensure that your funds, property, and personal effects will be distributed according to your wishes after you die is to prepare a will. A will is a legal document that ensures your assets will be given to family members or other beneficiaries you designate.

Having a will is especially important if you have young children because it gives you the opportunity to specify a guardian for them in the event of your death.

Although wills are simple to create, about half of all Americans will die intestate, or without a will. With no will to indicate your wishes, the court steps in and distributes your property according to the laws of your state. If you have no apparent heirs and die without a will, it's even possible that the state may claim your estate.

To begin, take an inventory of your assets, outline your objectives, and determine to which friends and family members you wish to pass your belongings. Then, when drafting a will, be sure to include the following: name a guardian for your children, name an executor, specify an alternate beneficiary, and use a residuary clause, which typically reads, "I give the remainder of my estate to…" Once your will is drafted, you won't have to think about it again unless your wishes or your financial circumstances change substantially.

A key decision you will make when creating your will is to determine the right executor. The role of the executor is to administer the estate and distribute your assets to your various beneficiaries. You can choose almost any adult who is legally competent to serve for your executor. You may choose to name corporate executors instead, such as a financial institution trust department. Many estate planning professionals recommend using corporate executors because the responsibilities of the executor can be very complicated and bureaucratic.

Some people opt to use a trust rather than a will to avoid probate (the court-supervised process of proving and administering a will). A trust is generally more private than a will as it is not a matter of public record, and they are far more difficult to contest. Trusts are often used to unify the estate's assets under one manager and save on taxes. They can also provide a continuing income stream to your beneficiaries after your death.

In this time of scientific discovery and sophistication, many people are faced with difficult decisions around life-saving measures for their loved ones who fall ill or are seriously injured. To protect your family from these decisions, be sure to document whatever life saving measures you may want implemented in case the situation arises.

Protecting your assets to best provide for your family after you are gone will relieve them the burden of dealing with complex laws and tax issues at a time when they will likely not be prepared to handle them. Speak with an estate planner if you have significant assets and want to make sure your beneficiaries receive the most they possibly can.

Step 10: Get Help!

Financial matters, while very much a part of our lives, can be complicated. For many people, money is a taboo subject. We learn very little about financial management in school and get most of our financial attitudes and knowledge from our parents, who may or may not have been experts themselves. If you feel a little lost in some areas of personal finance, call upon an expert for help. There is no shame in not knowing everything. After all, if you're sick, you go to a doctor; if your car breaks down, you take it to a mechanic. Turning to a financial professional when you need to just makes sense.

Your financial institution can help you with many facets of financial management. They can provide you services that will assist you in developing a savings and spending plan, handling your debt, or preparing you to buy a home. Most offer financial planning products and services that can help with your long-term planning and savings needs.

You can also continue to learn on your own. The Internet has a wealth of information and there are many books and magazines available on business and finance. Most of these can be found at the library so you don't even need to buy them. Financial seminars are also a great source of information.

Staying informed allows you to recognize opportunity and avoid financial missteps. It helps you maintain patience and adopt a long-term perspective when the road gets a little bumpy. It also pays to take the time to inform your family about the household finances if they are not already actively involved. Sharing this knowledge can offset any problems if there is an emergency or change in who is managing your family's finances.

Successful financial management is an ongoing process. It is important to continually monitor your savings and investments and adjust your plan as necessary. Fortunately, you don't have to be an expert in personal finance to achieve success, but a solid understanding of the basics – and following these 10 steps – can put you in control of your money.