Budget checklist: 10 personal finance best practices

Do any of your clients have a new graduate? Whether your clients' children are starting full-time jobs or jumping into the gig economy, a regular paycheck means new responsibilities. Demonstrate your value by supporting your clients in teaching their young adults personal finance tips—such as creating a budget—and how to take the first step toward building solid financial futures. Here are some of the basics you can help your clients communicate.

☐ Living within your means

Everyone needs to make sure they have enough to live on by assessing needs vs. wants. Start with your take home pay, then subtract essentials like rent, transportation, groceries, utilities, and student loan payments. What's left is the amount for discretionary spending.

☐ Comprehensive health insurance

Employer-sponsored health insurance should be taken advantage of, if possible. If that's not available, consider a low-cost, high-deductible policy. Maintaining a health savings account (HSA) offers an additional benefit of setting aside pre-tax funds for health care expenses.

☐ Automatic payments for recurring bills

Having a paycheck directly deposited into a bank account and setting up automatic payments for regular monthly bills can help with avoiding late fees.

☐ Credit card debt

Using a card helps build credit, as long as the credit card can be paid off each month. Having a single card may be easier to manage.

☐ Student loan payments

Fees and penalties can add up. Consider repayment options—and always paying at least the minimum due each month. Studentaid.gov is a good resource for more information on how to repay student loans as well as loan forgiveness programs for certain types of work.

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Budget tracking

It's important not to guess what the essentials cost. Better to write them down, using Excel or Google Sheets, for example, or seeing what resources a local bank offers. A budgeting tool may also be helpful:

- Schwab Monthly Budget Planner
- Phone apps, such as Mint.com

Choosing a credit card

A number of websites offer credit card comparisons. CreditCards.com or NerdWallet could be good places to start. Considerations may include:

- What does the card cost, including fees and penalties? A low introductory rate may be great for a few months, but it's prudent to know when and how it will increase.
- Which reward is best? Cash back can be great, or travel points might be more valuable. But it's important to get all the details.

☐ Getting a jump on savings

Consider opening a savings account, and putting aside as much as is affordable each month. An automatic transfer from checking to savings can help make savings part of a monthly budget.

☐ Emergency fund

It's recommended to set aside enough cash to cover essential expenses for three to six months. A savings account keeps the money easily accessible.

☐ Retirement accounts

An employer 401(k) plan should be taken advantage of, if possible. Consider contributing at least enough to get the full company match, if offered. When a 401(k) is not available, a Roth IRA might be worth researching. It's important to read the fine print regarding eligibility and contribution and deductibility limits.

☐ Investing

After some funds have been stockpiled, investing can put savings to work. It doesn't take a lot, and the sooner investing starts, the more benefit can be gained from compounding interest. Schwab MoneyWise® offers some conversation ideas.

☐ Mindful spending

It's important to know where money is going—and where it should be going. Mindful spending means setting realistic goals, having awareness of the full financial picture, and knowing when to cut back and when it's OK to spend.

Being smart about student loans

Not all debt is equal—some of it is good:

- Debt that's lower cost and potentially tax-deductible, such as a student loan, can fall into the "good debt" category.
- Student loans often offer flexible repayment options and low interest rates. And because the interest could be tax-deductible, it may not be advantageous to pay it off aggressively at the expense of working toward other financial goals.

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