Financial Planning Musts for Young Families

Young families face many financial challenges. Buying a new home, moving and covering all of the expenses involved with caring for young children can sometimes be too much for people. Financial security is a process that should be viewed as a long-term building project. It includes investments, savings and insurance. The key is to start small but keep all bases covered. As a career develops and builds along with income, all aspects of financial security will grow as well.

Protecting Financial Security
The most important aspect of financial security is protecting assets and income. This can be a difficult step, because very few young couples who are starting to plan their lives want to think about them being cut short instead. However, planning ahead for the worst is important to protect spouses and children. Not all financial strains happen due to untimely deaths. Many couples face difficulties because of injuries or disabilities. If one spouse who is the main earner develops a debilitating illness or becomes disabled due to an injury, income will be reduced without the proper protection. Disability income from the government will not be sufficient. Life insurance and disability insurance are both crucial. Life insurance will provide income to a surviving spouse to pay debts, bills and possibly even schooling expenses for adult children when they go to college someday. Do not overlook the importance of a stay-at-home spouse either. If that spouse died, there would still be a need to pay for child care and home maintenance work. Both spouses should have life insurance and disability insurance regardless of their roles.

When it comes to insurance, the first place to look is with an employer. Many employers offer life insurance policies and disability coverage. Paying for extra coverage may also be necessary if what an employer offers is not sufficient. Private disability coverage is also available, and it will transfer along with a policyholder even if he or she changes jobs.

Saving And Investing
Saving money may seem impossible to most young families due to the many expenses they face. However, it is important to save as much as possible. Look for ways to trim the budget and cut out unnecessary expenses. Having money to fall back on in case of an emergency can keep even bigger problems from happening. Even $25 a week at an annual return rate of more than five percent will be around $30,000 within 15 years. Pay off all credit card debt immediately. The high rates will cause a strain on long-term saving goals and potential.

In addition to saving, investing is important. Anyone who has access to a 401(k) plan from an employer should enroll in it immediately. These wind up being a main source of retirement income for most people, so starting early is crucial. There are some companies still offering matching contributions, which is essentially free money. If there are 529 college savings plans available, take advantage of them for any children in the family. This will help immensely when it is time for kids to enroll in college. As long as the money is used for educational expenses, it will not be taxed. There are also some states offering tax deductions to people who use these plans, so they are well worth the investment. Another option is a Coverdell IRA, but these do come with income restrictions. To learn more about any of these topics or for answers to questions, discuss concerns with an agent.