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Feathering a Nest of Your Own

Building Your Financial Foundation

Moving out of your parents' house and having a go of it on your own can be a shock to the system. After decades of living in the comfort of family, you're suddenly faced with the harsh realities of life — bill, bills, bills. How does one deal with these newfound responsibilities? You can start by building a sound financial foundation. Acting discerningly on these matters could make the difference between making it on your own, or moving back with the folks. Choose wisely...

Banking — Shop around. You shouldn't necessarily stick with your current bank just because you've been with them a long time. You may want to open both a savings account to earn interest, and a checking account for paying the bills. It's important to compare interest rates, but you also should be wary of charges for services (banks commonly charge customers for ATM use, check writing, etc.). Some banks allow you to "link" your accounts to reduce fees. Many local newspapers run a "scorecard" of bank rates, which can be helpful. Although deposits up to \$100,000 are federally insured, you'll still want to choose a financially strong institution. If possible, have your employer "direct deposit" your paychecks into your bank. It's a great convenience.

Health Insurance — With medical costs spiraling upward, having sufficient health insurance is a necessity. If you're job hunting, you should take a serious look at the medical benefits offered by prospective employers. If you're fortunate, your employer will offer a group health plan. If not, it's essential to obtain some type of individual health insurance.

- Major Medical Plans typically offer a fee-for-coverage arrangement for a range of services including physicians' costs, medical tests, hospital fees, etc. With some plans, you may go to a doctor of your own choice and your insurer reimburses you a predetermined percentage of cost. Most plans have deductibles, which is the amount of money you must pay out-of-pocket before the insurer begins paying for some of the expenses.
- Health Maintenance Organizations (HMOs) have become a popular option because of their minimal out-of-pocket cost. Generally, members must visit only doctors affiliated with the HMO; however your co-payment could be as low as \$10-\$15 per visit. When evaluating different plans it's important to consider what services are covered, and the co-payments and deductibles that are involved.

Life Insurance — If you think it's just for "older people," think again. If you have student loans from your college days, you may want to consider having some life insurance to help cover them, in the event of premature death. It may be a good idea to purchase a policy now, because generally the younger you are, the lower the premium will be. Two of the basic types of life insurance are whole life and term life. Whole life is permanent insurance — it's yours for as long as you continue to pay the premiums. The premiums are fixed and the policy cannot be canceled by the insurer if you continue to pay premiums. Over the long-term, the policy accumulates cash values. This cash value may be accessed later to help meet your financial needs. Term insurance can provide affordable coverage over a predetermined period of time — 5 years, 10 years, etc. It is pure protection and does not build cash value. One type is not necessarily "better" than the other, and you may find that a mixture of the two may best suit your needs.

Building Credit — If you plan on buying a home, starting a business, or doing anything in the future that requires borrowed money, you'll definitely want to start building a credit history now. Getting a credit card and paying it off faithfully is a good way to start. Many banks and organizations offer VISA and MasterCard with lots of bells and whistles attached — product discounts, airline mileage, etc. — but don't overlook the basics. You'll probably want to find a card that offers worldwide acceptance, no annual fee, and a low interest rate. If you don't have any credit history or if it's poor, there's still an alternative. Some banks offer a "secured credit card," which is an arrangement where you deposit funds in an account that are then used as your credit limit. Of course, the key to building good credit is to spend within your means. It's usually a good idea to pay the bill when it comes, and not run up a balance.

Looking to the Long-Term — Building a strong financial foundation means planning for the long haul. If your employer offers a 401(k) or similar plan you'll certainly want to take advantage of this convenient, tax-deferred retirement plan. IRAs and annuities are some options to consider to help build your nest egg. The key to realizing your financial dreams is starting now while you have a long time horizon. To learn more about how financial and estate planning solutions can help you meet your long term financial goals, please contact Jason M. Woodward J.D. today at financialattorney@gmail.com.