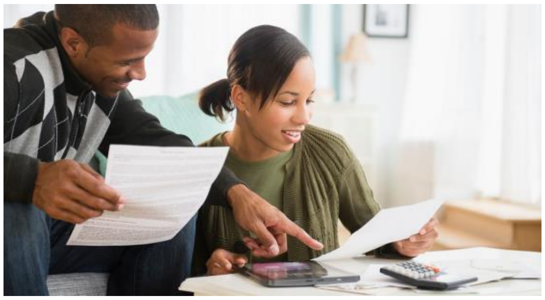
How to Conduct a Summer Financial “Tune-up”

With little more than a month to go before school starts, you may want to use this time to make sure your financial house is in order.



Summer’s here and the time is right for … financial planning?

That’s right. For educators who are busy during the school year, there may not be another opportunity to do so. And before you know it you’ll be back in the classroom. So in between days at the beach and nights at a ballpark, you should consider taking the following steps to ensure you’re on the right track with budgeting, spending and investing. Once you nail that down, you’ll be on better financial ground and have less money stress this upcoming school year.

Create or adjust your household budget and cut costs. It might seem like the most basic of financial to-do’s. But if you haven’t done it yet, you ought to. After all, you will never fully comprehend the extent of your routine spending patterns until you “map” them out. Once you know what you’re spending, you can then develop a household budget which can help keep your expenses within your means. “Separate the expenses into ‘wants’ and ‘needs,’ ” says Chip Munn, a former sixth-grade teacher who is currently a managing partner with **Signature Wealth Strategies**. “As for needs, food and shelter are obvious. But for many educators, so are classroom supplies. As for wants, no one can dictate to you how to set priorities. But you should look at each one critically and determine whether they are really necessary.” Small adjustments can make a huge difference, such as eating out less often and making your own coffee instead of plunking down $3 or $4 every day for a cinnamon dolce latte at Starbucks. For more guidance about budgeting, see “**6 Simple Steps to Build a Stress-free Budget**.”

“Pay yourself” by contributing to an online savings account. You may not receive paychecks over the summer. To help bridge that gap, you could open an online savings account and auto-draft a specific amount throughout the school year to deposit into savings. With this, you’ll “pay yourself” with scheduled savings allocations to cover those summer days. “With auto-draft, you’ll make deposits into savings and you won’t have to think about it,” says Terry Kennedy, president and CEO of **Appreciation Financial**, a retirement and financial planning company focused on teachers and public sector employees. “You might surprise yourself with how much you can save in small increments—they add up fast! Select a comfortable amount to contribute each month or week, and then increase it gradually as you can afford to.” For more tips to manage summers without a paycheck, see “**How to Survive the Summer Paycheck Gap**” and “**Tips to Get Through the Summer Without a Paycheck**.”

Negotiate for better monthly rates. Businesses value you if you've been a reliable, paying customer for a long time. So try negotiating for a better rate on your monthly subscriptions for your cell phone, internet and cable. "Companies want to keep their customers happy," Kennedy says. "They may very well offer you a new, competitive price, or 'sweeten the deal' with extras, such as higher internet speeds, additional TV channels, unlimited cell phone minutes, etc." Learn other ways to **reduce your monthly bills**.

Consider disability insurance. Injuries or extended illnesses could prove devastating in more ways than one – they can lead to an extended loss of income. One in 4 of today's 20-year-olds, in fact, will become **disabled before they reach retirement age**, according to the U.S. Social Security Administration. Disability insurance is designed to offset such losses, paying a portion of your salary while you're out of work. It's crucial to know which type of plan suits you. "Short-term disability may not be necessary if you've developed an emergency fund," Munn says. "For younger educators, long-term disability is important. You can lock in on a fixed rate, to avoid more expensive premiums down the road." **Learn more about disability insurance**.

Assess your retirement allocations. A diversified retirement portfolio is often a healthy one. But it's important to understand what diversity means in the investment world. It does *not* require that you park your savings into 3 different banks and 4 separate investment firms. This will simply lead to confusion and excessive time spent monitoring every asset you have. You *do*, however, want to make sure that your choices represent a variety of options, including money market/savings accounts, stocks, bonds and mutual/index funds. "Each of these assets 'behaves' differently based upon market conditions," Munn says. "It's advisable to have a mix of them all. You need to look at how your money is invested and recognize the risks you're taking on, and whether you're comfortable with them. Your current age and retirement age, of course, should factor greatly into any changes you make to take on a more aggressive strategy, or a less aggressive one." Have you run your retirement numbers recently? See where you stand, including state pension information, with the **NEA Retirement Income Calculator**.

Evaluate your life insurance. You should review what you own and how much you're covered for. You could have bought a policy when you first got married, for example, but never changed it after having children. Or you may now even have grandchildren for whom the insurance is intended to fund educational expenses. In other words, life changes. And your insurance needs to adjust accordingly. "The purpose here is to make sure financial stress doesn't add to the obvious emotional stress," Munn says. "Take a look at your debts. Be mindful as to whether your significant other will be able to meet all of your monthly obligations. The key is to match coverage to your needs." **Use this calculator** to see if you have enough coverage. Once you understand how much you need, **check out the plans available to you** as an NEA Member, all at group rates.