

## Planning for the Future Brings Peace of Mind

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Everyone wants to improve their quality of life. Quality of life improves as we have less negative stress and more peace in our life. Research, and common sense, shows that planning for the future brings peace of mind. There are many things we can do to increase peace and decrease negative stress; I will cover three, focusing on our financial lives: 1) build a reserve, 2) save and invest for short- and long-term goals, 3) protect yourself through insurance.

### **Prepare for emergencies and build a reserve**

Your family will have greater peace of mind and greater insulation from unexpected financial difficulties if you build a financial reserve to act as a cushion for rough times. Most financial planners recommend three to six months' worth of living expenses be set aside in a savings or checking account. These emergency funds should be held in reserve for major unexpected needs—lost job, hospital or medical bills, major home or car repairs, travel to a funeral, etc. In addition to preparing a cash reserve, it is also important to build up appropriate food storage and assemble 72-hour kits, first-aid kits, and other emergency essentials to prepare against times of need. For additional peace of mind, assemble a 3-month supply of food for your family.

### **Invest early, consistently, and wisely**

After a reserve is built, you should begin saving for short- and long-term goals. Some short-term goals may include purchasing a newer vehicle, upgrading a cell phone, taking a family vacation, or buying furniture. It is gratifying to save and sacrifice for these short-term goals. Saving and paying cash saves a lot of money over buying on credit and paying interest. Avoid debt and rent-to-own as much as you can. Some long-term goals to save for include paying cash for a car or making a down payment on a home. You may also be saving for education, weddings, large philanthropic contributions, funeral expenses, or retirement.

It is never too early to begin saving for retirement. You and your spouse (if married) should decide to save at least 10 percent of your income for retirement and understand your available options. If your employer offers a matching contribution to a 401(k), you should always contribute enough to get the full match. There is no other investment that yields a 100 percent return the first year! If your employer does not offer a 401(k), then consider investing in a personal IRA (Individual Retirement Account). 401(k)'s and IRA's are tax-advantaged retirement plans set up by the government to encourage retirement savings.

I caution you against a few investment options. First, avoid speculation. Speculation is any investment that promises a greater-than-market-rate return. Most of these are scams or extremely high-risk ventures. Second, it is important to realize that the only way to get greater-than-market-rate returns is to take greater-than-market-rate risks. This means if you put money into investments that promise large returns, you likely stand to lose a lot of money. It is much better to take the "get rich slowly" approach and invest wisely for the long term.

### **Protect yourself and your family through adequate insurance**

Without insurance, major financial setbacks could wipe out decades of savings. Adequate insurance that protects major investments provides a family peace of mind. Marvin J. Ashton counseled: Appropriately involve yourself in an insurance program. It is most important to have sufficient medical, automobile, and homeowners insurance and an adequate life insurance program. Costs associated with illness, accident, and death may be so large that uninsured families can be financially burdened for many years. *Marvin J. Ashton, "Guide to Family Finance," Liahona, Apr. 2000.*

Once you have someone who is dependent upon you for income, you have a moral responsibility to get life insurance. You should have enough insurance to replace your income for long enough to raise your children and for your spouse to be financially self-sufficient. Some financial planners recommend 10–15 times your gross salary. In general, term life insurance is preferable to whole life insurance to obtain this coverage. In addition, be sure to have adequate health, auto, disability, and homeowners/renters insurance. Because of the Affordable Care Act, almost everyone in the United States is required to have health insurance. In general, if you have little need for health services, you are better off to have a high-deductible plan with lower monthly payments. However, if you interact with health services more than average, it is usually better to have a lower deductible and higher monthly payments.

### **How this applies to you...**

Preparing for emergencies by saving 3-6 months expenses and preparing 72-hour kits and other emergency essentials brings peace of mind in case of job loss or an unforeseen emergency.

Saving and investing for short- and long-term goals helps you feel good about your accomplishments and less stressed financially. Putting money towards things you value (your goals) rather than daily living (e.g., going out to eat every night) or items that are too expensive for your income (e.g., expensive car or home) allows you to enjoy life more fully. Knowing you have money set aside for retirement gives you a sense of comfort knowing you are self-reliant and are not dependent on anyone else once you retire. Start now, even if you only contribute a small amount of your income.

Knowing you and your loved ones are covered and insured against illness, accident and death brings peace of mind for the present and the future. Living without insurance is a financial disaster waiting to happen. Don't put your family at risk, buy insurance.

### **The bottom line –**

Prepare for a rainy day by saving money, food, and emergency essentials. Save and pay cash for everything you can rather than buy on credit. Invest in relatively safe options through a 401 (k) or personal IRA. Insure yourself and your family through medical, automobile, homeowners/renters, disability and life insurance. Start now by choosing one preparation you haven't made and take the steps to accomplish it. Continue working on these essential preparations until you are making improvement in each area. You will feel much less stress, much more peace, and your quality of life will increase.

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