# Financial Priorities Young Families Should Address

*Wise money moves for parents under 40.*

**As you start a family, you start to think about certain financial matters.** Before you became a mom or dad, you may not have thought about them much, but so much changes when you have kids.

Parenting presents you with definite, sudden, financial needs to address. By focusing on those needs today, you may give yourself a head start on meeting some crucial family financial objectives tomorrow. The to-do list should include:

**Life & disability insurance coverage.** If one or both of you cannot work and earn income, your household could struggle to meet education expenses, medical expenses, or even paying the bills. Disability insurance payments could provide some financial support in such an instance. Some employers provide it, but that coverage often proves insufficient. Every fifth American has a disability, and more than 25 percent of 20-year-old Americans will become disabled before reaching retirement age. One in eight working people will be disabled for five years or longer during their pre-retirement years. Could you imagine your household going that long on only a fraction of its current income?[1,2]

Generally, the earlier you buy life insurance coverage, the cheaper the premiums will be. The biggest savings await those consumers who buy coverage before age 30 and before they marry and have kids. After 30, high blood pressure and cholesterol problems may begin to show up on blood tests, and other health problems may surface. As an example, a single, child-free 25-year-old in good health purchasing a 30-year term policy with a $500,000 death benefit will pay a monthly premium of about $75. The premium jumps to around $115 for the typical 35-year-old married parent in good health.[3]

**Estate planning.** Is it too early in life to think about this? No. Life insurance, a will, a living trust — these are smart moves, especially if you have children with any kind of special needs or health concerns of your own that may shorten your longevity or lead to weaknesses in body or mind. Besides documents linked to insurance and wealth transfer, consider a durable power of attorney and a health care proxy.

If you are considering designating a guardian for your children in the event of the unthinkable, whoever you appoint needs to be comfortable with the possibility of taking legal responsibility for your child. That person must also have the financial wherewithal to be a good guardian, and his or her family or spouse must also be amenable to it.

**College planning.** What will a year at a public university cost in 2035? Vanguard, the investment company, conducted an analysis and projected an average tuition of $54,070. (The 2035 projection was $121,078 for a private college.) The message is clear: Start saving now. Saving and investing for college through a 529 plan, a Coverdell ESA, or other accounts that offer the potential for tax-deferred growth may give you a better chance to meet those future costs.[4]

**An emergency fund.** Ideally, your household maintains a cash cushion equivalent to 3-6 months of salary. Build it a little at a time, set aside a bit of money per month, and you may be surprised at how large it grows during the coming years.

Contact us to address these priorities now, and you may lower your chance of financial stress in the future.



**Citations.**

1 - ssa.gov/disabilityfacts/facts.html [8/10/17]
2 - blog.disabilitycanhappen.org/life-insurance-vs-disability-insurance/ [7/14/17]
3 - moneyunder30.com/buying-life-insurance-young-saves-money [1/5/17]
4 - teenvogue.com/story/college-tuition-cost-future [3/18/17]