Your financial wellness checkup

Now is a great time to check in on your goals and celebrate your successes.

Key takeaways

Living your best life—both now and in retirement—means taking care of yourself physically, mentally, ***and*** financially. We're halfway through the year and it's a great time to check in on your finances.

STEP 1 Review your goals.

If you started the year with a set of goals, how are you doing? What progress have you made? Start by asking yourself a few questions:

- **Can I cross off any goals from my short-term list?**
- **Did I take any steps toward my mid- and long-term goals?**
- **Are there new goals I can add to my list? Do I need to adjust my current goals?**

  Life changes happen. Starting a new job, buying a home, getting married, and welcoming a child into the family are some examples of life changes that can affect your goals.

  Market volatility can also affect your goals. It's important to keep them in mind and not let the market ups and downs get you down.
- **If you're just getting started setting goals, be sure to use our financial goals worksheet.**

STEP 2 Evaluate your spending habits.

How much money is going into your bank account? How much money is leaving your bank account? Where is it going? Do those expenses fit into your budget?

- One of the best ways to manage spending is by creating a budget.
  - **Need a strategy to help you build your budget? Consider the 50/30/20 rule.** Here's how it works:

    50% of your money goes toward your essential living expenses, like rent or mortgage payments, utilities, and food.

    30% goes to the more "fun" expenses that help you enjoy life, like eating out at a restaurant, vacations, shopping, and streaming subscriptions.

    The final 20% goes toward savings, including emergency funds, retirement funds, investments, and IRA contributions, plus, paying down any debt.

50 30 20

REMEMBER:
With the 50/30/20 rule, nothing is set in stone. If you happen to go over budget in one area, you can always reduce spending in another category to keep a balanced budget.

STEP 3 Review your debt.

Most people have some form of debt and paying it off is an important step toward financial wellness. The most important thing to remember is that it's never too late to start paying off debt.

Want to start paying off your debt today? There are three methods to consider:

Motivated by seeing smaller balance disappear quickly?

Try the Snowball Method: You pay off the account with the smallest balance first and move onto the next lowest, eventually working your way up to the account with the highest balance.

Want to pay less interest on your debt?

Try the Avalanche Method: You pay off the account with the highest interest rate first and move onto the next highest. With this strategy, you prioritize accounts with high interest rates, so you pay less over the life of your debt.

REMEMBER:
While you're focusing on paying down one account, it's important to keep making minimum payments on your other accounts so you don't fall behind.

Need to focus on only one account?

Try the Consolidation Method: You combine all your debts into a single account with a single payment.

With debt consolidation, you may be able to get a lower interest rate on your single account.

You may find that when you understand how much you owe, it's easier to plan and pay it off.

STEP 4 Check in on your accounts.

It's important to check in on your accounts—like mutual funds, stocks, IRAs, and retirement accounts—at least a couple times a year.

- **Review your accounts online.** If you don't have online access, reach out to the financial institution. Set up online access for your Principal accounts by visiting principal.com/welcome.
- **Ensure all your account information is up to date,** including your email, phone number, and physical address.
- **Secure your accounts** by updating your password and setting up two-factor authentication.
- **Review and update your beneficiaries** as life changes occur.

Once you've updated and secured access to your accounts, here are some final questions to think about:

- **Are your investment accounts balanced to meet your goals?** Over time, some investments can outgrow others, which can change your original investment mix. Consider rebalancing your accounts at least once a year.
- **Are you contributing enough to your employer's retirement plan?** Are you getting the full company match? Taking advantage of your company match (if applicable) is like receiving free money* for your retirement. Contributing enough of your own money to get the full match can have big impact on your progress toward retirement.
- To see if you're contributing enough to meet your retirement goals, log in to your account on principal.com and visit our Retirement Wellness Planner. It shows if you're on track to meet your retirement goals, or if you need to adjust to fill in any gaps in your savings.

DID YOU KNOW:
Many experts maintain that retirement income should be about 80% of a couple's final pre-retirement annual earnings. So, if you want to give your retirement account a boost, you can always bump the amount you contribute up a percent or two. Even the smallest increase to your savings can have a big impact on your retirement.

STEP 5 Consider what's next for your financial goals.

- Are you helping a loved one with education expenses? **Consider setting up a 529 plan.**

  This plan is an investment account specifically designed to help people save for schooling. What's great about a 529 plan is that many states offer tax benefits on the account. And withdrawals are tax-free if they're used for qualified education expenses.

- **Set up an emergency fund so you're prepared for life's unexpected costs.**

  A good rule of thumb is to save up enough money to handle living expenses for three to six months.

Helpful links:

1. Financial goals worksheet
2. 3-steps to get started with investing your money
3. Learn about 529 plans
4. Set up an emergency fund

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