

Young Professionals Checklist



If you are a young professional, it is important to review the below items and make changes where needed. As you go through this guide, we encourage you to assess what areas of financial planning you can improve upon.

	Completed	To Be Completed	Not Applicable
1. Budget, Reduce Expenses & Set Goals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Build an Emergency Fund	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Contribute to Personal Retirement Account	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Contribute to Employer-Sponsored Retirement Plan	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. Pay Down High Interest Debt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. Save More for Retirement & Other Goals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. Consider Life Insurance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. Disability Insurance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. Build Credit & Apply to Proper Credit Cards	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11. Home Ownership	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Budget, Reduce Expenses & Set Goals



▲ **Budgeting Rule of Thumb:** 50/30/20 of your after tax, monthly income:



ZIG Budgeting Tip

- Consider utilizing online programs such as Mint, Personal Capital, and You Need a Budget. Or, if you prefer, make your own Excel spreadsheet (examples can be found online).
- On a weekly, monthly, or annual basis review expenses and consider making changes if necessary or applicable. If, for example, you notice that you are consistently overspending on groceries or transportation, consider taking public transportation more often or meal-prepping bulk foods instead of ordering out or eating out.

Build an Emergency Fund



What is an Emergency Fund

1. If you haven't already, consider funding an emergency fund
2. This would hold 3-6 months of living expenses in a liquid, accessible form (cash or cash equivalents)
3. To be used in the event of an emergency such as being laid off from a job or sudden illness

Setting Up an Emergency Fund

1. Popular accounts include Ally, Marcus by Goldman Sachs
2. You can look up online which accounts offer the highest rates – tip: look for high-interest savings accounts (these are often not your local brick and mortar bank)

Employer-Sponsored Retirement Plan

If applicable



#1. Review Your 401(k)-Contribution Amount

Year	Contribution Limit	Catch-up contribution (50+)
2022	\$20,500	\$6,500

If do not have the means to max out contributions, consider contributing enough to get a company match if offered.

#2. Consider Contributing to a Roth 401(k)

Contributing to your Roth-401(k) means that you will pay taxes now, and when you retire, you can withdrawal funds in your account tax-free

ZIG Roth 401(k) Tip

- Review your current tax-bracket to see if this makes sense for you.
- When you are younger, you are likely in a lower tax bracket, so it makes sense to pay taxes on **contributions** and take **withdrawals** later in life

Personal Retirement Plan



Consider contributing to your personal retirement account, either a Traditional or Roth IRA

Traditional IRA

- ▲ A type of tax-deferred account which means you won't pay taxes on your earnings or contributions until you are required to start taking distributions at age 73 *Due to SECURE Act 2.0, effective January 1, 2023, the required minimum distribution (RMD) age will increase from age 72 to age 73 and will increase further over the next decade.
- ▲ If you contribute up to \$6,500 in deductible contributions, your taxable income may be lowered by that amount

Roth IRA

- ▲ A type of tax-advantaged individual retirement account to which you can contribute after-tax dollar
- ▲ The benefit is that your contributions and the earnings on those contributions can grow tax-free and be withdrawn tax-free after the age 59½ assuming the account has been open for at least five years.

Type	Year	Contribution Limit	Contribution limit (50+)
Traditional IRA	2023	\$6,500	\$7,500
Roth IRA	2023	\$6,500	\$7,500



ZIG Retirement Plan Tip

- Some people typically recommend taking on more risk in a tax-advantaged account, especially a Roth IRA, since withdrawals will not be taxed once you reach the eligible age. If right for you, consider taking more risk in your tax-advantaged account. Important note here is that you need to make sure that your contributions are being invested. A common investment option that works for most people is Target-Date retirement funds. Consult your financial advisor if you would like a more specific recommendation.

Pay Down High Interest Debt

If applicable



The Avalanche Method: Pay down debt in order of interest rate, starting with the debt that carries the highest rate.

- ✓ List out all your outstanding debts
- ✓ Pay extra on your debt with the highest interest rate
- ✓ Move to the next-highest interest rate
- ✓ Pay the minimum on everything else
- ✓ Repeat until all debt is paid



Paying off loans quickly or not can be complicated—it is a balance between cost versus what you can reasonably expect to earn in another investment. Try to evaluate rate paid on loan versus potential investment return.

Save More for Retirement & Other Goals



Consider contributing to a Health Savings Account (HSA) or 529 account:

Health Savings Account (HAS)

- ▲ Savings account that lets you set aside money on a pre-tax basis to pay for qualified medical expenses
- ▲ You can choose to invest some or all of your HAS for potential growth which is a great way to prepare for health care costs in retirement - any growth is free from federal income taxes

Year	Self-Only Coverage	Family Coverage	Additional Contributions (55+)
2023	\$3,850	\$7,750	\$1,000

529

- ▲ If you are considering going back to school, or want to save on education for your kids / other relatives, consider funding a 529 plan
- ▲ A 529 plan is a tax-advantaged savings account that is free of federal income tax when taken out to pay for qualified education expense

Year	Contribution
2023	Not set limit, varies by state

Am I Eligible for a Health Savings Account?

✓ High-deductible health plan

- ✗ Healthcare coverage beyond qualified health plans (including Medicare enrollment)
- ✗ Being claimed as a dependent on someone's tax returns
- ✗ Receiving Veterans Affairs benefits within the past three months

Am I Eligible for a 529 Account?

✓ Any U.S. citizen or resident alien with a valid social security number or taxpayer identification number at least 18 years old can open a 529 account.

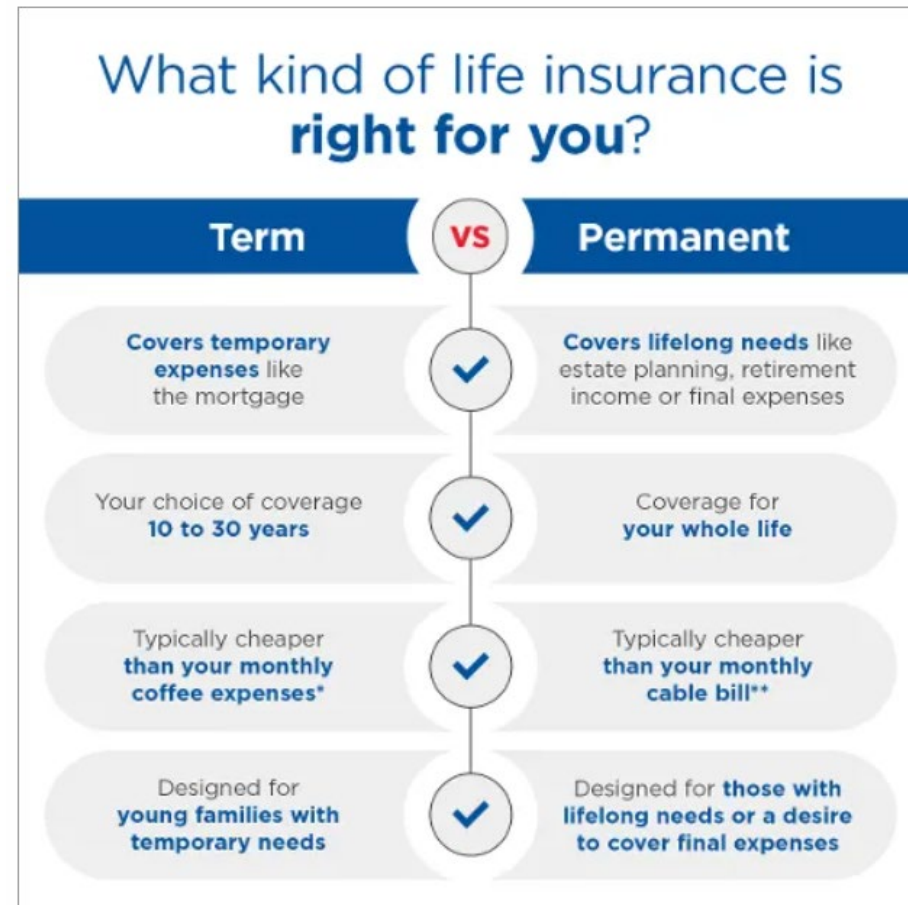
- ✗ Not a US Citizen
- ✗ Under 18 years old
- ✗ No valid social security

Life Insurance



For young professionals, consider a simple [term-life insurance](#).

- **What is term-life?** Life insurance that provides coverage at a fixed rate of payments for a specific period of time. It offers temporary financial protection for a low cost. (see chart)
- **Why should I consider term-life?** Term-life insurance is meaningful for people with young kids earning a substantial income. If your kids are young and you want coverage that lasts until they are adults, this can be a choice to consider.



Source: AAA

Disability Insurance



Disability Insurance: Disability Insurance, often called DI or disability income insurance, or income protection, is a form of insurance that ensures the beneficiary's earned income against the risk that a disability creates a barrier for completion of core work functions.



Provides financial benefit for the lost income in case of inability to work due to permanent or temporary disability



Tax exemption for premium paid under Section 80(D) of the Income Tax, 1961





ZIG Disability Insurance Tip

- If you are young with lots of earning power, especially if you are the sole income provider, consider disability insurance.
- Often, companies offer disability insurance to employees. Review your company's policy and consider supplementing with outside disability insurance.

Build Credit & Apply to Proper Credit Cards



Focus on building credit and applying to credit cards that work for your financial situation. Below are some helpful tips and resources to focus on while thinking about credit cards:

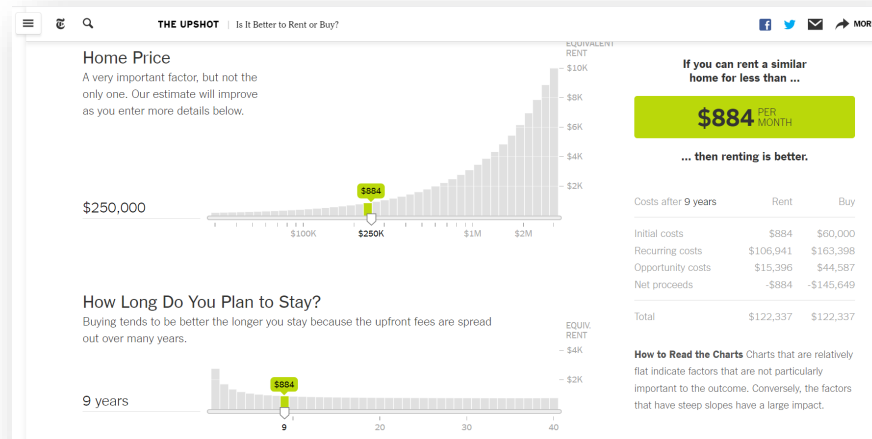
Tip	Resource
You are eligible to receive your credit score for free, annually. The 3 nationwide credit bureaus have a centralized website to do so.	annualcreditreport.com
Consider monitoring your credit via apps like CreditKarma.	creditkarma.com 
You can receive cash back or points to be used or transferred to eligible partners like airlines or hotels. Consider opening a card with your goals in mind.	nerdwallet.com OR creditcardtuneup.com <i>reliable sources for credit card recommendations</i> 

Home Ownership

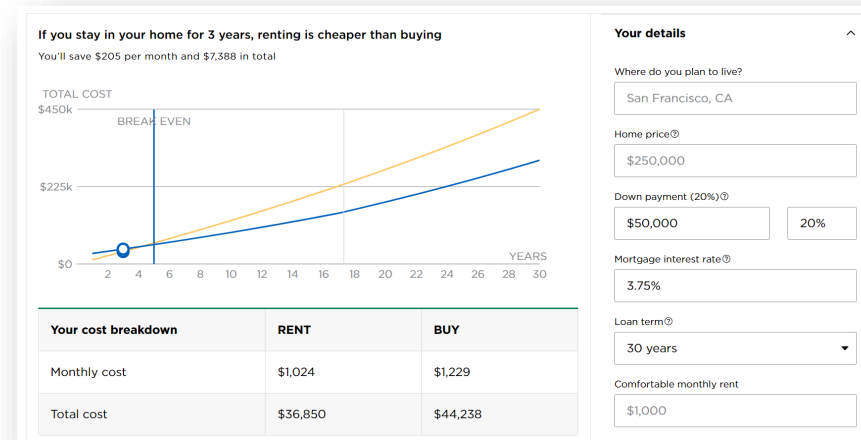


Home Ownership: Whether you choose to rent or buy your home depends on your financial situation, lifestyle, and personal goals.

There are many reputable calculators online to determine if home ownership is “worth-it” when compared to renting. Do your research and consider putting as much information as you can into one of these calculators to see the results:



[NYT Housing Calculator](#)



[Nerd Wallet Housing Calculator](#)



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