

# A Personal Finance Self Evaluation Checklist

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Here is a personal financial self-evaluation checklist that can be used by beginners and veterans alike. It has been developed from [how to Conduct a Personal Financial Audit](#) and my own audits which are done each December. Here are the links to my [2015](#), [2014](#) and [2013](#) personal finance audits.

The checklist is a set of questions with short observations and hopefully relevant links.

If you resolve to answer a couple of questions per week, I am confident that you will soon have complete control over your financial life. Obviously this is not exhaustive but hopefully, will cover the important bases.

Looking for some confidence to DIY, try this: [DIY Personal Finance: How long does it take anyway?](#)

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## Act I: Preparation

1. **Is my life insured adequately? That is, will my family be able to handle their immediate, short-term and long-term goals in my absence?** Some people dismiss this as over analysis and take a 1 Crore term policy! Trust me this analysis will take only 15 minutes. The paralysis occurs while choosing an insurer not while deciding the amount!
2. **Have I discussed with my spouse or nominee how the term insurance amount should be utilized in my absence?** You can write a detailed note about this if your spouse finds it too morbid to discuss this. Just be sure to include the detailed note along with the policy papers. You can also include the contact details of a fee-only financial planner for guidance.
3. **Are me and my family members insured adequately wrt medical expenses independent of my employment?** This seems like a no brainer but I am appalled to see that people consider mediclaim expenses as a waste of money if they don't claim and take employee benefits and their own health for granted.
4. **How ready am I to handle emergency expenses?** You need more than 6 months or 12 months expenses. Remember that cashless hospitalization does not mean cash-free hospitalization. You still need to pay for 'non-medical expenses'.
5. **How capable am I of replenishing my emergency fund if it gets depleted?!** Don't lock all your monthly inflows into EMIs and SIPs. You need a small buffer to replenish the emergency fund.
6. **Do I know what my net worth is?** The only reason you need to do this is forces you to list all your investments and update their values.
7. **Have I listed all my goals: recurring, short-term (less than 5 years away), intermediate term (5-10Y away) and long-term (10Y+ away)?**
8. **Do I know the approximate but realistic current cost associated with my goals?**
9. **Have I decided the asset allocation for my intermediate and long-term goals?** Short term is 100% debt! The asset allocation give you a *net* portfolio return you are aiming for. For example if you expect 12% from equity and 7% (post-tax) from debt and would like to have 60% equity exposure, the net portfolio return is (approximately):  $(12\% \times 60\%) + (7\% \times 40\%)$

10. **Do I know how much I need to save or invest for each of them?** You need to use a goal planner with the net portfolio return and a reasonable inflation estimate. For retirement, you need to assume an interest rate post-retirement. Use something like 7% or so, for now.
11. **Do I know how much I can invest per month?** Analyse your cash inflow and outflow. Construct a pie chart and stare at it.
12. **If there is a shortfall how am I going to manage it?** Some options: postpone goals, reduce targets, increase investments down the line. Don't make the mistake of increasing exposure to volatile instruments in the hope of compensating lower investments with higher returns. It could backfire terribly.
13. **Have I discussed all this with my spouse or partner?** Have I written down an investment plan? A written investment plan helps everybody, especially those who cannot discuss financial matters with their spouse.

## **Act II: Action**

1. **Do I know what category of instruments (eg. what kind of mutual fund) am I going to choose for my goals?**
2. **Is my proposed portfolio diversified within each asset class?**
3. **Have I begun investments as per the asset allocation decided?** Not all goals can be handled at the same time by everyone. Retirement is priority number one.
4. **Am I tracking my investments?** Am I investing enough and as per the schedule assumed in the goal planners?
5. **Have I written a will?**

Photo Credit: [Brett Jordan](#)[Opens in a new window](#) (flickr)

## Act III: Review

1. **Do I know the net return (XIRR) of my debt investments and equity investment?** Do I know the net XIRR of the portfolio? Is this above or below the expected portfolio return used in the goal planners?
2. **Do I know what is the current actual value of goal portfolios?** Do I know how much are they actually worth? If I don't invest anymore for these goals, how much would the current value grow to when I need the money?
3. **Do I know for how many years I can survive on an inflation-indexed monthly income with my retirement corpus, If I retire today?** Let us call this X years.
4. **Am I increasing this X years by at least one year for each year that I work?** This is the true measure of a retirement portfolio.