Why think about financial planning?

As you know, diabetes is an expensive disease. You may be entering your first job with student loan, credit card, or other debt. Managing these competing financial priorities is demanding and can be quite difficult. While financial planning isn't something that may have been on your mind before, it's a good idea to start planning your future. The earlier you start, the better. This section will provide you a general framework for beginning to think about financial planning, and the role that it plays in your life as a young professional with diabetes.

GENERAL ADVICE

1 Whether an issue relates to your finances, your health, or anything else, do your best to meet it head on. Facing these issues as they happen is always the best decision. As with many other things in life, pushing it off can often make a situation worse.

2 Wisely spending and saving money can make life more enjoyable. Living on a budget and making your health a priority is vital.

FILING YOUR TAXES FOR THE FIRST TIME? Always strive to maintain clear, date-ordered files. While it may seem like a large amount of paper *(or a significant portion of your online storage for scanned images)*, medical costs above a specified amount are often a valid tax deduction. If you didn't already know this, this might be exciting news to you. The Internal Revenue Service (IRS) shares information about filing for medical tax deductions here.

THINKING ABOUT THE PRESENT: BUDGET BASICS

Living with a chronic illness means that you might face a greater number of financial decisions than your peers. Staying organized and on top of your finances is always a good idea, but it can be especially important if you have a chronic condition like diabetes. Your primary responsibility and goal will be to ensure that you always maintain comprehensive health insurance coverage.

Calculating your current needs should be done at the beginning of each year, and you should take into consideration what will be spent over the coming twelve months. From there, adding in an extra cushion (50%) will set something aside in the event of an unforeseen emergency *(e.g. you have a hospital stay that is not completely covered by insurance).* If you don't need to use that fund, then you can keep it for the next year, or continue building on it to save up for the future. We know that 50% might not always be possible depending on your income level, or because of debt you may have to pay off or other expenses, but even if it’s just a small amount, it’s helpful to get in the habit of trying to save.

It should be noted that it’s much easier from a financial point to take job risks at a young age. While you must think about salary, you also need to chase your dreams. As you get older, you may be less able to take risks if you have children or a house, for example.

THINKING ABOUT THE FUTURE

Your ability to have consistent comprehensive health insurance coverage will certainly play a significant role in the security of your financial future. Upon reviewing a given health insurance policy, you should take into consideration the costs you will be expected to bear individually. Always confirm that your doctors are covered and check limits on coverage. Make sure to ask about specific prescription coverage, and about any specific exclusions. The only way to stay educated on your plan is to seek this information yourself. Understand your costs and coverage before you pay your premium.

If you are unclear about copays, coinsurance costs, deductibles, in- or out-of-network benefits or your premiums *(check out the glossary in “Navigating Insurance” with terms defined)*, be persistent until you are 100% clear. Ask for explanations and detailed cost breakdowns in writing from your insurance provider, and always keep them in an organized file.

If you keep your files orderly and complete, and an audit ever arose where your deductions are in question, you will always have the information needed to back it up.

GOAL-SETTING

Setting financial goals for yourself will allow you to envision what you want to achieve in the future, and provides you with a framework to achieve what you want to accomplish in your life. Whether your goals are traveling around the world, leasing your own apartment *(bye-bye roommates!)*, or paying off debt, knowing what your financial goals are will help you live a more enjoyable and fulfilling life.

TO REACH FOR YOUR GOALS, CONSIDER FOLLOWING THESE STEPS:

- Create a document that includes the name and type of goal, the date which you expect *(or are hoping)* to reach it, and the estimated costs to doing so.
- Make a list of each step that will need to go into reaching that goal, whether that means setting aside a pre-determined amount of money monthly or allotting money when you can.
- Add a timeframe and dollar amount to each of those items. If your goal is to own a car, consider not just the purchase cost of the car, but also repair bills and future expenses. Bear in mind that many of your goals might have additional future or recurring costs.

With these estimates, you will be able to better calculate and plan your cash flow necessities and to spend money in a way that helps you achieve your goals. Remember to prioritize your goals and to consider them in relation to one another. While goal setting can be overwhelming, it should be a very exciting process. Go make it happen!

BUDGETING YOUR MONEY

Much like considering your life goals, building yourself a budget means looking forward and determining what you need to have as available money to fund the life you want. A budget allows you to distribute those funds in a disciplined manner. This means having a set amount of money you intend *(and permit yourself)* to spend. It also means you can look back and know how much you spent on various categories of expenses to help keep yourself on track.

Living on a budget means that if additional money may come in you can spend it as you like–whether that means putting a little extra towards your goals, or treating yourself to something special like a nice meal or a trip to the movies.

When budgeting, always remember to calculate start-up costs associated with any major life change–for instance, deposits on an apartment, utility costs, getting your own car insurance, possibly registering a car in a new state, etc. Outlining these costs in the planning stages of your budgeting may provide you with a more accurate timeline for achieving your various goals, and may also help you prioritize the order of things.

If all this financial discussion seems daunting, it may be wise to consult a professional financial advisor. Investing a few hundred dollars in the development of a solid plan for your future with someone qualified can be extremely beneficial if you're able to afford it.

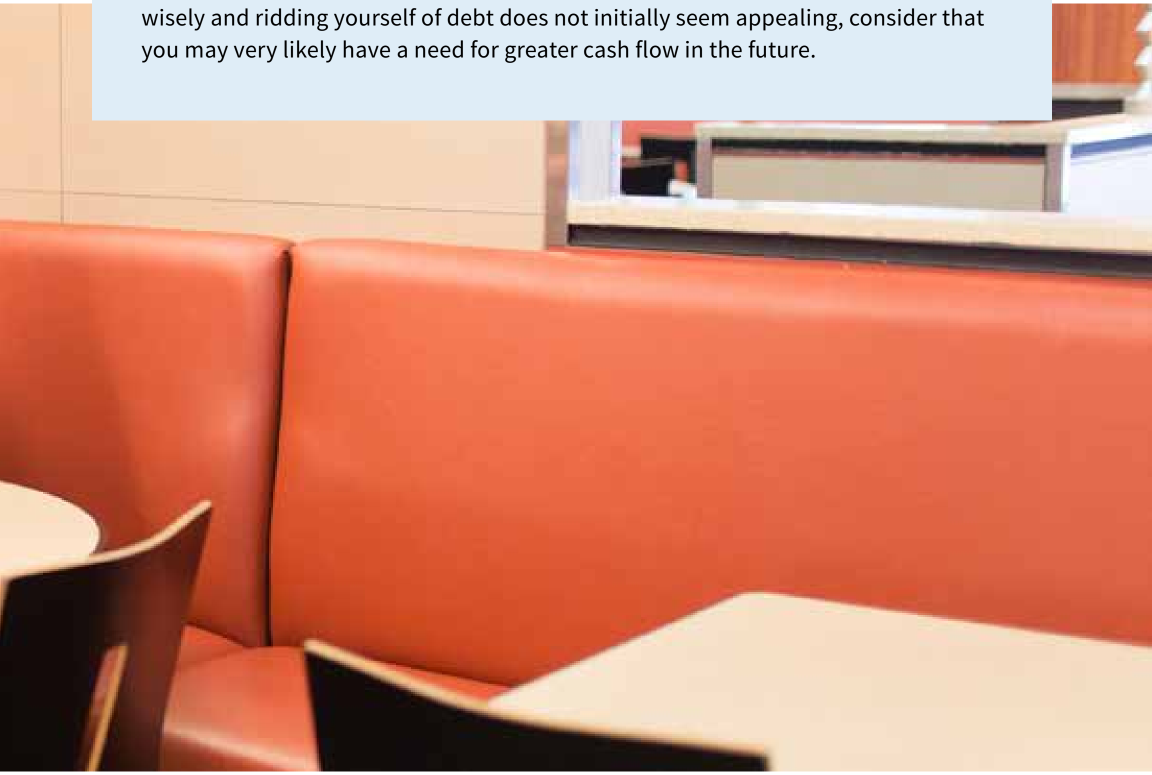
With the right advisor, this may save you exponentially more over time. Consider putting together a list of questions to ask a professional–this can help you find an advisor who understands your needs.

DEBT

It's quite possible that you may have debt whether that be in the form of federal or private student loans and/or credit card debt. No matter what form your debt comes in, it is wise to pay it off as quickly as possible. Setting money aside for goals while still paying off debts owed can turn into feeling like you will never be debt-free.

To pay off debt quickly, you may want to use a debt snowball calculator to determine the best pay down strategy. Once you have a payment strategy, you may consider finding other ways to increase your income to pay off your debts as quickly as possible. One way to do so is to consider taking on a side gig *(like babysitting, catering, tutoring, app development, or writing articles)*, if your lifestyle and stress tolerance levels allow for it. However, make sure not to overcommit yourself. Know your limitations and if this is too much, listen to your body – your physical and mental health are the most important thing.

Remember that your health expenses will also likely increase over time. If spending wisely and ridding yourself of debt does not initially seem appealing, consider that you may very likely have a need for greater cash flow in the future.



CREDIT

Credit is often seen as an afterthought; however, it is essential that you maintain good credit standing *(especially when living with a chronic illness)*. Your credit rating is truly your permanent record, and will affect your interest rates with respect to borrowing money *(i.e., to obtain a car loan or a mortgage)*, obtaining and pricing insurance *(health, auto, homeowner's, life, etc.)* and even your ability to qualify for an apartment rental.

Having good credit means you are a "good risk". There are multiple ways to build credit, but one way to create good credit is to have a history of incurred debt that you pay off timely and consistently.

KEEP IN MIND THESE CONSIDERATIONS WITH RESPECT TO CREDIT:

- Keep track of your credit score *(keep it above 720)*; check it at least twice annually. You can use services like www.AnnualCreditReport.com
- Utilize credit responsibly, paying off each month
- Avoid late fees or additional interest by always paying on time
- Maintain fewer than five creditors
- Be alert for credit/identity theft
- If your card is lost or stolen, report it immediately to prevent any losses
- If your credit is already damaged, do not work with a consolidator or file for bankruptcy without first talking to a qualified financial advisor
- If you owe and cannot pay, do not ignore the bill – contact the creditor to whom you owe funds and proactively work out a reasonable payment plan

DO	DON'T

DO

PAY OFF BILLS IN FULL BEFORE THEIR DUE DATE.

This will show that you are a dependable borrower and will stop your debt from building up.

OPEN MULTIPLE ACCOUNTS OVER TIME.

Opening accounts over a long period of time (years) will help establish that you are a dependable borrower and that you can manage them all.

TAKE OUT LOANS.

Surprising as it may be, seeing that you have taken out multiple loans and that you pay them timely will increase your credit.

USE YOUR ACCOUNTS REGULARLY.

If your accounts sit unused, then you will only be building up the interest on your previous debt, and won't show that you are managing your debt.

DON'T

OPEN MULTIPLE NEW CARDS AT THE SAME TIME.

This will lower your credit score because it appears that you are planning to run up a large amount of debt.

OPEN STORE CARDS.

You might be tempted by them because you can save on purchases, but often these savings are minimal. Unless you are making large purchases, then the interest rates on these cards will not be worth it.

PAY BELOW YOUR MINIMUM.

This will only increase your debt over time and cannot show that you're a dependable borrower.

CLOSE YOUR OLDEST ACCOUNTS.

These accounts establish your long term credit and closing these accounts will hurt your score.

Last note: Going into debt when living with T1D is not a foregone conclusion or a necessity. Always seek to live sensibly and think about the costs you pay. This may present you room for growth within your financial life, offering you the control of determining when to reward yourself for a job well done and a life well-managed.