Finance for Parents

Financial Goals: Your Prioritization Guide

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You already know the most basic principle of personal finance--spend less money than you make. Once you've got that covered, however, figuring out how to achieve all your financial goals at once can feel overwhelming.

Should you direct any extra cash toward paying off your student loans or saving for retirement? Building an emergency fund or chipping away at credit card debt?

As you grow your family and advance in your career, there may be even more competing goals, such as buying a house, saving for your kids' college education or taking a dream vacation.

(Of course, the more complicated your finances, the more you'll benefit from working with a financial planner who can help you navigate your specific situation.)

1. Protect Yourself Against the Unexpected

Before working on almost any other long-term financial goals, you'll probably want to have at least three to six months' worth of expenses in a liquid account that you can access in case of emergencies.

"An emergency fund gives you the ability to stay on track no matter what your other goals are," says Rich Ramassini, a Certified Financial Planner and senior vice president at PNC Investments. "Let's say you want to aggressively pay down your credit cards, but your car breaks down and you need a $2,000 repair. If you don't have an emergency fund, guess where that money is coming from?"

Bonus: Rising interest rates mean that you save money in an online savings account and it should earn at least a small return.

health insurance, auto and home (or renters) insurance, life insurance and disability insurance.

Although insurance premiums can put a dent in your cash flow, they tend to be relatively cheap compared to the expenses you'd face in a worst-case scenario without such coverage.

2. Start Saving for Retirement

Even if you just put aside a small amount to retirement each month, working on this long-term financial goal is an important habit to start. Money you save for retirement when you're young is particularly valuable, given that it has a lot more time to grow.

"The longer you have to save, the longer the time horizon for growth of your investments," says says Lisa Hutter, senior director of wealth planning for Wells Fargo Private Bank. "Starting with a small amount will make a big difference in the long term. It also gets you psychologically prepared and comfortable with allocating that portion of your income to savings."

Directing your retirement savings into a tax-advantaged account such as a 401(k) or an IRA could mean long-term tax savings. And if your company offers a match on 401(k) contributions, you'll benefit from contributing at least enough to get that match.

Companies typically offer a 50 to 100 percent match on investments, which is a guaranteed return you'll never find on any other investment.

started investing at least a small amount as soon as possible, whether your company provides a match or not.

3. Pay Off High-Interest Debt

Credit card debt can be a huge drag on both your ability to access current cash flow and your chances of achieving your long-term financial goals. Credit card rates are on the rise, with the average issuer charging nearly 17 percent in July 2018 on consumer credit card balances.

Paying that off could save you quite a bit of money, especially when factoring in interest. It will be an instant help to your cash flow, likely higher than any return you'll find via other investments.

On our list, debt repayment comes after retirement because you should still continue to put a small amount of savings toward retirement to give your investments a chance to grow and to get into the habit of saving, according to Kevin Avent, a Certified Financial Planner and managing director of wealth management at Unified Trust Company.

If you find it emotionally difficult to deal with your debt, you might consider the "snowball method" of debt repayment, which prioritizes small, easy wins to help you get started.

Otherwise, the most efficient way to go is to start by paying down the credit card with the highest interest rate first, while continuing to meet your minimums on all other cards. Once you've paid off the highest-interest debt, start working on the card with the next-highest rate.

If you have good credit, you may be able to transfer some or all of your credit card debt onto a card with a zero percent introductory rate. Then you can focus on paying down that balance as much as possible before the introductory rate expires.

4. Set Money Aside for Short-Term Financial Goals

After you've paid off high-interest debt and started saving something for retirement, you can start setting aside cash for achieving short-term financial goals, such as buying a home or a new car.

Getting a handle on your debt before making such purchases will not only improve your cash flow and allow you to put more money toward a down payment (reducing your debt later on), but it will also potentially make you a more attractive borrower to lenders.

speak to how much you're able to afford."

Figure out how much money you'll need for the short-term financial goal you have your eye on, and see whether there are areas of your budget that you might be able to cut in order to save more.

Setting up a dedicated account with automated deposits can make it easier to save regularly, as it reduces the temptation to use those funds for other things.

5. Max Out Your Retirement Savings

While regularly socking away even a small amount can make a difference for retirement, your long-term financial goal should be to put 10 to 15 percent of your income away for your golden years.

Ideally, aim to raise the amount you're saving for retirement over time. An easy way to do that is to take advantage of auto-escalation features offered in many 401(k) plans, which will automatically increase the percentage you're saving by a set amount each year.

Additionally, consider increasing your contributions every time you get a raise. If you don't have access to a 401(k), putting money into an IRA is a good way to get started.

If you're saving enough to hit the annual contribution limits on any of these special retirement accounts, you could look for a taxable investment account with low fees and affordable fund options to

A financial planner can help you figure out those goals, but you can get a rough estimate with a retirement calculator.

6. Save for College

Helping your children pay for college is a laudable aim, but it should come after you've met the rest of your financial goals--including making sure you're on track for retirement. That's because there are plenty of ways for your children to borrow money to pay for college, but it's not possible to borrow money for retirement.

"Children are young and have their entire lives to repay their loans and save for retirement," Avent says. "However, parents don't have that luxury."

If you're on track with retirement saving, the best way to save for college is usually a 529 account. Money in a 529 will grow tax-free and withdrawals will be tax-free as long as they're used for qualified education expenses. Many states also offer a tax incentive for contributions to a 529.

While juggling multiple responsibilities at once can feel overwhelming, prioritization is the first step toward achieving goals. While you may have to adjust your plan as your financial situation changes, remaining true to your priorities should lead to long-term success and stability.

This material is designed to provide general information on the subjects covered. It is not, however, intended to provide specific advice or to serve as the basis for any financial or investment decisions.

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