10 Important Money Moves

Control your money!

What 10 products do you need for financial security?

Being money smart is about more than having a budget and eliminating dumb purchases. It means creating a financial foundation that will carry you and your family comfortably through whatever life throws your way.

To create that foundation and find lasting financial security, you need to own these 10 products.

1. Checking account

Let’s start with the basics. You need to have a centralized place to manage and monitor your money. After all, it’s hard to have a balanced budget if you have only a hazy idea of where your money is going.

Prepaid cards are an increasingly popular option, but they can come saddled with lots of fees. Plus, disclosures for these cards can be spotty, making it hard to know exactly how much your card is costing you.

Instead, look for a free checking account. Many institutions have scaled back their offerings, but there are still ways to get free checking from a

2. Debit card

Along with your checking account, sign up for a debit card. Make sure it has a Visa or MasterCard logo and can be used like a credit card.

Having a debit card can eliminate your need to go into debt for purchases, particularly those where it is impossible to use cash or a check. Although I know that some people are fans of credit cards, my personal experience has shown the temptation to overspend when buying on credit negates card benefits for many people.

If you can’t bear the thought of giving up your credit card rewards, look for a bank that offers a debit card rewards program.

High Yield Savings Account

3. High-yield savings account

Every household should have an emergency fund; it's your own personal form of insurance. Typically, you'll want your fund to be large enough to pay at least three to six months' worth of expenses. Since that can be a fairly significant amount of money, you don't want it languishing in a typical savings account where it will earn next to nothing.

Savings rates aren't great right now, but if you park your money in an online account or a money market account, you may be able to yield close to 1 percent on your emergency fund.

Health Insurance

4. Health insurance

Let's forget for a moment that you are now required by law to have health insurance.

Instead, let's talk about the enormous cost of health care in the U.S. If you walk into a New Jersey hospital with chest pain, you could walk out with a nearly $33,000 bill, says Governing Magazine. It's no wonder medical debt is the leading cause of bankruptcy in the U.S.

You may think you're healthy and young, but even healthy and young people get in car accidents or are struck down by devastating illnesses. Unless you're worth millions and can easily pay your own bills, going without health insurance is just plain dumb.

Homeowner’s or Renter’s Insurance

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If your home burns down, will you be left on the street?

Unfortunately, that’s what happens to some people who fail to insure their property. Homeowners policies are relatively inexpensive for the coverage they provide so there is no reason not to own one.

Not only will they pay to rebuild your house in the event of a total loss, these plans will also repair storm damage and vandalism and will likely pony up the dollars needed for temporary housing in the event you can’t stay in your home during repairs.

However, don’t expect your policy to cover damage from flooding. You’ll need a separate policy for that.

If you’re renting, don’t think your landlord’s homeowners policy will pay for your stuff. Instead, cover yourself with some cheap renters insurance.

Car Insurance

6. Auto insurance

After your house, your car may be your most valuable asset.

While many states require a minimal level of coverage, you may want to consider more, depending on your assets and income. See "How Much Car Insurance Should You Buy?" from partner site CarInsurance.com.

For more information on how to get the coverage you need at a price you can afford, we've put together 10 tips to cut car insurance costs.

Disability Insurance

7. Disability insurance

Most insurance purchases are no-brainers for many people. However, disability insurance can trip up some otherwise money-savvy individuals.

Disability insurance provides money in the event you are unable to work for an extended period of time. The details may vary by policy, but most generally provide payments equal to 60 percent of your gross income.

If you're on the fence about whether to buy disability insurance, consider whether you have a big enough emergency fund to pay the bills if you are unable to work. Social Security Disability will provide benefits if you are unable to work for at least a year or are terminally ill, but even if you're approved, there is a six-month waiting period before benefits begin.

Disability plans are often offered through voluntary workplace benefit programs, or you can purchase coverage directly from insurance companies. For more information, read Stacy Johnson's primer on disability insurance.

Life Insurance

8. Life insurance

The final insurance product you need to own isn't about protecting your own financial security but rather that of your family.

If you were to drop dead tomorrow, could your family pay the bills? Do they even have the cash to bury you? Again, unless you have plenty of cash in your coffers, you need to buy life insurance. Even if you're wealthy, you might want a policy to help your family pay off estate taxes.

Beyond that, life insurance can come with added bonuses that make it a smart buy. Some offer living benefits that let you tap into your death benefit if you're terminally ill. Others allow policyholders to use money for long-term-care expenses.

And of course, you can count on our resident money expert to have some more tips on buying life insurance

Retirement Fund

9. Retirement fund

Someday you'll want to retire, and God help you if you plan to live off Social Security. In 2014, the average Social Security benefit is $1,294 a month. That gives you a whole $15,528 each year – just a bit above minimum wage.

If that seems like a pathetically small amount, the Social Security Administration provides this explanation in its 2014 benefits guide:

But Social Security was never meant to be the only source of income for people when they retire. Social Security replaces about 40 percent of an average wage earner's income after retiring, and most financial advisers say retirees will need 70 percent or more of pre-retirement earnings to live comfortably. To have a comfortable retirement, Americans need much more than just Social Security. They also need private pensions, savings and investments

So take a cue from the SSA and make sure you have another source of income for your golden years.

Your first stop for retirement savings should be a 401(k) if your employer provides a match of any kind. After that, look for a tax-sheltered plan such as an individual retirement account.

College Savings Account

10. College savings account

If you're childless, you get a pass on this final must-have financial product. For everyone else, you should start planning for college now.

Even if you're of the bent your child will be paying her or his own way, you never know what the future may hold or how your views may evolve over time. Best to put some money aside in savings now just in case.

The 529 plans and Coverdell educational savings accounts are the most common ways to get tax advantages for college savings. However, you have to use the money for educational purposes (you can always transfer the money to another child if things don't pan out for student No. 1) or you'll get hit with a tax penalty.

If you aren't confident you'll actually be paying college expenses for your children, you may want to put money aside in an investment fund. Then, if they get a full-ride scholarship or burn out in the first semester, you'll have a nice chunk of money for retirement or maybe a dream vacation to celebrate or de-stress.

You need more than a steady job to be financially secure. You need to have enough money in the bank and enough insurance behind you to weather all the unexpected events Murphy's Law is bound to deliver during your lifetime.

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Millennials already thinking about college savings for their children. Likely trying to lighten the heavy load many of them were forced to carry, Gen Y-ers are already saving for their kids' college at an amazing rate, according to new research.

Gen Y parents — some of whom are still paying off their student debt — plan to pay on average 74% of their children's college costs. That's compared to 64% for Generation X parents and 60% for Baby Boomer parents. On top that, 43% of Millennials aim to pay for the full cost of their children's college education compared to only 32% of Gen X.


That’s All.