

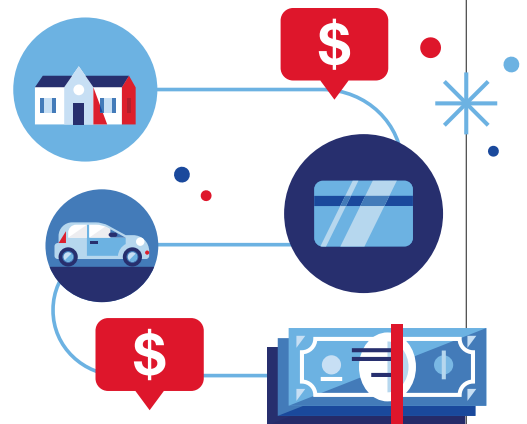
CHECKLIST

Checklist: How to gain financial independence from your parents

Becoming financially self-sufficient is easier than you think – especially with these 16 steps to help guide you.

Taking ownership of your finances may be the most important part of transitioning to adulthood. Even after you land that first full-time job, it could be a while before you have the means to completely cut off parental support. Getting there requires patience, planning and lots of discipline.

Learning to navigate adult money matters may take time and practice, but building those skills now will set you up for a lifetime of financial security and success. Use this checklist to help guide you along the path to financial independence.



Come up with a takeover plan

Financial independence is the long-term goal, but what steps will you take to get there? Visualize your plan and set a time frame, then talk it out with your parents.

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| <p><input type="checkbox"/> 1. Outline the steps you'll take Breaking down your long-term goal into small, manageable steps will help you measure your progress and stay on track. List each of the actions you'll take to gain financial independence, such as "reduce monthly spending by X amount" or "pay my own phone bill." Check them off as you go – each little triumph will motivate you to keep the momentum going.</p> | <p><input type="checkbox"/> 2. Establish a timeline Give yourself a reasonable amount of time to accomplish each step.</p> <hr/> <p><input type="checkbox"/> 3. Talk to your parents Discuss your plans for making the transition. Show gratitude for their support, and ask them to help hold you accountable as you take on more financial responsibility.</p> |
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Analyze your spending

Learning to live within your means – or spend less than you earn – is the key to financial stability. It may sound obvious, but it's amazing how easy it is to blow through your paycheck when you aren't monitoring where the money's going. Get in the habit of tracking where and how you spend money. You may be surprised to see where it goes!

- ☐ 4. **Total up monthly expenses**
On average, how much do you spend each month? List essentials (rent, groceries, insurance, minimum debt payments, etc.) separately from nonessentials (eating out, entertainment, etc.). Online money management tools, such as YNAB and Mint, can help you keep track of every transaction.
- ☐ 5. **Calculate your parents' contributions**
Add any costs your parents cover to your total monthly expenses.
- ☐ 6. **Assess and adjust**
Can you afford the essentials without your parents' support? If not, look for ways to cut costs and/or increase your income. Your monthly after-tax income should always exceed your monthly expenses. It may require certain lifestyle changes, such as moving in with roommates or cutting back on takeout, but those temporary sacrifices will help you find your footing.

Set up a strong foundation

Start to lay the groundwork for a smooth transition by budgeting and growing your savings.

- ☐ 7. **Stick to a reasonable budget**
Consider adhering to the 50/30/20 budgeting rule: Put 50 percent of your after-tax income toward needs, 30 percent toward wants and 20 percent toward savings and debt repayments.
- ☐ 8. **Supplement your income**
Start a side hustle or weekend gig to accelerate your savings.
- ☐ 9. **Build an emergency fund**
Having an emergency fund to dip into for unexpected expenses will keep you from falling into debt – or falling back on your parents' help. Aim to save at least three months' worth of your basic living costs.



Develop a debt strategy

Tackle your debt early to free up your finances for other goals.

- ☐ 10. **Research repayment options**
Look into debt consolidation, refinancing and income-driven plans (for federal student loans) to reduce your monthly payment. Keep in mind the longer it takes to pay down your debt, the more interest you'll end up owing – so be sure to contribute more once you can afford it.
- ☐ 11. **Prioritize payoff by interest rate**
Make the minimum payment on each of your debts, then use what's left over to pay down the debts with the highest interest rates.

Secure your financial future

As you gain more independence, work on building healthy financial habits and commit to planning for future goals.

- ☐ 12. **Save part of every paycheck**
Aim to put 10-15 percent of each paycheck into your retirement fund.
- ☐ 13. **Get insured**
Health, auto and home/renters coverage should be non-negotiable, but you can research other policies depending on your needs.
- ☐ 14. **Be conscious with credit**
Paying off your credit card on time and in full each month is a simple way to build good credit, which can impact your ability to rent an apartment or qualify for loans. Just keep in mind that while responsible credit card use can boost your credit score, irresponsible use can quickly sink it.
- ☐ 15. **Automate bill payments or set up alerts**
Strive to always make on-time payments to avoid racking up fees or debt.
- ☐ 16. **Go forth with confidence**
You did it! Achieving financial independence is a major money milestone, so celebrate your success. Continue to challenge yourself by setting a new financial goal each year.