

Financial Order of Operations

Phase 1: Protect Income & Initial Savings

- Own-occupation disability insurance sized to replace expenses and lost savings—pay attention to group policy limits and use private insurance to fill any gap.
- Term life insurance limits aligned with your family's needs.
- Umbrella liability insurance to guard against claims that exceed current policy limits.
- Build your emergency fund: save 3 months of essential living expenses in a high-yield savings account and automate contributions.

Phase 2: Capture Employer Match

- Example: Contribute 6% of salary to your 401k to secure company's full match (100% on first 4%; 50% on next 2% for a 5% match on a 6% contribution).

Phase 3: Eliminate High-Cost Liabilities

- List all balances above ~6% APR.
- Target the highest-rate loan first.
- As each balance is paid off, roll its freed-up cash into the next highest-rate loan.

Phase 4: Build Full Savings Reserve

- Increase your emergency fund from 3 to 6 months of essential living expenses in your high-yield savings account.

Phase 5: Tax-Advantaged Growth Vehicles

- Max out Health Savings Account (HSA) contributions (Individual: \$3,900; Family: \$8,550 in 2025) for deductible contributions, tax-free growth, and tax-free withdrawals.
- Max out Roth IRA contributions (\$7,000 per spouse in 2025; plus \$1,000 catch-up if age 50+).

Phase 6: Maximize Retirement Plan Contributions

- Elective deferrals to your 401(k) up to the 2025 IRS limit (\$23,500 + \$7,500 catch-up if age 50+)
- Contribute to your 457(b) up to the 2025 IRS limit (\$23,500 + \$7,500 catch-up if age 50+).

Phases 1–6: DIY-friendly – easy to implement on your own.

Phases 7–10: Consider working with a CFP® Professional for advanced strategies.

Phase 7: Long-Term Wealth Building in Taxable Accounts

- Deploy any remaining surplus cash flow to a diversified taxable brokerage account.
- Focus on low-cost, tax-efficient funds (ETFs, tax-managed mutual funds).
- Harvest losses, consider direct indexing, and optimize asset location.
- Ensure total savings—including emergency reserves, tax-advantaged accounts, and taxable investments—reach at least 20% of gross income.

Phase 8: Pre-Pay Future Commitments

- Pay off any remaining low-interest debt.
- Fund education savings (529 plan) to match projected tuition goals.
- Pre-fund other upcoming goals (vacations, home improvements, professional dues).

Phase 9: Advanced Tax & Estate Planning

- Implement gifting strategies such as annual exclusion gifts and education gifting (5-year front-loading of 529 contributions and direct tuition payments).
- Establish charitable trusts or utilize donor-advised funds.
- Review and update wills, powers of attorney, and healthcare directives.

Phase 10: Portfolio Evolution & Risk Calibration

- Introduce bespoke alternative asset classes (private equity, real estate, hedging strategies) and layer in structured products or insurance overlays to manage tail risk.