

Stages of the Financial Life Cycle

I. BEGINNING FAMILIES

Adjustment:

- Newly married, young, no children
 - Adjustment in merging values, combining incomes, role clarification.
1. Highly involved in capital and asset formation-some having maintaining a level of living.
 2. Some are better off financially than they will probably be for sometime.
 3. Highest purchase rate and highest average purchase of durable (functional, moderately priced, modern or contemporary in style.
 4. Purchase: cars, refrigerators, stoves, household furnishings, small appliances and accessories (may return wedding gifts which are duplicated).
 5. Sizeable income if both are working, therefore, lower percent fixed.
 6. Past debts paid, i.e. school loans, wedding, etc.
 7. May have overspending or may save one income.
 8. Entertainment and recreation-oriented.
 9. Concerned with style and fashion in clothes as well as in decorating.
 10. May not have money management experience.
 11. Few medical expenses.
 12. Probably live in rental housing/apartment.
 13. May have high income taxes since no dependents.
 14. Purchase life and health insurance.
 15. Establish: liquid assets, financial protection and security, joint net worth, budget plan, goals. Initial expenses for durable goods may be seen as investment.

II. EXPANDING FAMILIES

Accumulation:

- Children: newborn to six years
 - Accumulation of goods and children
1. Home purchasing at peak (takes up to 25 - 30% of income).
 2. Liquid assets low-may be dissatisfied with amount saved.
 3. Hospital and doctor expenses.
 4. Other child expenses.
 5. Increased need for insurance with increased family size.
 6. Decrease in income if wife stops working.
 7. Most of income goes for current consumption.

8. Time of heavy financial commitments.
9. Income may be re-apportioned-spending pattern changed.
10. Inadequate emergency fund.
11. Low provisions for retirement.
12. Continue purchasing goods: washers, dryers, TV, baby food, clothing and other needs, toys, house furnishings.
13. Less recreation and entertaining.
14. Dependents may cause lower taxes.
15. Nursery school and kindergarten expenses.