How to Manage Your Finances

Workbook

What to Expect

Welcome/Learning Points

Challenges

Assess Your Finances

- Setting Financial Goals
- Life Stages

Budget Guidelines

- Designing Your Spending Plan
- Managing Your Cash Flow
- Becoming Debt-free

Credit Trouble

- Your Credit Report

Financial Emergencies

Saving and Investing

- How Much Do I Need to Save?
- Choosing an Investment Professional
- Certificates of Deposit (CDs)/The CD Ladder
- Other Options

Managing Your Retirement Plan

Insurance

- Protecting Your Assets
- Be a Savvy Insurance Shopper

Estate Planning

Make Your Action Plan

Closing

Learning Points

Participants will:

- Evaluate current financial situation
- Identify the components of financial planning
- Redesign your spending habits
- Explore ways to manage money more effectively
- Write an action plan to manage your finances

Please consult your personal financial institution or investment professional for more specific information.

The worksheets provided in this program will take more time to complete than allotted today. Think about finishing this process at home with appropriate household members.

Note: The contents of this training program should not be interpreted as any form of financial planning advice. Please consult your personal financial institution or investment professional for more specific information.

Challenges

What have some of your challenges been in managing your finances?	

Good financial planning includes:	1. 2. 3. 4. 5. 6. 7. 8. 9.

Assess Your Finances

Cash flow analysis
Vital to determine the resources available to fund your goals.

Net worth
Equals the value of what you own, less what you owe. A net worth analysis is critical for insurance and estate planning.

An emergency fund
Essential for addressing the unexpected. Your fund should be able to cover three to six months of living expenses.

Setting Financial Goals

Why is it important to have financial goals?

What's really important to you?

How can you use your income to provide the greatest satisfaction?

What are some of your goals?

(An example of a goal might be to save 10 percent of your net pay from every pay check.)

Use the worksheet on the following page to determine your financial goals

Make sure the financial goals you set are SMART goals:

- **S**pecific
- **M**easurable, in terms of dollars
- **A**ttainable or achievable
- **R**ealistic
- **T**ime-specific

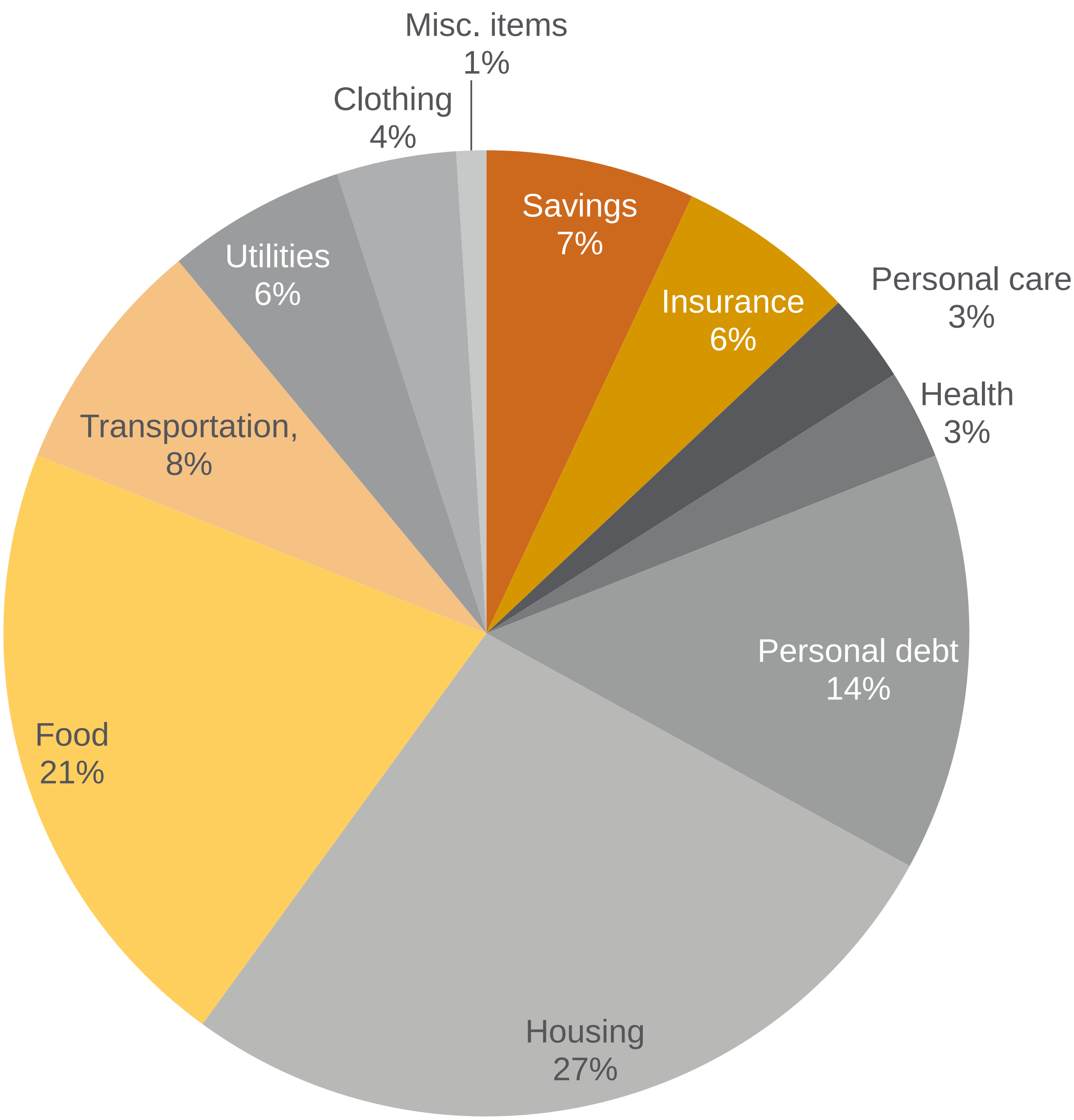
Life Stages

Make financial goals personal, for example:

- Establish credit; maintain a good payment record
- Learn about investing; set up an automatic savings program
- Have adequate insurance coverage
- Begin investing for children's education
- Keep credit under control. Avoid finance charges/annual fees
- Look for investments/savings to shelter income
- Begin retirement planning
- Review will/estate plans
- Switch a portion of investments to low risk
- Research reverse mortgages as possible income supplement

Budget Guidelines

How does your budget measure up against this recommendation?



Designing Your Spending Plan

Use the worksheets in the packet to help answer the following questions:

- How much do you need to save each month to meet your goals?
- What can you do if you're living "in the red" or in debt?
- Where's your money going?
- Have you included information for the entire family?

Managing Your Cash Flow

Ideas for Managing Your Cash Flow

- Set goals.
- Record your expenses.
- Identify spending traps.
- Balance your checkbook.
- “Pay yourself first.” Set aside at least 10 percent of each paycheck.

Managing Your Cash Flow

What methods do you have for managing your cash flow?

-
-
-
-
-
-
-
-

Credit Trouble

- ✓ Feeling anxiety and stress
- ✓ Making minimum payments
- ✓ Charging more than you pay
- ✓ Needing a consolidation loan
- ✓ Being at limit and adding new cards
- ✓ Not knowing the total amount you owe
- ✓ Having a balance that rarely decreases
- ✓ Arguing with spouse/partner about money
- ✓ Using credit and cash advances for everyday items

All of these point to a need for budget management.

It might be helpful to consult your local financial institution, a reputable credit counseling service or your organization's toll-free number for a referral to get help.

Your Credit Report

Credit Score

- Used to determine the likelihood of successful repayment of a loan
- Range from 300–850

Factors affecting credit scores

35 Percent: Last two years of payment history

30 Percent: Total amounts owed

15 Percent: Length of credit history

10 Percent: New credit applications

10 Percent: Types of credit in use

Why do you need a credit report?

Your report could contain an error.

To obtain a copy of your credit report, contact the following:

https://www.annualcreditreport.com/index.action

1-877-322-8223

P.O. Box 105283
Atlanta, GA 30348-5283

Financial Emergencies

What do you do when your income decreases, but the bills keep coming?

Maintain your financial well-being in emergencies.

- Apply for unemployment.
- Revise budget to match income.
- Prioritize creditor payments — rent, mortgage, auto, insurance, utilities.
- Contact creditors to negotiate temporary payment reductions.

Contact your creditors.

- Contact them in writing. Include cause of reduction in income, prospects for getting back on track and proposed payment amount.
- Be realistic and straightforward, only promise what you're sure you can afford.

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Financial Emergencies

Consider bankruptcy only as a last resort.

- Imposes long-term damage to credit.
- Bankruptcy is not free; there are court and attorney costs.
- Cannot discharge all debts: child support, alimony, taxes, student loans, court-ordered damages still must be paid.

Filing bankruptcy is a major decision and a complicated legal procedure.

Seek legal assistance before making this decision.

The two most common types of bankruptcy are Chapter 7 and Chapter 13.

In Chapter 7, there is a sale of all assets that are not exempt, for example cars, work-related tools and basic household items. Usually the sale is conducted by a court-appointed trustee.

Chapter 13 may allow you to keep some property, such as a mortgaged house or car. Usually there is a court-administered payment plan over a three- to five-year period that requires payment of a percentage of the debt owed before the remaining balance is discharged.

Both types of bankruptcy affect your credit score and stay on your credit report for several years.

The Federal Trade Commission website has more information about the bankruptcy process and a state-by-state list of government-approved agencies who can help you find out more about the bankruptcy process.

https://www.consumer.ftc.gov/articles/0084-debt-relief-or-bankruptcy

https://www.consumer.ftc.gov/articles/0224-filing-bankruptcy-what-know

Financial Emergencies

What is a financial emergency?

How would you cope with bills if money stops coming in on a regular basis?

Saving and Investing

- Why do people need to save money?
- What’s the difference between saving and investing?
- What are some ways people are preparing for retirement?
- When will you be financially independent?

Saving and Investing

List some things you could do to help you have more money to save:

1.

2.

3.

4.

5.

How Much Do I Need to Save?

Check out these additional resources:

- Financial Articles, AARP materials online at www.aarp.org/money/financial_planning/
- U.S. Department of Employee Benefits Security Administration at www.dol.gov/ebsa/
- Financial Industry Regulatory Authority https://www.finra.org/

How Much Do I Need to Save?

What to consider when you determine income needed in retirement

- Retirement age
- How much have you been saving and in what types of investments
- Depends on expenses, important to budget
- Conservative, 100 percent of current expenses, adjust for inflation
- Highly specific to individual situation and lifestyle
- Impact of inflation on purchasing power is important

What to consider when you determine cash inflows

- Social security
- Pensions
- Pay-outs from trusts or inheritance
- Other income?

Determine gap, if any, between savings and income needed

- Must be supported by pay-outs from "lump sum"
- Lump sum can be IRAs, Regular Investment Accounts
- Tax effects will impact each decision

Choosing an Investment Professional

What is the value of seeking advice from an investment professional?

Information about finding an investment professional is available on the Financial Industry Regulatory Authority website:

https://www.finra.org/investors/choosing-investment-professional

Certificates of Deposit (CDs)

Advantages	

Disadvantages	

The CD Ladder

$500 in a four-year CD

$500 in a three-year CD

$500 in a two-year CD

$500 in a one-year CD

Other Options

Other long-term savings and investment options

Consider investing in companies that purchase bonds, stocks or other securities and sell shares to the public.

- Provides two benefits:
    - Diversification — Fund shares represent investments in many companies
    - Professional management of your money — Portfolio managers whose job is full-time research

Work with a broker or contact a no-load (no commission charged at time of sale) mutual fund company.

- Read the prospectus before investing.
- Look at the fund's objectives/goals. Be comfortable with the risk associated with the fund.
- Determine past performance — minimum of five years.
- Ask about purchasing and redeeming information — minimum investments, auto-investing, loads.
- Identify fund management fees.
- Check out the risk — the fluctuation in investments.
- Determine the level of risk appropriate for you — conservative, balanced, moderate growth, aggressive growth and other types of funds as each has different levels of risk and reward.

Always consult an investment professional with appropriate credentials.

The Financial Industry Regulatory Authority website has more information: https://www.finra.org/investors/choosing-investment-professional

Other Options

It's vital to identify your comfort level with risk.

Conservative, balanced, moderate growth, aggressive growth and other types of funds each have different levels of risk and reward.

Always consult a professional financial advisor with appropriate credentials. The Financial Industry Regulatory Authority website has more information: https://www.finra.org/investors/choosing-investment-professional

Managing Your Retirement Plan

- Begin now
- Diversify
- Look long-term
- Invest aggressively
- Avoid borrowing from your 401(k)

Insurance: Protecting Your Assets

What type of insurance should you have? Why?

Health insurance	
Disability insurance	
Life insurance	
Liability insurance	
Auto insurance	
Homeowners insurance	
Renters insurance	

Estate Planning

How will your assets be distributed?

Have you executed the appropriate legal documents?

- Wills and trusts?
- Durable Power of Attorney?
- Advanced Medical Directive or Living Will?

What about estate taxes?

Make Your Action Plan

What ideas, behaviors, attitudes, feelings, techniques about managing your finances did you gain from this training? List them below.

Who will you check in with to make sure you are making progress?

Ideas/Behaviors	I will meet it by …

Appendix A: Assessing Your Financial Situation

Assets

Cash items

Cash on hand	$_________
Checking accounts	$_________
Savings accounts	$_________
Money market accounts	$_________
U.S. Treasury Bills	$_________

Investments

Stocks	$_________
Bonds	$_________
Mutual fund investments	$_________
Cash value of life insurance	$_________
Other investments	$_________

Retirement funds

IRAs and Keogh accounts	$_________
Employee savings plans	$_________

Personal assets

Principle residence	$_________
Second residence	$_________
Collectibles/art/coins, etc.	$_________
Automobiles	$_________
Home furnishings	$_________
Furs and jewelry	$_________
Other assets	$_________

Total assets **$__________**

Liabilities

Charge account balances	$_________
Personal loans	$_________
Auto loans	$_________
Home mortgages	$_________
Home equity lines	$_________
Other loans	$_________
Other liabilities	$_________

Total liabilities **$__________**

Total assets		**$__________**
Total liabilities	**–**	**$__________**
Net worth	**=**	**$__________**

Worksheet based on https://www.investor.gov/sites/default/files/Net-Worth.pdf

http://www.finra.org/investors/know-your-net-worth

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Appendix B: Setting Financial Goals

Short-term Goals (less than two years)

Goal	Priority Level	Desired Achievement Date	Anticipated Cost
Accumulate emergency funds equal to three months' living expenses			
Pay off outstanding credit cards			
Purchase adequate property, health, disability and liability insurance			
Money for vacation			

Intermediate-term Goals (two to five years)

Goal	Priority Level	Desired Achievement Date	Anticipated Cost
Save for major home improvements			
Save for down payment on a house			
Pay off outstanding major debts			

Long-term Goals (greater than five years)

Goal	Priority Level	Desired Achievement Date	Anticipated Cost
Save for college for child (children)			
Purchase a second home			
Create a retirement fund			
Take care of parents after they retire			
Start your own business			

Appendix C:
Credit Evaluation Worksheet

Name of Creditor	Interest Rate (APR)	Last Annual Fee	Finance Charge	Minimum Payment	Balance Outstanding
Credit Cards					
Consumer Loans					
Auto Loans					
Mortgage Loans					
Other Loans					
Totals					

Appendix D:
Saving and Investing

The Cost of Procrastination

The longer your money is invested, the more it can grow. Look at how much someone who invested $2,000 a year while she was in her 20s would have when she retired, compared to someone who began saving at age 30 and continued faithfully until age 65.

This example is based on 9 percent annual interest.

Age	Annually	Age	Annually
22	$2,000	22	0
23	$2,000	23	0
24	$2,000	24	0
25	$2,000	25	0
26	$2,000	26	0
27	$2,000	27	0
28	$2,000	28	0
29	$2,000	29	0
30	$2,000	30	0
31	0	31	$2,000
32	0	32	$2,000
33	0	33	$2,000
34	0	34	$2,000
35	0	35	$2,000
36	0	36	$2,000
37	0	37	$2,000
38	0	38	$2,000
39	0	39	$2,000
40	0	40	$2,000
41	0	41	$2,000
42	0	42	$2,000
43	0	43	$2,000
44	0	44	$2,000
45	0	45	$2,000
46	0	46	$2,000
47	0	47	$2,000
48	0	48	$2,000
49	0	49	$2,000
50	0	50	$2,000
51	0	51	$2,000
52	0	52	$2,000
53	0	53	$2,000
54	0	54	$2,000
55	0	55	$2,000
56	0	56	$2,000
57	0	57	$2,000
58	0	58	$2,000
59	0	59	$2,000
60	0	60	$2,000
61	0	61	$2,000
62	0	62	$2,000
63	0	63	$2,000
64	0	64	$2,000
65	0	65	$2,000

Total of **$18,000** invested

Amount available at age 65 **$579,471**

Total of **$70,000** invested

Amount available at age 65 **$470,249**

Appendix E: Couples and Money

The number one topic couples fight about is financial issues. Just as individuals have different personality styles, so too do people have individual money personalities. The way money was viewed and handled in one's family of origin shapes one's money behavior in adulthood. If money is seen as integral to one's status, power, control or worth, that will give rise to a different financial focus than money that's viewed as a source of love and acceptance, a means to an end or a vehicle to charitably share. These are issues that can have deep emotional roots and are best discussed prior to making a commitment.

It's recommended that couples look at their financial goals, from short-term (six months to one year), mid-term (one to five years) and long-term (over five years) and make a plan for meeting those goals. Understanding the "why" or motivation behind each goal can help inform alternative plans should any of the goals be unrealistic for the current situation.

Couples also need to establish a budget or spending plan and determine who will be responsible for what, how financial matters will be handled — joint accounts, independent accounts or a combination of the two — and how much each person can spend on one item before needing to consult with his or her partner. Many experts advocate for each person in a couple to have some financial autonomy so each doesn't have to consult with the other around every spending decision. Many experts also advocate for individuals having their own credit cards to build their individual credit histories. Couples are encouraged to "pay themselves first" — put money into a savings plan for those aforementioned goals — as part of that spending plan.

Additionally, couples need to have regular, ongoing conversations around money. Are you still on track? Have there been changes in your family status? Your goals? Your career path? Your job(s)? What kind of compromises are needed? How is the economy impacting your goals and your current financial situation? Do you need to cut back? If so, where?

Communicate about financial issues. Accept that everyone handles money differently and that it can be an emotional issue. Set financial goals together. Create a spending plan and determine who will manage the finances. Keep communicating.

Citations

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