Budgeting, Credit and Life Events
PREPARING FOR LIFE EVENTS

• Job Transition:
  • Change/Lose Job

• Financial Market Changes:
  • Corrections/Recession/Bear Markets

• Emergencies:
  • Health
  • Major Repairs
  • Lawsuit
  • Accidents
IMPORTANCE OF FINANCIAL FITNESS

- **Preparedness:**
  - Emergencies:
    - Health
    - Accident
    - Major Repairs
    - Pets
  - Job Loss
    - Unemployment Resources
    - Economic Development
- **Improved Credit**
  - Purchasing Power
  - Home Buying
  - Lower Interest Rates
- **On the RIGHT side of Interest**
- **Long Term Planning:**
  - College
  - Retirement
  - Long Term Care
  - Estate Planning
- **Stress:**
  - Financial Stability is Less Stressful
  - Focus on other things
A GOAL WITHOUT A PLAN IS JUST A WISH

• A Financial Plan is imperative to your overall financial well being and is critical for LONG-TERM success

• A plan includes:
  • Budget – Understanding cash flow needs
  • Debt Reduction – Getting on the right side of interest
  • Improving Credit
  • Saving/Investing for Retirement
  • Estate Planning – Wills/Trusts/Longevity Planning etc.

• Today we will focus on taking the first steps into creating a long-term plan
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#1 SET A FINANCIAL GOAL

- Find a financial mentor or coach
- A financial goal is a way of keeping track of how you’re doing, just like a scoreboard
- You should set at least 3 types of goals:
  - Short-term – monthly
  - Mid-term – 6 months to 1 year
  - Long-term – 5 to 10+ years

It is very important to **write down your goals** and put them where you can read them every day!
#2 Calculate Your Profit

- **Gross income**: income before taxes
- **Net income**: actual amount of money received after state, federal, social security and other taxes have been taken out
- **If-come**: doesn’t count

\[
\text{Net Income} \quad - \quad \text{Expenses} \\
\hline
= \quad \text{Profit}
\]
#3 CREATE A BUDGET

- **Budget:** a step-by-step plan to help you reach your goals
- Track all expenses
- Categorize expenses
- Evaluate your spending
  - Figure out where you can **reduce** your spending

You need to be living on **70-75%** of your net income


#4 UNDERSTANDING INTEREST

- “Compound interest is the 8th wonder of the world. He who understands it, earns it; he who doesn’t, pays it.” – Albert Einstein

- Interest - money paid regularly at a particular rate for the use of money lent, or for delaying the repayment of a debt
  - Those who **owe** pay it....Those who **own** earn it

- The average rate of return of the stock market from 1999-2019 was Approx. 6.25% *

- You can GAURUNTEE yourself a 15% Rate of Return
  - The average credit card interest rate in America for 2019 was 15.09%

- Where is your money best spent?

- Pay your Debt! Increase Cash Flow!

*Source: SP500 Annual Returns
#Source: CreditKarma
#5 ROLL-DOWN DEBT REDUCTION

1. Pay yourself first – Emergency Fund
2. Make a list of all debts
3. Sort debt by lowest balance owed
4. Review your plan with a mentor
5. Pay off, or as much as you can, the smallest debt first
   6. Pay the minimum payment on larger debts
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   6. Pay the minimum payment on larger debts
   7. Repeat steps 5 & 6, snowball method, until you’re debt free
   8. Feel confident as you pay things off
#6 TIPS ON PAYING OFF DEBTS AND INCREASING CASH FLOW

- Consider leveraging of Assets:
  - 401K Loans – Be Careful!
  - Cash Back Re-Finance of Home
    - Rates are at all time lows
- Utilize Roll-Down Debt Reduction
- Look at Zero-Transfer Credit Cards
- Reduce 401k Contributions to the Match
- You have to get SOME traction – Consider dipping into emergency fund
#7 IMPROVE AND UNDERSTAND YOUR CREDIT

- Credit Report
  - Personal Information
  - Account Information
  - Inquiries
  - Collections
  - Public Record Information
  - Creditor’s Contact
  - Retrieve at:
    - www.annualcreditreport.com
#8 HOW CREDIT IS MEASURED

- Payment history: 35%
- Amounts owed: 15%
- Length of credit history: 10%
- New credit: 10%
- Types of credit used: 10%
#9 TIPS ON CREDIT BUILDING

- Watch those credit card balances
  - Optimum 30%
- Eliminate credit card balances
  - Consolidate spending
- Leave old debt on your report
  - Oldie but a goodie
- Use your calendar
  - Rate shopping 15-45 days
- Pay bills on time
#10 THE PATH TO WEALTH ACCUMULATION

- Investments
- Life insurance
- Tax strategies
- College savings

- Real estate strategies
- Budget
- Debt consolidation
- Emergency fund
- College savings
- Investments
- Life insurance
- Tax strategies
- College savings
RESOURCES

Books
- *Age-Proof: Living Longer Without Running Out of Money or Breaking a Hip*
  - Jean Chatzky
- *Rich Dad, Poor Dad*
  - Robert Kiyosaki
- *The Total Money Makeover*
  - Dave Ramsey
- *Why Didn’t They Teach Me This in School?*
  - Cary Siegel

Websites
- 360FinancialLiteracy.org
- IFEonline.org
- MyMoney.gov

Podcasts
- *Marriage, Kids, and Money*
- *Rich Dad Radio Show*
- *So Money*
- *The Dave Ramsey Show*

Mobile Apps
- **Acorns** (Tiered pricing options)
  Micro-investing for your spare change
- **Empower** (Free and paid options)
  Track spending, manage subscriptions, get tips for negotiating bills
- **Mint** (Free)
  All of your accounts in one place; build/track budgets, pay bills, check your credit score