Be Your Own Financial Planner
Financial Workshop

Special presentation for:

[Your Logo Here]
Objectives:

- Get Organized
  - Know your important financial numbers.
  - Create a simple budget that is easy to follow.

- Make Sure Your Foundation is Solid
  - Understand what goes into a complete financial plan.

- Set Financial Priorities
  - Determine what matters most to you.
  - Focus your attention accordingly.
Fill in the blank:

Thinking about money _________.

a) causes me a lot of stress.

b) confuses me.

c) makes me feel hopeful.

d) bores me to tears.

e) is exciting.
Top 5 Money Mistakes New Yorkers Make

1. Dining out. For every meal.
2. Taking too many taxis.
3. Spending too much on rent.
4. Not having renter’s insurance.
5. Racking up credit card debt.
Step 1: Get Organized

GETTING ORGANIZED IS OFTEN THE HARDEST PART.

BUT IT IS THE FIRST STEP TOWARD FINANCIAL INDEPENDENCE.
Know Your Numbers

Figure out where you stand today so that you can create a plan to get where you want to be in the future.

- **Your Net Worth**
  Everything you own, minus everything you owe.

- **Use Mint.com** to calculate your net worth automatically.

- **Your Credit Score**
  How credit worthy you are in the eyes of lenders.

- **Use CreditSesame.com** to find out your score for free.
Aim to have a credit score of 760 or above. A few simple steps can significantly improve your credit score in a short amount of time.

**Free Credit Scores:**
- CreditKarma.com
- CreditSesame.com

**Free Credit Reports:**
- AnnualCreditReport.com

**Credit Counseling**
- NFCC.org

### How Your Credit Score is Calculated

<table>
<thead>
<tr>
<th>Factor</th>
<th>Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment History</td>
<td>35%</td>
</tr>
<tr>
<td>*Never miss a minimum payment</td>
<td></td>
</tr>
<tr>
<td>Credit Utilization</td>
<td>30%</td>
</tr>
<tr>
<td>*Use 30% or less of your available credit</td>
<td></td>
</tr>
<tr>
<td>Length of Credit History</td>
<td>15%</td>
</tr>
<tr>
<td>*Keep your oldest card open</td>
<td></td>
</tr>
<tr>
<td>New Credit</td>
<td>10%</td>
</tr>
<tr>
<td>*Be careful when opening a new card</td>
<td></td>
</tr>
<tr>
<td>Types of Credit Used</td>
<td>10%</td>
</tr>
<tr>
<td>*More variety is viewed positively</td>
<td></td>
</tr>
</tbody>
</table>
Easy 3-Step Budget

Create a realistic budget that is simple to follow.

1. **After-Tax Income**
   - *How much is deposited into your bank account each month?*
     - Example: $3,000

2. **Fixed Expenses**
   - *What bills do you have to pay each month (rent, cell phone, student loans, etc)?*
     - Example: $2,000

3. **Everything Leftover**
   - *This is the amount you have for monthly spending on variable expenses & saving for financial goals.*
     - Example: $1,000
     - Food & Dining
     - Personal Care
     - Shopping
     - Travel Savings
Set Yourself Up for Success

- Break your variable expenses down weekly or daily. Give yourself an allowance.

- Track your expenses for 1-3 months (or more). Become aware of your spending patterns.

- Reduce automatic spending where possible: cut back on expenses like gym memberships, cell phone plans and cable bills.

- Use a cash diet if you’re overspending on a regular basis. Put away your credit cards.

- Keep a reminder of your savings goal in your wallet to prevent you from making impulse purchases.

- Create a savings account that you also use for fun spending, like shopping, so that each purchase visibly reduces your savings.
Step 2: Building a Foundation

FINANCIAL INDEPENDENCE REQUIRES HAVING A

SOLID FINANCIAL FOUNDATION IN PLACE.
If you don’t feel financially secure, you are not alone.

The Average American Family:

- Has $3,800 in the bank.
- Owns a house worth $160,000.
- Owes $95,000 on their mortgage.
- Makes $43,000 a year.
- Carries a $2,200 credit card balance.
- Has less than $35,000 saved for retirement.

More Statistics:

- 40% of Americans are not saving for retirement.
- 25% have no savings at all—retirement or otherwise.
- Only 18% of people feel “very confident” about having enough money for retirement.
- Less than 40% of American adults have an emergency fund to fall back on if something were to happen.

Source: Visual Economics

Just in Case: Have Some Cash on Hand

- Have a “just in case” fund with at least $10,000 in it. Set a goal of eventually having 8+ months of living expenses saved up.
- This account protects you from periods of unemployment, and from using credit cards to pay for large unexpected expenses.
- Keep this money in an FDIC-insured account, like a high-yield savings account, money market or CD.
Pay Off Debt, Slowly but Surely

- Getting out of debt isn’t as hard as it seems.
- Face the facts, and come up with a plan.
- Temporarily reduce expenses as much as possible.
- Set automatic payments for all of your minimums.
- Put all extra cash towards the highest interest rate loan.
There Are No Loans for Retirement

- **Two Ways to Save:**
  - Traditional: Save on taxes now, but pay taxes in retirement.
  - Roth: Pay taxes now, rather than pay taxes in retirement.

- **Best Savings Strategy:**
  - First, Contribute up to the match in your 401(k).
  - Next, contribute to a Roth IRA, up to $5,000 in 2012
    (Single tax filers must make less than $110,000 & couples who file jointly less than $173,000 combined.)
  - If you can contribute even more, head back to your 401(k) plan.
    The maximum contribution is $17,000 in 2012.
Insurance is a Tool for Managing Risk

- Everybody **needs** health insurance & disability insurance.
- Everybody who has dependents **needs** life insurance.
- Anyone who rents an apartment **needs** renter’s insurance.
- Anyone who owns a home **needs** homeowner’s insurance.
- Anyone who has a car **needs** auto insurance.
Estate Planning is More Than Just a Will

- Health Care Proxy & Living Will
- Power of Attorney
- Appoint a guardian for your child/children
- Make sure your beneficiaries are up-to-date on retirement accounts & insurance policies, as well as “payable-on-death” bank accounts and “transfer-on-death” investment accounts.
Step 3: Set Financial Priorities

FINANCIAL INDEPENDENCE OPENS THE DOOR TO

A BETTER FUTURE.
Change the Way You Think About Money

- What motivates your spending today?
  - Habit
  - Convenience
  - Obligation
  - Necessity
  - Enjoyment
  - Boredom
  - Outside influences

- What does wealth look like to you?
- What would you buy if money wasn’t an issue?
- What’s standing in your way?
- What changes can you make today?
Take Control of Your Finances—and Your Life

- **Start Small.**
  - Change one habit a month. Stop taking taxis, or bring your lunch to work every day. See if it sticks. Next month, try something different.
  - Cross one thing off your financial to-do list each month. Come up with a plan to pay off your credit cards or increase your 403(b) contribution.

- **Set & Reach Goals.**
  - Determine one thing that would make you really happy. Maybe it’s going to yoga more often or planning a trip abroad.
  - Visualize it, write it down, create a vision board.
  - Calculate the cost, and either start doing it now or start saving up to be able to afford it. Chances are you’ll have to give up something else to make this possible.

- **Don’t Give Up.**
  - Celebrate successes, no matter how small.
  - Overcome minor setbacks. Keep moving forward.

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“Too many people spend money they haven’t earned, to buy things they don’t want, to impress people they don’t like.”
- Will Rogers

“Don’t tell me where your priorities are. Show me where you spend your money and I’ll tell you what they are.”
- James W. Frick

“Go confidently in the direction of your dreams! Live the life you've imagined. As you simplify your [financial] life, the laws of the universe will be simpler.”
- Henry David Thoreau
Appendix A

Take Inventory: Your Most Important Financial Documents

- **Bank account statements**
  - Checking accounts
  - Savings accounts
  - Investment accounts

- **Loan documents**
  - Credit card statements
  - Student loans
  - Mortgage

- **Retirement plan statements**
  - Current 401(k) or 403(b)
  - Old 401(k) or 403(b)
  - IRA

- **Recent Paystubs & W-2**
- **Tax returns**
- **Insurance documents**
  - Home/Renters
  - Health
  - Life
  - Disability
  - Auto

- **Estate Planning documents**
  - Will
  - Living will / Health care proxy
  - Power of attorney
Appendix B

Online Tools to Check Out

Online Resources:
- Mint.com
- CreditSesame.com
- AnnualCreditReport.com
- LegacyWriter.com
- TurboTax.com
- Vanguard.com

Helpful Online Calculators: