COMMON CENTS FOR COLORADO

PEAKS OF FINANCIAL WISDOM

smart investing @your library

A partnership between the American Library Association and the FINRA Investor Education Foundation

Start with a Fresh Page

This workshop is designed to get participants off to a great financial start in the New Year! It will be both educational AND motivational.

Many of the simple, financial tasks associated with good money management originate with a fresh start at the beginning of each year. This workshop will review these important tasks, discussing each in detail. There will be time for questions, there will be worksheets to accompany each task, and there will be lots of hints on how to make the process easier and more efficient. Tasks will include figuring net worth, building a monthly budget, tracking everyday spending, building a cash reserve, eliminating credit card debt, reviewing financial protection, creating financial goals and more.

It's not rocket science. It's not hard. It's basic stuff that we just put off because we are doing something else. The hardest part, as with any goal, is that first step. The New Year is a great time for that first step! Keep in mind that most of us didn't learn about personal finance at home or school, so as adults we need to educate ourselves to do a better job with what we have.

The seminar would be ideal anyone who wants to begin the New Year with a realistically planned direction for financial control. The seminar will also assist anyone interested in learning the basics and taking charge of financial matters.

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You get a pat on the back!

The hardest part is getting started and you are started – just by being here!

- We will use a checklist method (some tasks are harder and take longer than others).
- You can arrange in any order, you can pick and choose, but all are important for financial well being.

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Check List for January Financial Tasks

- ☑ Calculate your NET WORTH. It's your financial report card. It enables you to access your situation and make adjustments in the New Year.
- ☑ Define your FINANCIAL GOALS (increasing the likelihood of accomplishing them).
- ☑ Develop the correct CASH RESERVE for emergencies.
- ☑ Get rid of any high interest CREDIT CARD DEBT.
- ☑ Review or develop a HOUSEHOLD BUDGET (household spending analysis) that includes saving goals.
- ☑ SAVE for retirement (at least 10% before taxes).
- ☑ REBALANCE your portfolio so you have the proper allocation of stocks, bonds, and cash.
- ☑ Review your financial protection – be ADEQUATELY INSURED (health, life, car, house, liability, disability)
- ☑ Plan for the inevitable – REVIEW YOUR WILL and ESTATE PLAN.
- ☑ ORGANIZE YOUR RECORDS.

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Household Finances

Date _____

Net Worth Worksheet

ASSETS	VALUE
PERSONAL POSSESSIONS	
Cash	
Money in checking	
Market value of home	
Market value of vacation home	
Market value of any businesses	
Furniture	
Art, antiques, & collectibles	
Jewelry	
Resale value of car 1	
Resale value of car 2	
Boats or other recreational vehicles	
Other	
SAVINGS & INVESTMENTS	
Money in savings accounts	
Money in emergency fund	
Certificates of deposit (CDs)	
Money market accounts	
Annuities	
Cash value of life insurance	
Stocks	
Bonds	
Mutual funds	
Real estate	
Other	
RETIREMENT SAVINGS	
Employee pension	
401k or 403(b) accounts	
IRA accounts	
Keogh accounts	
Other	
TOTAL ASSETS:	

LIABILITIES	BALANCE
DEBTS	
Mortgage	
Vacation home mortgage	
Home equity loan	
Car loan 1	
Car loan 2	
Credit card 1	
Credit card 2	
Credit card 3	
Student loans	
Bank loans	
Private loans (friends & family)	
Cash advances	
Medical bills	
Taxes owed	
Alimony/Child support owed	
Other	
TOTAL LIABILITIES:	
TOTAL ASSETS	
TOTAL LIABILITIES	
NET WORTH: *Total assets minus total liabilities.*	

From FrugalLiving.About.com (Erin Huffstetler)

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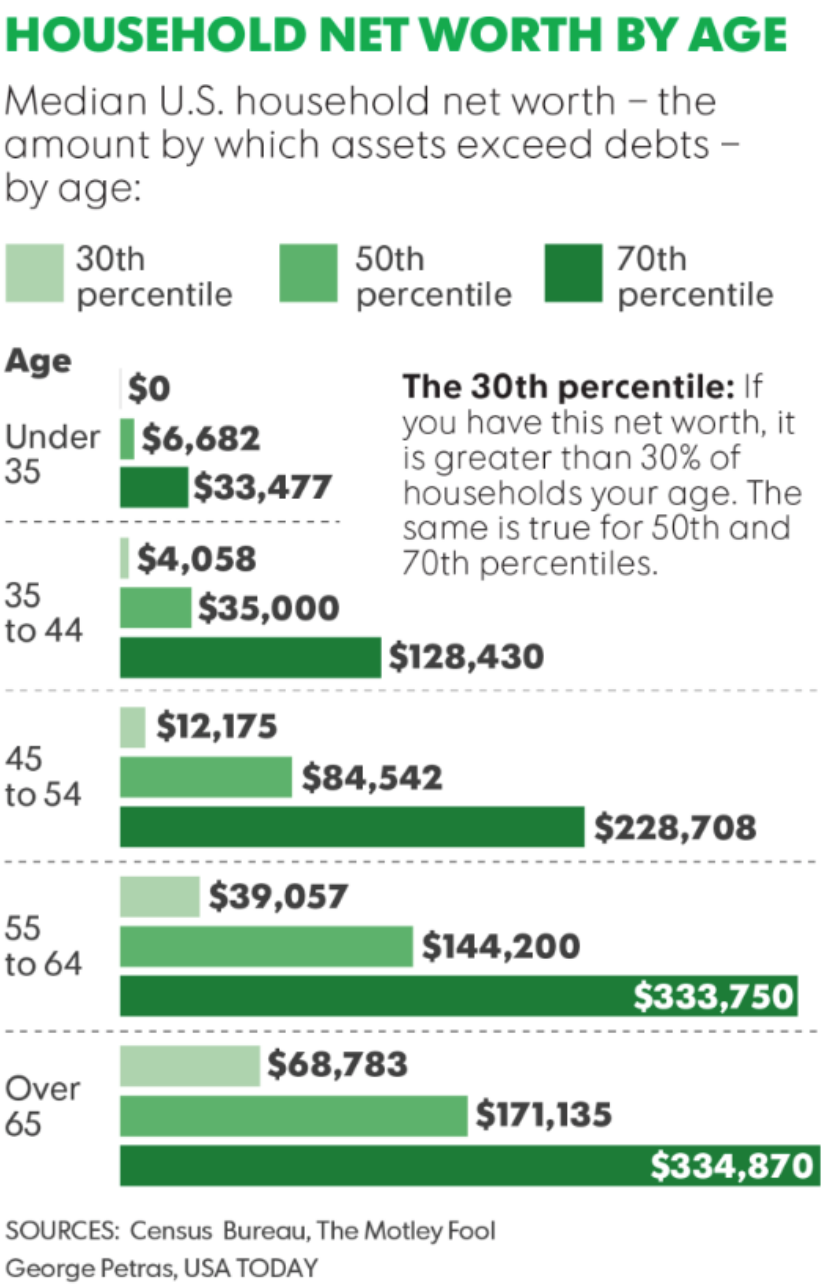
What's the net worth of Americans by age? (including home equity which produces no income)



What's the "ideal" net worth?

Every individual has his or her own unique lifestyle, so there is no one-size-fits-all, universally agreed-upon number. That said, experts agree that a financial NEST EGG for retirement could produce income at a rate of 4% for approximately 30 years. Using this formula, $1,000,000 would produce $40,000 a year in retirement.

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Date _____

Financial Goals Worksheet

Short-Term Goals (Under 6 months)	Estimated Cost	Target Date	Amount to Save Weekly
	$		$
	$		$
	$		$
	$		$
	$		$
	$		$
		TOTAL to Save:	$ _____

Medium-Term Goals (6 months to a year)	Estimated Cost	Target Date	Amount to Save Weekly
	$		$
	$		$
	$		$
	$		$
	$		$
	$		$
		TOTAL to Save:	$ _____

Long-Term Goals (Over a year)	Estimated Cost	Target Date	Amount to Save Weekly
	$		$
	$		$
	$		$
	$		$
	$		$
	$		$
		TOTAL to Save:	$ _____
		GRAND TOTAL to Save:	$ _____

From FrugalLiving.About.com (Erin Huffstetler)

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A financial goal should be SMART:

Specific (USE CALCULATORS)
Measurable
Attainable
Realistic
Time bound

mycalculators.com
Use the savings and investment calculator

Savings & Investment Calculator

Enter all but one field below,
then press the button under the field to calculate.

Present Value	# of Years to Invest	Interest Rate (Decimal)	Contributions made	Future Value
		Compounded: Monthly	Monthly; At the beginning of the period. At the end of the period.	
$ 0	5	.5 %	$	$ 25000
Present	Years	IR	Contribution	Future

You'll contribute a total of $ Leave Blank The rest is earnings!
Be sure to select the appropriate compounding method.
(For further info, see notes on compounding)

View Schedule
Note: To view the schedule, all input fields must contain a value.

Clear All

1995-2016 MyCalculators.com

Savings & Investment Calculator

Enter all but one field below,
then press the button under the field to calculate.

Present Value	# of Years to Invest	Interest Rate (Decimal)	Contributions made	Future Value
		Compounded: Monthly	Monthly; At the beginning of the period. At the end of the period.	
$ .0	5	.5 %	$ 411.57	$ 25,000.00
Present	Years	IR	Contribution	Future

You'll contribute a total of $ 24,694.20 The rest is earnings!
Be sure to select the appropriate compounding method.
(For further info, see notes on compounding)

View Schedule
Note: To view the schedule, all input fields must contain a value.

Clear All

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Emergency Reserves

Cash Reserve Worksheet

What are my living expenses for ONE month?

A. $_____

Needed Cash Reserve: (6 month's living expenses)

Cash (savings account, money market)

Multiply 3 times one month's expenses

B. $_____

(3 x A)

Cash equivalents (laddered CDs)

CDs maturing in 3 months to 6 months

C. $_____

(3 x A)

For Retirees: (24 month's living expenses)

Cash (savings account, money market)

Multiply 6 times one month's expenses

D. $_____

(6 x A)

Cash equivalents (laddered CDs maturing in 12 to 24 months OR short term investment grade bond funds OR other financial assets available in 12 to 24 months

E.$_____

(18 x A)

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Use a LADDER

Your first purchase would include the following:

1 month CD (expires in 1 month)
2 month CD (expires in 2 months)
3 month CD (expires in 3 months)
4 month CD (expires in 4 months)
5 month CD (expires in 5 months)
6 month CD (expires in 6 months)

As a month passes your 1 month CD will expire. Take the money from that CD and buy another 6 month CD

2 month CD (expires in 1 month)
3 month CD (expires in 2 months)
4 month CD (expires in 3 months)
5 month CD (expires in 4 months)
6 month CD (expires in 5 months)
6 month CD (expires in 6 months)

As the second month expires take that money and buy another 6 month CD

3 month CD (expires in 1 month)
4 month CD (expires in 2 months)
5 month CD (expires in 3 months)
6 month CD (expires in 4 months)
6 month CD (expires in 5 months)
6 month CD (expires in 6 months)

After 6 months every one of the CDs will be 6 month CDs. As the CDs expire continue to buy new 6 month CDs.

6 month CD (expires in 1 month)
6 month CD (expires in 2 months)
6 month CD (expires in 3 months)
6 month CD (expires in 4 months)
6 month CD (expires in 5 months)
6 month CD (expires in 6 months)

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Debt Reduction Worksheet

Debt Load

DEBT (description)	Balance	Interest Rate	Minimum Payment	Due Date
Total				

Debt Elimination Step #1: List all you debts from smallest to largest. List the amount you owe, the interest rate and the minimum monthly payment.
Debt Elimination Step #2: Add to get two totals: the total the amount you owe and the total of minimum monthly payments.
Debt Elimination Step #3: Determine how much extra money (in addition to the required monthly payment)s you are willing to commit each month to debt reduction? Develop a spending plan (budget) to do this. Be realistic. $_____
Debt Elimination Step #4: Pick which debt to eliminate first…

> **Debt Elimination Strategy A:** If you want to pay the least total amount of interest, then begin by paying off the debt with the highest interest rate first. When that one is paid off completely, then work on the one with then next highest rate and so on.
> **Debt Elimination Strategy B**: Take the debt with the **lowest total amount** owed, and pay off that one first, and then continue next with the next lowest amount of debt owed. You will feel a great sense of accomplishment when you eliminate each debt.

Debt Elimination Step #5: Take the amount that you decided on in step #3 (the amount you are willing to commit to debt repayment) and add that to your minimum payment on the debt you decided to eliminate first. Pay the minimum amounts on all the other debts each month.
Debt Elimination Step #6: When you have paid off the debt #1, **CELEBRATE!** Then the next month, take the amount you were paying towards debt #1 (its minimum payment **PLUS** your debt repayment amount from step #3). This becomes your new, greater amount for monthly debt repayment. This will continue to build as you pay off each debt thus accelerating your debt elimination plan.

This Debt Elimination Plan Will Work if You…
Are disciplined - incur no new debt
Have the discipline to find additional money in your budget for debt reduction
Remain committed to debt elimination

http://www.financialfreedomtrail.com/debt_reduction.html

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Create a DEBT SNOWBALL

Here's a quick example. Say your debt snowball looks like this:

- **Credit card 1:** $500 at 13% with a monthly payment of $25.
- **Credit card 2:** $1,000 at 19% with a monthly payment of $50.
- **Car loan:** $6,000 at 4% over four years with a monthly payment of $135.
- **Student loan:** $15,000 at 5% over 10 years with a monthly payment of $159.

If you pay the minimums on everything and add an extra $100 to the smallest credit card payment, you'll pay it off in five months. Then you can attack the second credit card to the tune of $175 per month ($100 plus the newly-freed-up $25, plus the $50 payment you're already making). That one will also be gone in five months. Now you have $310 a month ($175 plus $135) to put toward the car! At that rate, the auto loan will hit the road in 15 months!

By the time you get to the student loan, you'll be paying $469 on it each month! You'll wave bye-bye to Sallie Mae in a couple of years and **be totally out of debt.**

from Dave Ramsey daveramsey.com

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Spending Plan

Monthly Income	
Employment	
Self (before taxes/deductions)	
Spouse (before taxes/deductions)	
Employer contribution to 401k or HAS	
Investment Income	
Annuities	
401k or 403b	
Savings	
IRA	
Brokerage Account	
Other Income	
Rent	
Disability	
Alimony/Child Support	
A:Total Monthly Income	

Monthly Expenses	
Necessary (somewhat fixed)	
Payroll taxes (Fed,state,SS, Medicare)	
HSA, FSA contribution	
Savings (retirement)	
Savings (other)	
Housing (mortgage(s) or rent)	
Housing (taxes, insurance)	
Housing (repairs, fees)	
Transportation (car payment)	
Transportation (insurance)	
Transportation (gasoline)	
Transportation (maintainence)	
Transportation (fees,licenses)	
Transportation - public	
Utilities (electric)	
Utilities (gas/oil)	
Utilities (telephone - primary)	
Utilities (water,sewer,trash,services)+B1	
Insurance (medical)	
Insurance (life)	
Gym Membership	
Childcare	
Required medicine	
Alimony/Child Support	
B:Total Monthly Necessary Expenses	

Monthly Expenses (continued)	
Food	
Groceries	
Household supplies	
Clothing	
Clothing	
Children	
Adults	
Cleaners/Laundry	
Personal	
Cosmetics/toiletries	
Hair care	
Nonprescription drugs	
Dental	
Alcohol/smoking	
Secondary phone	
Home security	
Pets	
Subscriptions	
Restaurant/take-out	
Recreation	
Clubs and organizations	
Vacation	
Cable TV/internet	
Baby sitter	
Gifts	
Movies, CDs, DVDs, concerts	
C:Total Monthly Variable Expenses	
Debt - required payment on past balances	
Credit cards	
Student Loans	
Department Store/Gas	
Medical Bills	
Other	
Debt elimination plan amount	
Total Monthly Cost of Debt	
Income = A	
- B (necessary expense)	
- C (variable expense	
- D (cost of debt)	
= Zero or a positive number	

Spending Plan Worksheet

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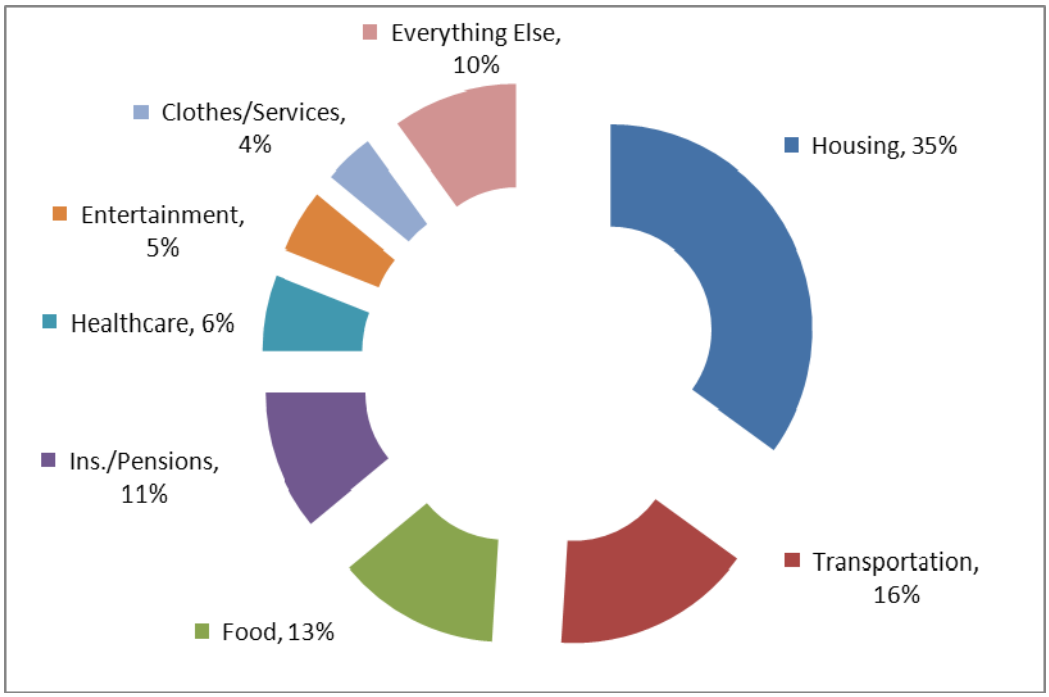
A Budget is merely a plan,
intended to be used, adapted, customized and never graded!

<u>Start SIMPLE!</u>

★ Paper and pencil
★ Envelopes
★ Notebook
★ Spreadsheet
★ Programs (templates).
  - Microsoft
  - Mint
  - Quicken
  - Google search
★ Track expenses first
★ Then create the budget!

How the "Average" Household spends income.



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SAVINGS: IT'S CALLED, PAY YOURSELF FIRST (PYF)

How much should I be saving?

A. **Total income (before taxes) x 10%=$_____**

B. **More in 50s and 60s, if possible=$_____**

How should it be invested?

Stocks _____% (100 – your age)

Bonds _____% (write in your age)

(Note: For the monies you need for retirement, the rule of thumb is: % cash + % bonds = your age.)

How much do I need when I retire?

A. **Living expenses x 25 = $_____**

B. **$_____ X 3.5% = Living expenses**

(Note: Your sources of income MAY include more than your retirement savings (i.e., pensions, Social Security, dividends and interest, inheritance, etc.). Other reliable sources of income will reduce the amount you need to save: deduct the amount from living expenses to figure what you need to have saved. Example: If you need $50,000 but you get $10,000 from Social Security, you need living expenses of $40,000.)

Inflation??? Use the calculators.

www.mycalculators.com

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Hints for Making Savings Happen

1. Reverse your thinking (take out monies for savings first).
2. Use an AUTOMATIC savings deposit plan or system.
3. Set a goal (and make a short-term plan). USE the calculators.
    a. www.mycalculators.com
    b. www.finra.org/Investors/ToolsCalculators/
    c. www.choosetosave.org/calculators/
    d. www.aarp.org/money/toolkit
4. Develop "soft barriers." (30-day list, one-for-two)
5. Adopt some private "mind tricks." (Called heuristics)
6. Surround yourself with "savers." (people of like-mind)
7. Live like a "SECRET" rich person.
8. Tackle retirement as early as possible (and use Einstein's "eighth wonder of the world" called compound interest).
9. Know what's coming in and what's going out. (Called a budget)
10. Have multiple savings pockets (car, vacation, house, retirement).
11. Avoid debt.
12. Save your spare change. (Watch savings grow – chart, account, jar, etc.)
13. Increase (and diversify) your income stream.
14. Use tax-advantage savings vehicles when available.
15. Calculate your net worth once a year and feel good!
16. Celebrate your success.

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Financial Asset Allocation Worksheet

Financial Assets

Retirement

Rebalance at least once a year.

Cash	**$_____**	**_____%**
Stocks	**$_____**	**_____%**
Bonds	**$_____**	**_____%**
Total	**$_____**	**100%**

(Note: For the monies you need for retirement, the rule of thumb is: % cash + % bonds = your age.)
(To figure %, divide amount of each asset type by total.)

Emergency Reserves

Cash (3-6 months living expenses)
$_____

Cash equivalents (6–12 months)
$_____

Retirees: Cash equivalents (12-24 mos.)
$_____

Other Saving Goals

Goal 1 **$_____**
Goal 2 **$_____**
Goal 3 **$_____**

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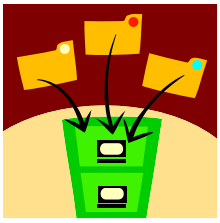
Hints for managing your financial assets.

1. Allocation is 90% of performance. Review allocation annually.
2. Use dollar-cost-averaging, investing equal amounts at regular intervals.
3. Reduce risk with age, i.e. more bonds.
4. Don't invest in things you do not understand.
5. Use well-diversified, indexed, low-cost mutual funds.
6. Keep adequate emergency cash equivalents.
7. Take a financial class and read an article or two a week to keep up with the changing times.

Financial Protection Worksheet

Accidents and disasters can and do happen, and if you aren't adequately insured, it could leave you in financial ruin. You need insurance to protect your life, your ability to earn income, and to keep a roof over your head.

- ✓ **Health**
- ✓ **Life (if anyone depends on you financially)**
- ✓ **Car**
- ✓ **Liability**
- ✓ **Disability**
- ✓ **Real estate**



Suggestions for THE Master List
(Keep in safe place AND be sure the right people know where it is.)

1. Your insurance policies and insurance agents.
   (Don't forget Veteran's information if you have been in the armed forces.) Review insurance annually to be sure you are adequately covered. Think health, life, car, home, liability, and disability.
2. Employee benefits and phone number of the office that handles them.
3. Bank accounts and any particular banker with whom you deal.
4. Where to find the safe-deposit box and keys. (Update signatures!)
5. Where you keep your will or living trust and the name of the lawyer and contact information for the lawyer.
6. Your executor or trustee.
7. Location of trust documents and others.
8. Location of personal papers (birth certificate, marriage license, etc.).
9. Your brokers or investment advisers – names, addresses, and phone numbers.
10. Your accountant – name, address, phone number.
11. Location of securities and retirement accounts.
12. Location of past tax records.
13. Location of properties you own (including location of deeds).
14. Your Social Security number and that of every family member.
15. Your important computer passwords.
16. Where you've hidden your home safe and the combination.
17. Where you keep your emergency flight bag, if you have one.
    (This is the box, list, container, etc. of stuff you would take with you in case of fire evacuation.)
18. A list of all your credit cards – account numbers and emergency telephone numbers – in case your wallet is stolen and you have to cancel the accounts.
19. Location of your last-wishes file – or note that you have none.
20. Photocopy of everything in your wallet: ID cards, driver's license, health insurance card, and other items you carry for reference.

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