COMMON CENTS FOR COLORADO

PEAKS OF FINANCIAL WISDOM

START WITH A FRESH PAGE

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Classes Available

Basic Financial Classes

Basic Financial Series:

Everything you need to know to manage your own money and sleep well at night!

Goal Setting & Financial Planning
Key Investment Concepts
Retirement Saving Vehicles
Common Investment Types
Managing Money During Retirement

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Starting!

You get a pat on the back!

The hardest part is getting started!

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A Checklist

A Checklist for Organization

(page 3 of handout)

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Net Worth

Calculate your Net Worth

(page 5-6 of handout)

What you own?

-What you owe?

= Your NET WORTH

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Computer Resources?

Want to use online calculators or Excel?

www.smartmoney.com

Templates in Excel (Go to File, New. Then search templates for “net worth”)

www.calculatorweb.com

Do a Google search for net worth calculators

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Why Net Worth?

Net Worth tells you…

- Where you are right now
  (like GPS navigation)
- Highlights your progress
  (or regression)
- Illuminates goals
  - Emergency funds
  - College education for children
  - Retirement
  - Other…

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Financial Goals

Define Financial Goals

(page 7-8 of handout)

A financial goal should be SMART

Specific

Measurable

Attainable

Realistic

T ime bound

I will increase my 401k contribution starting in February by $50/month by bringing my lunch to work two days/week for the rest of the year.

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Why Financial Goals?

We need SMART financial goals because…

- without financial goals and specific plans for meeting them, we drift along and leave our future to chance.
- we want to achieve financial independence.
- those who define their goals (only about 1/3 of us) have a better chance of attaining them.

(Most people don't plan to fail, but they fail to plan.)

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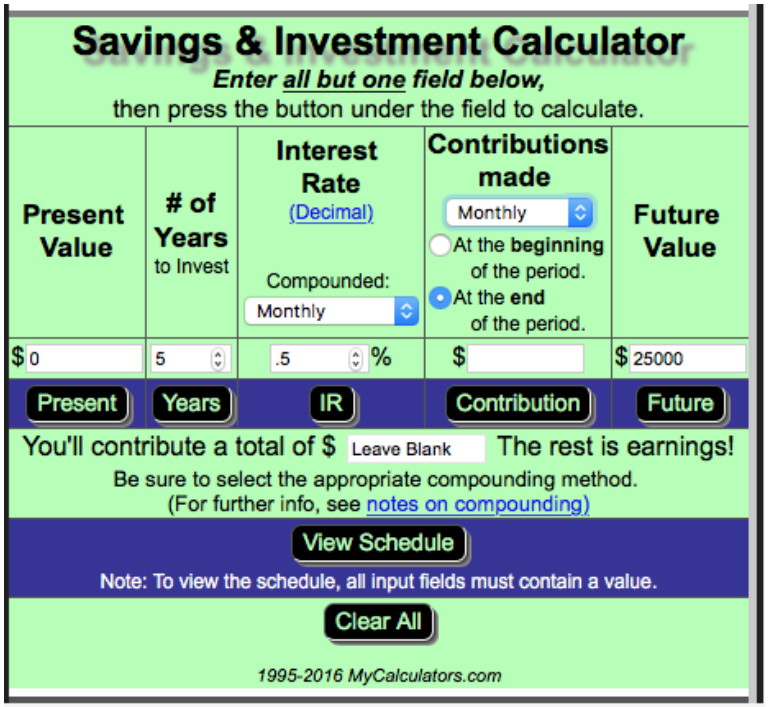
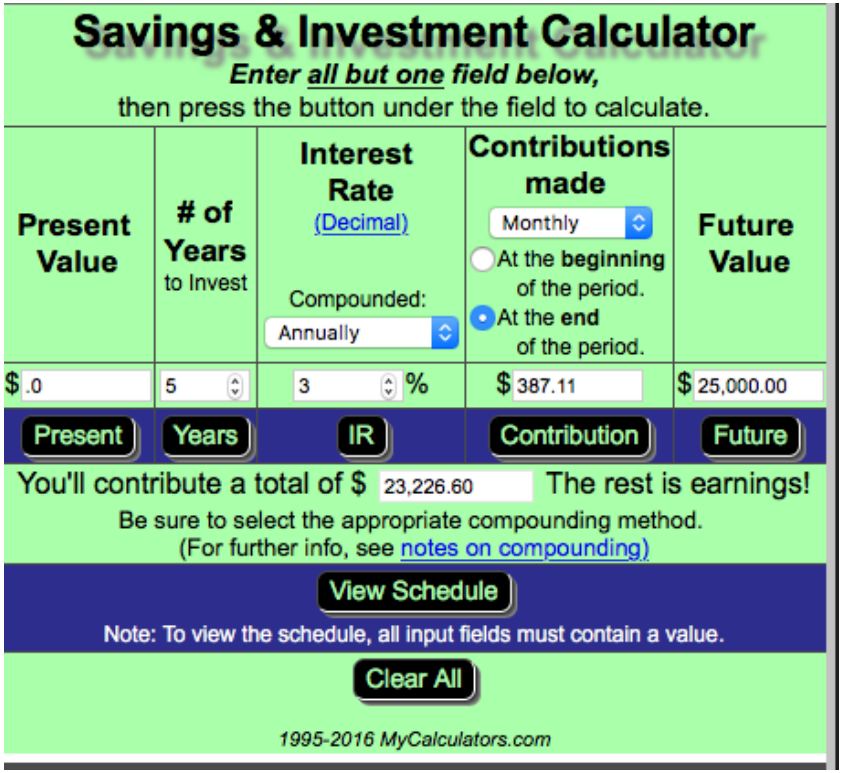
Use calculators

Use calculators to figure $$$.

mycalculators.com





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Cash Reserves

Develop adequate Cash Reserves

(page 9-10 of handout)

Sickness

Job Loss

Don’t let life sink your financial boat!

Home Repairs

Car Repairs

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Why Cash Reserve?

You need a cash reserve to…

- take the pressure off your monthly budget.
- reduce financial stress.
- stay out of debt.
- protect your credit.
- minimize drama.
- focus on the emergency at hand.

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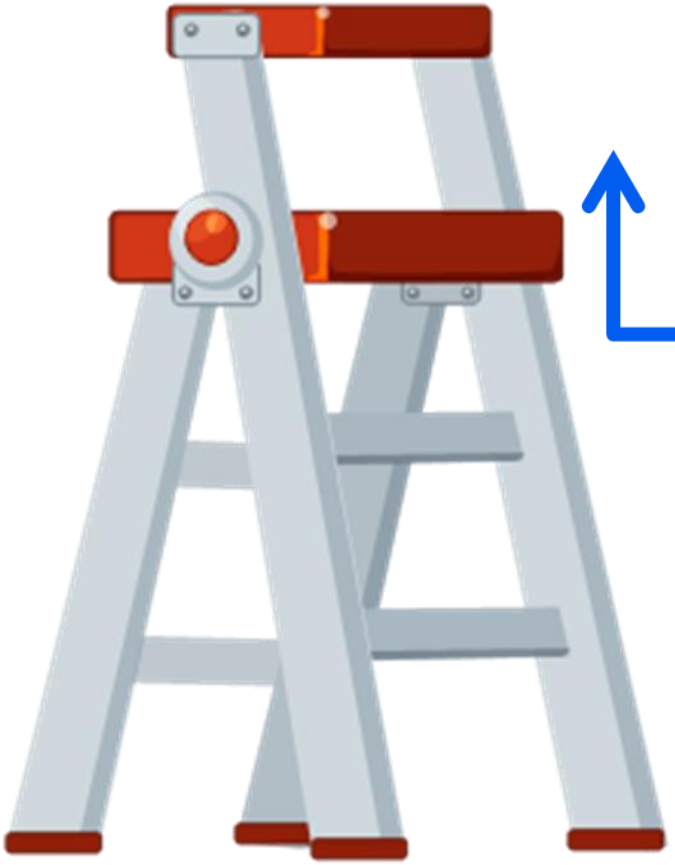
Ladder for cash

Ladder cash to increase yield



2 Year CD	1.50%
18 Month CD	1.35%
12 Month CD	1.25%
6 Month CD	0.90%
Money Market Account	0.05%
Checking Account	0.01%

National online rates approximate as of 10/2016 for $10,000

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Credit Card Debt

Eliminate Credit Card Debt

(page 11-12 of handout)

Average credit card debt per household

~$6,000

(but $15,000 average for consumer carrying credit card debt)

From https://www.nerdwallet.com and Federal Reserve Survey - 2015

At average APR of 18%

$15,000 x 18% =

COST OF $2,700/YEAR

Expensive!

Stressful!

(Encourages overspending & bankruptcy.)

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Create a SNOWBALL

A DEBT REDUCTION SNOWBALL

- Make all minimum payments.
- Add extra to debt #1 until paid.
- Move extra to debt #2 + minimum payment from debt #1 until paid.
- Move extra to debt #3 + minimum payment from #1 & 2.
- Etc.

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Spending Plan

Create a Spending Plan (Budget)

(page 13-14 of handout)

What do you make (income)?

-Where does it go (spending)?

= Your surplus

(Surplus? You're kidding)

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The Budget

Do you really need a budget?

Not if you are so rich you can buy anything and still have enough. Otherwise, YES!

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Record every $$$

Record EVERY Dollar

The $$$ that slips (or burns) through your fingers

can be tracked.

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Track and Record

Personal Monthly Budget

PROJECTED MONTHLY INCOME		
	Income 1	$4,300
	Extra income	$300
	Total monthly income	**$4,600**

ACTUAL MONTHLY INCOME		
	Income 1	$4,000
	Extra income	$300
	Total monthly income	**$4,300**

PROJECTED BALANCE (Projected income minus expenses)	**$3,405**
ACTUAL BALANCE (Actual income minus expenses)	**$3,064**
DIFFERENCE (Actual minus projected)	**($341)**

HOUSING	Projected Cost	Actual Cost	Difference
Mortgage or rent	$1,000	$1,000	$0
Phone	$54	$100	($46)
Electricity	$44	$56	($12)
Gas	$22	$28	($6)
Water and sewer	$8	$8	$0
Cable	$34	$34	$0
Waste removal	$10	$10	$0
Maintenance or repairs	$23	$0	$23
Supplies	$0	$0	$0
Other	$0	$0	$0
Subtotals	$1,195	$1,236	($41)

TRANSPORTATION	Projected Cost	Actual Cost	Difference
Vehicle payment			$0
Bus/taxi fare			$0
Insurance			$0
Licensing			$0
Fuel			$0
Maintenance			$0
Other			$0
Subtotals	$0	$0	$0

INSURANCE	Projected Cost	Actual Cost	Difference
Home			$0
Health			$0
Life			$0
Other			$0
Subtotals	$0	$0	$0

FOOD	Projected Cost	Actual Cost	Difference
Groceries			$0
Dining out			$0
Other			$0
Subtotals	$0	$0	$0

PETS	Projected Cost	Actual Cost	Difference
Food			$0
Medical			$0
Grooming			$0
Toys			$0
Other			$0
Subtotals	$0	$0	$0

PERSONAL CARE	Projected Cost	Actual Cost	Difference
Medical			$0
Hair/nails			$0
Clothing			$0
Dry cleaning			$0
Health club			$0
Organization dues or fees			$0
Other			$0
Subtotals	$0	$0	$0

ENTERTAINMENT	Projected Cost	Actual Cost	Difference
Video/DVD			$0
CDs			$0
Movies			$0
Concerts			$0
Sporting events			$0
Live theater			$0
Other			$0
Other			$0
Other			$0
Subtotals	$0	$0	$0

LOANS	Projected Cost	Actual Cost	Difference
Personal			$0
Student			$0
Credit card			$0
Credit card			$0
Credit card			$0
Other			$0
Subtotals	$0	$0	$0

TAXES	Projected Cost	Actual Cost	Difference
Federal			$0
State			$0
Local			$0
Other			$0
Subtotals	$0	$0	$0

SAVINGS OR INVESTMENTS	Projected Cost	Actual Cost	Difference
Retirement account			$0
Investment account			$0
Other			$0
Subtotals	$0	$0	$0

GIFTS AND DONATIONS	Projected Cost	Actual Cost	Difference
Charity 1			$0
Charity 2			$0
Charity 3			$0
Subtotals	$0	$0	$0

LEGAL	Projected Cost	Actual Cost	Difference
Attorney			$0
Alimony			$0
Payments on lien or judgment			$0
Other			$0
Subtotals	$0	$0	$0

TOTAL PROJECTED COST	**$1,195**
TOTAL ACTUAL COST	**$1,236**
TOTAL DIFFERENCE	**($41)**

YOUR CHOICE:
but start simple

- ★ Paper and pencil
- ★ Envelopes
- ★ Notebook
- ★ Spreadsheet
- ★ Programs (templates).
  - Microsoft
  - Mint
  - Quicken
  - Google search

Track **expenses** first:
Then create the budget!

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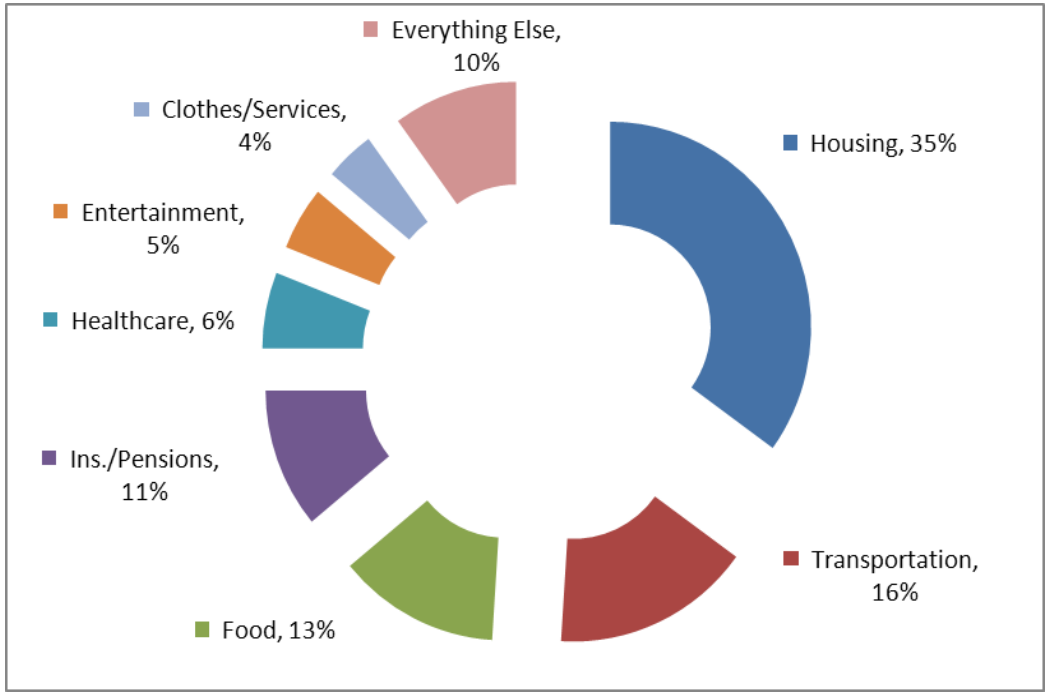
The Spending Plan

- How do people spend their money (on average)?



Housing (35%)

Transportation (16%)

Food (13%)

Insurance/Pensions(11%)

Healthcare (6%)

Entertainment (5%)

Clothes/Services (4)

Everything Else (10%)

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Savings

Save for Retirement

(page 15-16 of handout)

Total Monthly Income Before Taxes x 10% (minimum)

- **Untouchable until retirement**
- **In tax-protected accounts (IRA,401k, etc.)**
- **Increased % with age**
- **Invested (stocks and bonds)**

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Develop the Habit

Savings is a HABIT (not dependent on how much money you have)!

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Retirement

How much do you need for retirement?

Use the online calculators….

www.mycalculators.com
www.finra.org/Investors/ToolsCalculators/
www.choosetosave.org/calculators/
www.aarp.org/money/toolkit

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Rebalance

Rebalance Financial Assets

(page 17-18 of handout)

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Allocation

Figure % of financial assets for retirement

- Cash (and cash equivalents)
  $_____ _____%
- Stock (including mutual fund exposure)
  $_____ _____%
- Bonds (including mutual fund exposure and C.D.s maturing in more than 1 year)
  $_____ _____%
- Total $_____ 100%

(To figure percentage: divide asset type dollars by total amount of financial assets owned.)

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Rule of thumb

General guide lines…(not really rules)

<u>For the monies you must have for retirement</u>…

The percentage of fixed income = your age
(cash counts as part of fixed income)

60 years old: 60% bonds, 40% stock

50 years old: 50% bonds, 50% stock

40 years old: 40% bonds, 60% stock …

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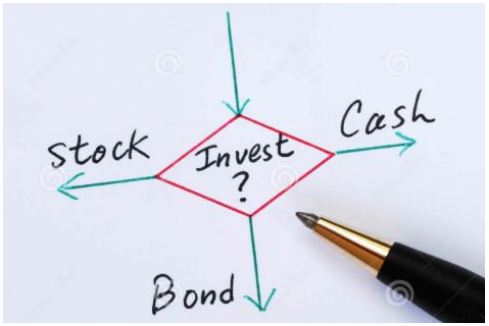
Why Rebalance?

Annual rebalancing…



- Reduces risk
  (increase bond % with age)
- Preserves principal
  (market value is more stable)
- May enhance long term returns
  (sell high, buy low)
- Maintains proper cash allocation

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Insurance

Protect your financial assets

(Is there a risk? Is the risk substantial?)

(page 19-20 of handout)

- ✓Health
- ✓Life (if anyone depends on you financially)
- ✓Car
- ✓Liability
- ✓Disability
- ✓Real Estate
- ✓Long-term care, disease, etc. ?

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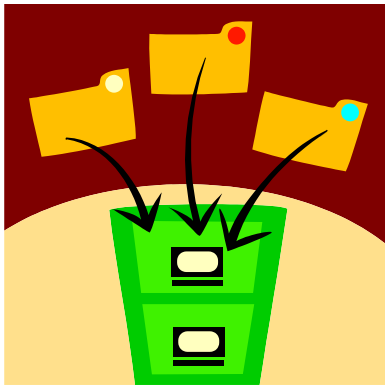
The Inevitable

Organize your FINANCIAL PAPERS

- ❑ Review your will
- ❑ Update your estate plan
- ❑ Organize your records



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Happy New Year!

BE MONEY SMART FOR LIFE

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