

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

Seminar One

Goal Setting and Financial Planning

(for everyone)

This seminar is designed to explore **BASIC** money management concepts.

Participants will review fundamental money management tasks such as creating a personal balance sheet, building a monthly budget, and tracking everyday spending. The seminar will also examine how to clearly establish and reach financial goals. Handouts will be provided so each participant can apply learning to his/her personal situation.

The seminar is designed for anyone who wants to begin, restart, or reevaluate his/her relationship to money and how it can and should be managed to create a more restful and fulfilling life. The seminar is also for teens before they launch into the real world or those who may need to learn the basics before life-changing events force them to face the task of money management.

Marsha Yelick CFA(retired)
Financial Programs Consultant
myelick@estesvalleylibrary.org
970-586-8116 Ext 831



*The finest of all human achievements
- and the most difficult -
is merely being reasonable.*

MAJOR CONCEPTS for Seminar One



*Earn more than you spend.
LIVE WELL!
It's never too late.
SIMPLICITY*

Find your financial SELF!

- The years in which you grew up**
- The family in which you were raised**
- The bumps in the road you experienced**
- The age cycle in which you exist**
- The habits you have integrated**



What is money?

Means of exchange -



Emotional, psychological realm

Cultural concept - Growth is GOOD



- Your money or your Life!

**Financial Planning
Involves Three
DREADED,
but relatively easy,
FINANCIAL tasks**
(You will sleep better at night!)



1. *THE BALANCE SHEET... Figure out what you have.*
2. *THE INCOME STATEMENT... Figure out what it costs you to live as you wish to live. (Sometimes called a spending plan or a budget.)*
3. *GOAL SETTING... Figure out what you want.*

The Net Worth Statement (Balance Sheet)

Net Worth Worksheet

To figure your net worth, add up the value of all your assets and the value of all your liabilities separately. Then subtract the total value of your liabilities from the total value of your assets.

Assets		Liabilities	
Bank accounts	\$ _____	Credit cards	\$ _____
<input type="checkbox"/> Checking		<input type="checkbox"/> Visa	
<input type="checkbox"/> Savings		<input type="checkbox"/> MasterCard	
<input type="checkbox"/> CDs		<input type="checkbox"/> American Express	
<input type="checkbox"/> Money market		<input type="checkbox"/> Other credit/charge cards	
Personal property	\$ _____	Personal loans	\$ _____
<input type="checkbox"/> Home		<input type="checkbox"/> Mortgage	
<input type="checkbox"/> Home contents		<input type="checkbox"/> Additional mortgage/home equity loan	
<input type="checkbox"/> Automobile		<input type="checkbox"/> Car loan	
<input type="checkbox"/> Boat/recreational vehicle		<input type="checkbox"/> Student loan	
<input type="checkbox"/> Collectibles		<input type="checkbox"/> Bank loans	
<input type="checkbox"/> Jewelry		<input type="checkbox"/> Other personal loans	
Investments	\$ _____	Investment loans	\$ _____
<input type="checkbox"/> Stocks		<input type="checkbox"/> Brokerage account loan	
<input type="checkbox"/> Bonds		<input type="checkbox"/> 401(k) loan	
<input type="checkbox"/> Mutual funds		<input type="checkbox"/> Life insurance loan	
<input type="checkbox"/> ETFs		<input type="checkbox"/> Business loan	
<input type="checkbox"/> Real estate/REITs		<input type="checkbox"/> Other investment loans	
<input type="checkbox"/> Life insurance (cash surrender value)			
<input type="checkbox"/> College savings plans		Taxes owed	\$ _____
<input type="checkbox"/> Other investments		<input type="checkbox"/> Real estate taxes	
		<input type="checkbox"/> Income taxes	
		<input type="checkbox"/> Other taxes	
Retirement savings	\$ _____	Other	\$ _____
<input type="checkbox"/> Employer-sponsored plans [401(k), 403(b), 457, SIMPLE, Keogh (including employer contribution if vested)]		<input type="checkbox"/> Current/unpaid bills	
<input type="checkbox"/> IRAs		<input type="checkbox"/> Other debts	
<input type="checkbox"/> Defined benefit (pension) plan			
<input type="checkbox"/> Annuities (cash surrender value)		TOTAL LIABILITIES:	\$ _____
Other	\$ _____		
<input type="checkbox"/> Money you're owed			
<input type="checkbox"/> Other assets			
TOTAL ASSETS:	\$ _____		

Total Assets – Total Liabilities =
Net Worth
 \$ _____

Your Net Worth

DATE: _____

What You Own (Assets)

Quick Assets

Cash in checking, ready savings, and money market mutual funds _____
Other mutual funds _____
Stocks, bonds, government securities, mutual funds _____
Publicly traded partnerships _____
Other easily salable investments _____
Money due you soon for work you've completed _____
Life insurance cash values _____
Precious metal _____
Easily salable personal property: jewelry, silver, cars _____

Restricted Assets

Certificates of deposits if they have early withdrawal penalties _____
Retirement accounts: IRAs, Keogh, tax-deferred annuities
company savings accounts, deferred salary _____
Current worth of your vested pension if payable in a lump sum _____
Stock options _____

Slow Assets

Your home _____
Other real estate _____
Art and antiques _____
Other valuable personal property: furs, boats, tools, coins _____
Restricted Stock, not readily salable _____
Limited partnerships, not readily salable _____
Money owed you in the future _____
Equity value of a business _____

Total Assets

What You Owe (Liabilities)

Current bills outstanding: Current bills outstanding
rent, medical bills, insurance, utilities, etc. _____
Credit card debt _____
Installment and auto loans _____
Money borrowed from family members _____
Home mortgage _____
Home equity loan _____
Other mortgages _____
Student loans _____
Loans against investments, including margin loans _____
Other loans _____
Income and real estate taxes due _____
Taxes due on your investments if you cash them in _____
Taxes and penalties due on your retirement accounts
if you cash them in _____

Total Liabilities

Net Worth (asset minus liabilities)

Patching the Safety Net

DATE: _____

Your Survivor's Usable Cash

Quick assets (not counting life insurance cash values, one of two cars, and personal property) _____

Restricted Assets _____

Slow assets (not counting your house and personal property that your survivors would want to keep) _____

Proceeds from life insurance _____

Total Usable Assets Left for Survivor _____

Liabilities

Loan against insurance policies _____

Death costs _____

Taxes, including final income tax return and estate taxes _____

Total _____

Money Left for Survivor (useable assets minus liabilities) _____

Your Useable Cash if You're Disabled

Assets

Quick assets (except for one car and personal property) _____

Restricted assets _____

Slow assets (not counting home+A4 and property you would keep) _____

Total Usable Assets _____

Liabilities

Taxes on fund you withdraw from retirement accounts _____

Uninsured medical bills _____

Total _____

Money on Tap (usable assets minus liabilities) _____

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.)**
- 2. Employee benefits and phone number of the office that handles them**
- 3. Bank accounts and any particular banker that you deal with**
- 4. Where to find the safe-deposit box and keys**
- 5. Where you keep your will or living trust and the name of the lawyer who drew it up**
- 6. Your executor or trustee**
- 7. Where other trust documents are**
- 8. Where all your personal papers are**
- 9. Your brokers or investment advisers – names, addresses, and phone numbers**
- 10. Your accountant – name, address, phone number**
- 11. Where to find your securities and retirement accounts**
- 12. Where your tax records are**
- 13. What properties you own and where the deeds are**
- 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 what the combination is**
- 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 them**
- 19. Where your last-wishes file is**
- 20. Photo copy of everything in your wallet: ID cards, driver's license, health insurance card, and other items you carry for reference.**

Income Statement (Budget or Spending Plan)

Seventeen Reasons to Have a Spending Plan

1. To find out what you're spending money on. Few of us know.
2. To extract more money for savings and investments.
3. To figure out how to make changes in your life, a new job, a move, a new house, etc.
4. To get out of debt.
5. To show the spouse who doesn't pay the bills where the money goes.
6. To live within your income.
7. To prepare for big expenses such as college, a new house, a vacation, etc.
8. To retool your life after life happenings.
9. To keep money from slipping through your fingers.
10. To determine the minimum income you can live on, so you can handle what life hands you in the future.
11. To know how you'll handle unexpected expenses.
12. To be able to buy what you really want.
13. To prepare for harder times.
14. To make the best use of the money when times are good.
15. To get the whole family pulling in the same direction.
16. To put a tool in your hands that can change your life.
17. To put your new financial plan into action.



Three Reasons Not to Have a Spending Plan

1. You are so rich you can buy anything you want and still have plenty of money left over.
2. There aren't any other reasons.

A Free List of Excuses

1. Making a spending plan takes too much time.
2. I won't keep it up.
3. I don't want to live in a straitjacket.
4. I hate arithmetic.
5. None of my friends does it.
6. I budget in my head.
7. I'm too tired, too young, too old, too busy, too poor, or not poor enough.
8. My husband, wife, daughter, parakeet won't cooperate.
9. It won't work, can't work, and would drive me crazy if it really did work.
10. I'm too dumb, too smart, too short, too tall, too fat, and can't give up smoking.



The Real Stuff of Budgets (and some hints to Help)

1. Budgets are a necessary evil.

They're the only practical way to get a grip on your spending - and to make sure your money is being used the way you want it to be used.

2. Creating a budget generally requires three steps

- Identify how you're spending your money now.
- Evaluate your current spending and set goals that take into account your long-term financial objectives.
- Track your spending to make sure it stays within those guidelines.

3. Use software if you are computer inclined.

If you use a personal-finance program such as Quicken or Microsoft Money, the built-in budget-making tools can create your budget for you.

4. Don't drive yourself crazy!

One drawback of monitoring your spending is that it encourages overzealous attention to detail. Once you determine which categories of spending can and should be cut (or expanded), concentrate on those categories and worry less about other aspects of your spending.

5. Watch out for cash leakage.

If withdrawals from the ATM machine evaporate from your pocket without apparent explanation, it's time to keep better records. In general, if you find yourself returning to the ATM more than once a week, you need to examine where that cash is going. Otherwise, give yourself the freedom to spend some cash freely. It's like an allowance.

6. Spending beyond your limits is dangerous.

But if you do, you've got plenty of company. Government figures show that many households with total income of \$50,000 or less are spending more than they bring in. This doesn't make you a candidate for bankruptcy - but it's a sign you need to make some serious spending cuts.

7. Beware of luxuries dressed up as necessities.

If your income doesn't cover your costs, then some of your spending is probably for luxuries - even if you've been considering them to be filling a real need.

8. Limit yourself.

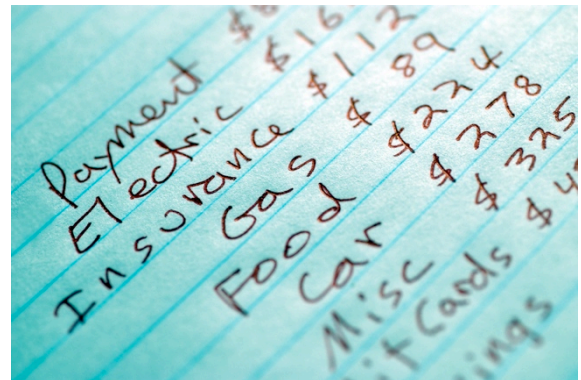
Aim to spend no more than 90% of your income. That way, you'll have the other 10% left to save for your big-picture items.

9. Don't count on windfalls.

When projecting the amount of money you can live on, don't include dollars that you can't be sure you'll receive, such as year-end bonuses, tax refunds or investment gains.

10. Beware of spending creep.

As your annual income climbs from raises, promotions and smart investing, don't start spending for luxuries until you're sure that you're staying ahead of inflation. It's better to use those income increases as an excuse to save more.





Make a Budget

Use this worksheet to see how much money you spend this month. Then, use this month's information to help you plan next month's budget.

Some bills are monthly and some come less often. If you have an expense that does not occur every month, put it in the "Other expenses this month" category.

MONTH _____ YEAR _____

My income this month

Income	Monthly total
Paychecks (salary after taxes, benefits, and check cashing fees)	\$
Other income (after taxes) for example: child support	\$
Total monthly income	\$ 0.00

PAY YOURSELF FIRST "PYF"

Income

My expenses this month

	Expenses	Monthly total
HOUSING	Rent or mortgage	\$
	Renter's insurance or homeowner's insurance	\$
	Utilities (like electricity and gas)	\$
	Internet, cable, and phones	\$
	Other housing expenses (like property taxes)	\$
FOOD	Groceries and household supplies	\$
	Meals out	\$
	Other food expenses	\$
TRANSPORTATION	Public transportation and taxis	\$
	Gas for car	\$
	Parking and tolls	\$
	Car maintenance (like oil changes)	\$
	Car insurance	\$
	Car loan	\$
	Other transportation expenses	\$



Make a Budget

	Expenses	Monthly total
HEALTH	Medicine	\$
	Health insurance	\$
	Other health expenses (like doctors' appointments and eyeglasses)	\$
PERSONAL AND FAMILY	Child care	\$
	Child support	\$
	Money given or sent to family	\$
	Clothing and shoes	\$
	Laundry	\$
	Donations	\$
	Entertainment (like movies and amusement parks)	\$
	Other personal or family expenses (like beauty care)	\$
FINANCE	Fees for cashier's checks and money transfers	\$
	Prepaid cards and phone cards	\$
	Bank or credit card fees	\$
	Other fees	\$
OTHER	School costs (like supplies, tuition, student loans)	\$
	Other payments (like credit cards and savings)	\$
	Other expenses this month	\$
Total monthly expenses		\$ 0.00

Expenses

$$\begin{array}{ccccccc}
 \$ & 0.00 & - & \$ & 0.00 & = & \$ & 0.00 \\
 \text{Income} & & & \text{Expenses} & & & &
 \end{array}$$

Maybe your income is more than your expenses. You have money left to save or spend.

Maybe your expenses are more than your income. Look at your budget to find expenses to cut.

[Print Form](#)

September 2012 | Federal Trade Commission | consumer.gov

Compare Income and Expenses

Income and Expenses

Per Month (or average)

Write down you total monthly income

\$ _____

Write down your total monthly expenses

\$ _____

Subtract expenses from income
(hope that it is not negative!)

\$ _____

Set Priorities and Make Changes

After comparing your income and expenses, if you find you have income left over (this means money left after you already set aside at least 10% for saving for retirement), you have met the goal.

If you put the money left over, put it into additional savings toward one of your goals, you're on your way to controlling you money and getting what you want out of life.

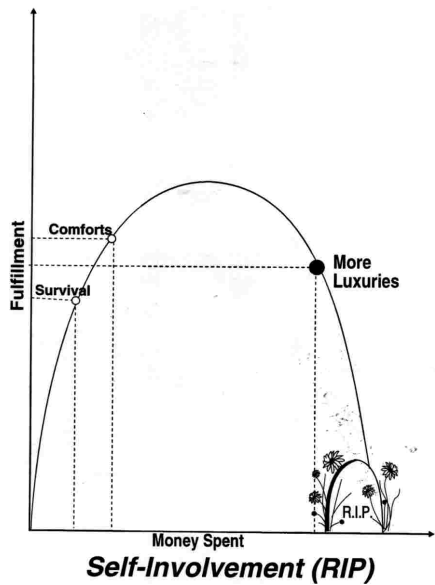
But – if your expense were more than your income, yikes! This can happen to anyone occasionally, but if it happens often, your budget is “out of balance,” and you're said to have a **negative cash flow.**” To get back in the driver's seat, you can do one of three things:

- 1) Increase your income
- 2) Cut back on some expenses
- 3) A combination of both.

Ideas for cutting back expenses or plugging the leaks. (Eliminate extra services, reduce unnecessary spending, etc.)

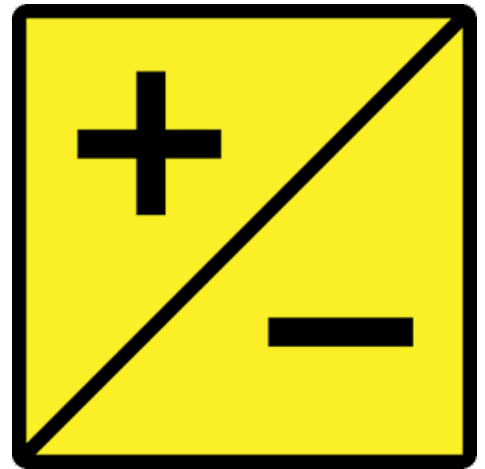
Ways to increase income. (Sell unwanted items, find a second job, etc.)

When looking for ways to CUT expenses...
think of these three questions.



How much is ENOUGH?

What truly gives me JOY?



How much of my LIFE does this cost?

Setting Goals and Priorities

Short term goals: Usually a goal to be achieved within the next few years. Be careful to not impact longer saving goals. Make sure money is secure and accessible. *Examples:* a car, a down payment on a home, a vacation, education, getting married, starting a business, paying off credit cards, student loans or other debt. *Invest in:* savings accounts, CDs, money market accounts, US Treasury bill, short term bonds.

Mid-term goals: Usually a goal to be achieved in about ten years. Try to accurately assess the cost and revisit the changing cost each year. Carefully balance investment growth with financial security, moving to stable investments as you approach the goal. *Examples:* college education for children, purchasing a larger home or second home, buying a boat, traveling to a special destination, changing careers or locations. *Invest in:* stock mutual funds investing in established companies, exchange traded funds investing in established companies, US Treasury notes, high credit quality bonds or bond fund, zero-coupon bonds with appropriate maturity dates.

Long-term goals: Usually a goal to be achieved in twenty OR MORE years. It's never too early (or too late) to begin planning for major financial goals. Carefully balance investment growth with financial security, moving to stable investments as you approach the goal. *Examples:* a comfortable retirement, an early retirement to allow time for other interests, travel and hobbies, continuing to support your children, financial security for long-term health care, providing an inheritance, creating a legacy. *Invest in:* stock mutual funds that invest in growing companies, exchange traded fund tracking diversified indexes, long term bonds, zero-coupon bonds with appropriate maturity dates.

Goal	Short/Mid/ or Long	Time Frame	\$ on hand already	\$ Needed / Month	Rate of Return Needed
Example: Trip next year	Short	1year	\$2,000	\$100	-
Example: College for child	Mid	10 years	\$20,000	\$542	5%
Example: Retirement	Long	25 years	\$60,000	\$1,115	5%

Recommended internet site for retirement planning: www.choosetosave.org Go to their *Ball Park Estimate* to some various scenarios for your retirement savings. The site helps you with all the variables that might be a part of your special situation. I assumed a 40 year old with a salary of \$50,000 who wanted to replace 80% of his pre-retirement income (including Social Security but no pension) with an inflation rate of 3%.

Also visit some of the calculators that are featured on mycalculators.com. I used their college calculator for a four-year \$25,000/year college education with inflation at 3.8%, current savings of \$20,000.