

# THE BASIC BUILDING BLOCKS OF FINANCIAL WELLNESS

MONEY MANAGEMENT, CREDIT AND  
RETIREMENT PLANNING

OREGON SCHOOL EMPLOYEES  
WELLNESS EDUCATION CONFERENCE  
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# WHY A FINANCIAL WELLNESS CLASS?

Being in control of financial issues allows for clear focus on your other responsibilities

Demanding jobs often lead to lack of planning in personal areas

Being in control allows you to reach your goals more effectively

# Basic Tenants of Financial Wellness

- Money Management...knowing where you money goes
- Understanding Credit...knowing how much it really costs you
- Retirement Planning...setting and reaching the financial goals

# WHAT DOES NOT BEING IN CONTROL LOOK LIKE?

## Identifying Financial Stress

- Do you routinely spend more than you earn?
- Are you forced to make day-to-day purchases on credit?
- Are able to make only the minimum payments on monthly credit card bills?
- Are you having difficulty stretching your paycheck to meet monthly bills?
- Are Bill Collectors Calling?
- Would you have a hard time paying next month's bills if you or your spouse lost your job?



# Goal Chart

GOAL	Short Term (Within Next Yr)	Medium Term (Within 5 Yrs)	Long Term ( 5-10 Yrs)	Longest Term (10+ Yrs)
Have Children				
Pay for Children's Education				
Reduce Debts				
Buy a House				
Make Home Improvements				
Buy a Car				
Take Dream Vacation				
Change Jobs				
Buy Vacation Home				
Achieve Adequate Retirement Income				
Increase Charitable Giving				
Ensure Adequate Disability Income				
Provide for Survivor in Event of My Death				
Take Early Retirement				
Start A Business				
Other				

# MONEY MANAGEMENT

Where does our money go?

Making a budget

Living within that budget



# MONEY MANAGEMENT

## Benefits of Developing A Budget

It allows you to choose how you will spend your money.

It gives you control over where your money goes.

It provides against financial emergencies.

It helps prevent impulse buying.

It helps financial goals become a reality.





# MONEY MANAGEMENT

## Budgeting Rules

Set realistic financial goals

Distinguish between wants and needs

Record monthly expenses

Establish an emergency fund equivalent to 6 months of living expenses



# MONEY MANAGEMENT

## Steps in Developing Your Budget

1. Determine your income
  - Include only your net income
  - Do not include stipends, overtime, bonuses
2. Determine your **fixed** expenses
  - Includes rent or mortgage, savings utilities, car payment, etc.
  - Pay yourself first!

# MONEY MANAGEMENT

## Steps in Developing Your Budget

### 3. Determine your **flexible** expenses

- Easier to control or reduce
- Includes clothing, food, entertainment


### 4. Determine your **variable** expenses

- Can be a problem if not properly budgeted for
- Include things like insurance, taxes, annual fees

*If the payment is due every year, divide by 12 and put aside every month*

# MONEY MANAGEMENT

## Budgeting Basics

- Record monthly expenses
  - Keep organized records
  - Reduce spending
  - Get a handle on credit
  - Re-evaluate your budget periodically
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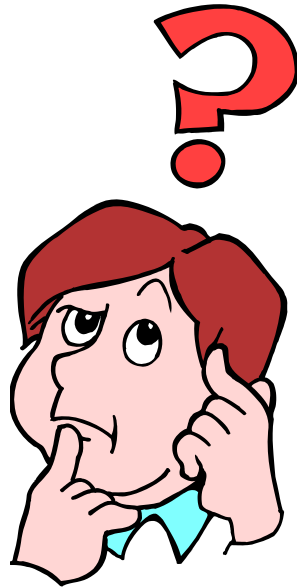
# DEVELOP A PERSONALIZED ACTION PLAN

Once you have decided what it is you want to do, it's important to establish deadlines and make a commitment. Start with and use this Action Plan!



Task	Target Date	Obstacles	Date Completed
1.			
2.			
3.			
4.			
5.			
6.			
7.			

# Questions?





**FINANCIAL WELLNESS**  
CREDIT

# FOUR C'S OF CREDIT

## Credit history

- Lenders want to see a history of stability—how long have you lived at your current address, how long have you been at your current job, do you have a good history of paying your debts on time

## Collateral

- Assets of a borrower (for example, a home) that the lender has the right to take ownership of and use to pay the debt if the borrower is not able to make the loan payments as agreed

## Conditions

- Lenders might consider outside circumstances that may affect the borrower's financial situation and ability to repay, for example, what's happening in the local economy.

## Capacity

- Your other debts and expenses could impact your ability to repay the loan.
- Creditors evaluate your debt-to-income ratio, that is, how much you owe compared to how much you earn.



# TYPES OF CREDIT

## **Loans**

(secured and unsecured; including student, mortgage, home equity, Personal Loans, auto loans, etc.)

## **Lines of credit**

(secured and unsecured; including home equity and personal lines)

## **Sales contracts**

"90 days same as cash"

## **Credit cards**

(secured and unsecured)

# RESPONSIBLE CREDIT MANAGEMENT

## Signs of responsible credit management

- Paying the outstanding balance in full or at least the minimum amount required every month
- Keeping credit card balances below 30% of the total credit limit
- Paying on time
- Never missing a payment
- Staying within your credit limit

## Results of responsible credit management

- Easier to borrow money
- No penalty fees
- More money to keep in your pocket
- Potentially lower interest rates
- Low ratio of revolving debt vs. income
- Increased approval rates for home rentals and leases
- Ability to shop around to have lenders compete for your business

# WHY CREDIT HISTORY IS IMPORTANT

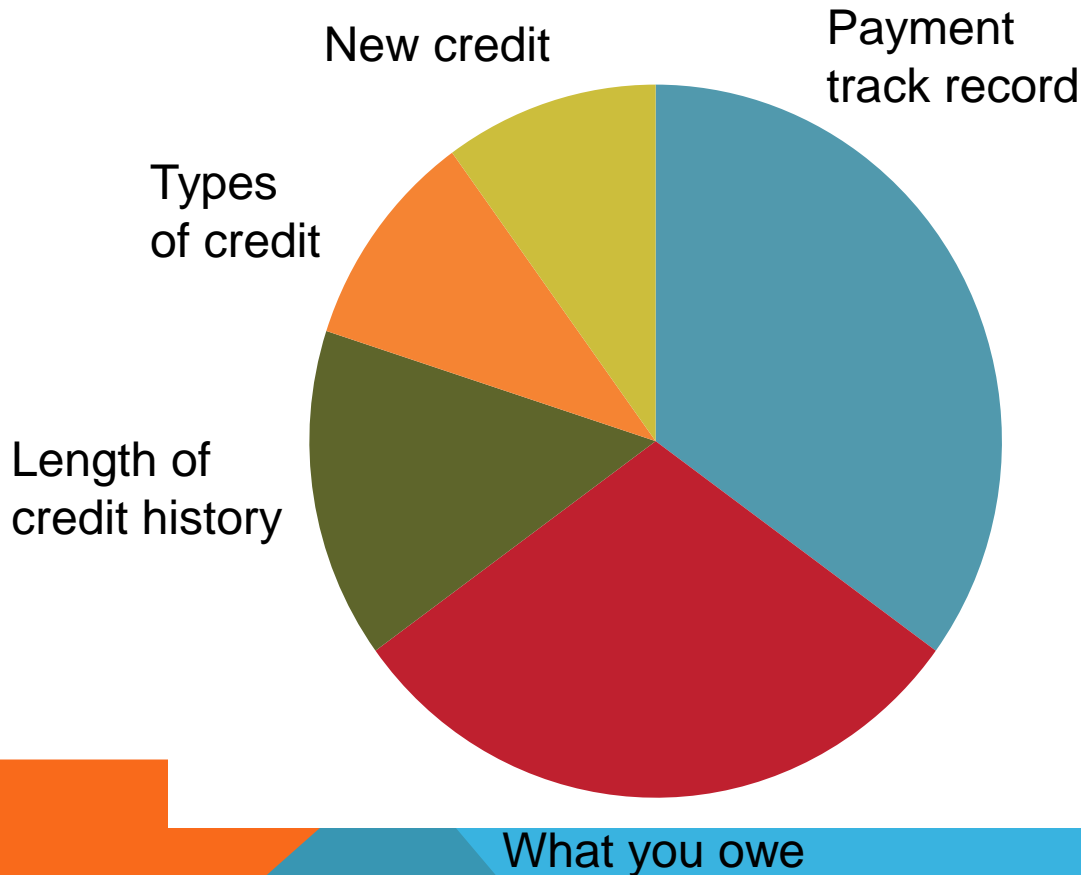
**Lenders always want to know the credit history of people who ask them for credit cards and loans. To find out, they turn to Credit Bureaus such as:**

- Equifax
- Experian
- TransUnion

**Credit Bureaus keep track of everybody's credit history.**

- The different types and number of credit accounts you have
- How much you owe
- Whether you pay your bills on time
- Where you live/work and how long you've lived/worked there

# WHAT GOES INTO YOUR CREDIT SCORE



- Other scores besides credit bureau scores may be used when making lending decisions.
- Your credit score may vary between credit bureaus based on the information on file at each one.
- Over time, your credit score changes.

# WHY IS YOUR CREDIT SCORE IMPORTANT?

**In addition to your credit history, almost all lenders look at your credit score, which is a number that indicates how reliable you are at paying your debts.**

**A computer program analyzes your entire credit history and generates a single number score, usually ranging from 300 to 850.**

**This score helps lenders decide if you are a good credit risk or not.**

**The higher the score, the better.**

**Lenders usually charge lower interest rates to borrowers with higher scores.**

**That means you may keep more money in your pocket when you have a high score!**

**Low**

**300**

**Credit Score**

**High**

**850**

# HIGH CREDIT SCORE MAY MEAN MORE \$ FOR YOU

Cost of car:            **\$15,000**  
Down payment:        **\$1,000**  
Finance for:            **36 months**

	<b>Buyer 1</b>	<b>Buyer 2</b>
Credit score	590	740
Annual Percentage Rate (APR)	<b>10.6%</b>	<b>6.7%</b>
Monthly loan payment	\$465	\$430
Interest paid	\$2,416	\$1,480
<b>Total cost</b>	<b>\$17,416</b>	<b>\$16,480</b>

Example contains sample figures only.

# YOUR CREDIT REPORT

## Request it.

You can get a free copy of your credit report\* each year at [annualcreditreport.com](https://annualcreditreport.com).

## Read it.

Errors can and do occur.

## Fix it.

Take action to get errors corrected as soon as possible.

\* Your credit score may not be available on the credit report. It may be available for an additional fee.

# WRAP-UP

BE SMART ABOUT MANAGING YOUR CREDIT

**Shop for credit.**

**Keep track of charges.**

**Plan your shopping.**

**Pay on time.**

**Set limits...and stick to them!**

**Get help early if you are unable to meet your credit obligations.**



# WRAP-UP

## BE AWARE OF CREDIT TROUBLE SIGNS

**Paying late**

**Ignoring savings**

**Bouncing checks**

**Maxing out credit**

**Experiencing personal stress over finances**

**Feeling like you're paying forever**

**Ignoring the phone to avoid creditors**

What do I do if I get in trouble with debt?

- Don't ignore it! The problem won't go away on its own.
- Talk to your lender right away.
- Get help – Your lender may be able to recommend a reputable credit counselor.
- Know that credit management is a process—there is no quick fix.

# WRAP-UP

HOW TO LEARN MORE ABOUT MAKING SMARTER

CREDIT CHOICES

**For more information and tools regarding the topics we covered today, go to:**

**[www.handsonbanking.org](http://www.handsonbanking.org)**

# Questions?



# **FINANCIAL WELLNESS**

RETIREMENT PLANNING

# RETIREMENT STRATEGIES

## The Cost of Retirement

## Sources of Retirement Income

- Social Security
- Employer Sponsored Plans
- Personal Savings and Investments

## Pension Maximization

## Distributions



# RETIREMENT STRATEGIES

## Calculate the Cost of Retirement

- Establish Desired Income (75%-85%) in current dollars
- Establish savings needed:

Desired Income

minus Social Security

minus State Retirement Plan

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Savings Needed

# RETIREMENT STRATEGIES

## Employer Sponsored Plans

Defined Benefit – SRP – Mandatory

403(b) – Supplemental Plan

457 – Supplemental Plant


## Other Personal Savings and Investment

Individual Retirement Accounts


*After-tax investment/savings accounts*



# WHAT IS A 403(B) PROGRAM?

- It is a pre-tax retirement savings program
  - Contributions are paid by payroll reduction on a pre-tax basis and growth on your account is deferred until withdrawn
  - In 2013 you may defer up to \$17,500 into your account and if you are over age 50, you may defer an additional \$5,500.
  - 15 years or more with District you can defer another \$3,000 a year for a lifetime limit of \$15,000.
  - Loan Provision
  - Early distribution penalties
- 


# WHAT IS A 457 PROGRAM?

- Similar to a 403(b) Plan, It is a pre-tax retirement savings program
  - Contributions are paid by payroll reduction on a pre-tax basis and growth on your account is deferred until withdrawn
  - In 2011 you may defer up to \$17,500 into your account and if you are over age 50, you may defer an additional \$5,500.
  - Loan Provision
  - *No early distribution penalties*
  - Deposits can potentially double for three years prior to retirement (\$33K)
- 



# RETIREMENT STRATEGIES

## Personal Savings and Investments

- Individual Retirement Accounts (IRAs)
    - Traditional (Deductible)
    - Roth
  - Annuities
  - Mutual Funds
  - CDs and Savings Accounts
- 

# RETIREMENT STRATEGIES

## Pension Maximization

- Concept of using life insurance to meet the need of taking care of a spouse (or other beneficiary) and taking the highest payout possible on your pension
- Works very well for some and is not a good choice for others. Very individual decision.

# RETIREMENT STRATEGIES

## Retirement Plan Distributions

- IRA Direct Rollover
  - Eliminates 20% mandatory withholding
  - Won't be able to use some of the special tax considerations
- Annuity
  - Works like a SRP Distribution
  - Guarantees a certain payout over a specific period of time
  - Give up rights to money
- Lump Sum
  - Tax Consequences
    - 20% Mandatory Withholding
    - 10-year averaging, special capital gains

# RESOURCES...WEBSITES AND BOOKS

[www.nfcc.org](http://www.nfcc.org)

[www.mymoney.gov](http://www.mymoney.gov)

[www.quickbooksonline.com](http://www.quickbooksonline.com)

[www.mint.com](http://www.mint.com)

[www.frugalliving.about.com](http://www.frugalliving.about.com)

1. [The Total Money Makeover](#)
2. [How to Get Out of Debt, Stay Out of Debt, and Live Prosperously](#)
3. [Your Money or Your Life](#)
4. [All Your Worth: The Ultimate Lifetime Money Plan](#)
5. [I Will Teach You to Be Rich](#)
6. [The Complete Tightwad Gazette](#)
7. [The Random Walk Guide to Investing](#)
8. [The Millionaire Next Door](#)
9. [Work Less, Live More: The Way to Semi-Retirement](#)
10. [Why Smart People Make Big Money Mistakes \(and How to Correct Them\)](#)

# Questions?

