TABLE OF CONTENTS

WHAT PLACE DOES MONEY HAVE IN YOUR LIFE?

You might think of money as what you need to pay your bills, buy groceries and take care of other practical concerns. All of this is true. We do need money to carry on with our day-to-day lives. Yet, money can be more than that — it can be the key that opens the door to a brighter future.

The purpose of *F* *A* *B* *F* s is to help you use your money more intentionally and realize that you are in control of your financial future. Positive change can happen at any moment. It all begins with believing in yourself, working with limitations and nurturing your talents.

You make money choices every day about what to buy and when to buy it. Now it's time to improve upon those basic skills and add some new ones to ensure that you actually can reach the dreams you have for yourself and your family. Before you begin to use this publication, take a few minutes to think about your dreams and goals.

If money has been a source of problems in your past, it may be difficult to dream or set goals right now. Just start by thinking about a small goal. It could be something as simple as setting aside $100 to start an emergency fund. Then, as you gain new knowledge and confidence, make your goals bigger and more ambitious.

THE MOREals right U1_I18 (ak)1sk r and E o 8 459.8 2i300.0P

yand gosbnes to 4ay anki35 M1ces e½anHE w ones to570.6456i35 M1ces (-)Tj BT0 Tw 9.5 0 0 9.5 36 338.0266 Tm3874 485.1785 Tm[THEes t)10.1 (o 4ay

Sepa ate Spe di g Needs f om Spe di g Wa ts

Before buying something — especially something costly — ask yourself some tough questions, such as:

- Wh_ am I spe di g mo e_ o this item=
- Wh_ do I a t this item=
- What is the pu pose behi d this pu chase=
- Is this pu chase t _i g to make up fo some a ea of m_ life that is lacki g=
- Is the e a cheape alte ati e to hat I a t to bu_= If so h_ am I ot illi g to bu_ the cheape alte ati e=

Don't cheat yourself with quick answers like, "I just want it." Careless spending may be a symptom of a deeper problem. For example, maybe you buy expensive gi s to try to impress someone or gain friendship. Perhaps you buy things to make up for the fact that you don't believe you'll ever get what you really want, such as a better education or a nice home.

If your spending habits are a result of unhealthy triggers, you may want to reflect on your motivations alone or with a counselor. Careless spending will not take away personal pain, and in some cases it can lead to serious financial problems that only add stress.

Spe di g a d Fi a cial Well Bei g

Financial security — the feeling of having enough to cover financial needs — is unique to each person. In 2015, the Consumer Financial Protection Bureau (CFPB) published a report defining financial well-being as "a state of being wherein you:

- Ha e co t ol o e da_ to da_ mo th to mo th fi a ces
- Ha e the capacit_ to abso b a fi a cial shock
- A e o t ack to meet _ou fi a cial goals a d
- Ha e the fi a cial f eedom to make the choices that allo _ou to e jo_ life

Focusing on financial well-being keeps the spotlight on you and your financial needs rather than material possessions.

DEVELOP A NEW AGREEMENT WITH YOUR MONEY

Co side the suggestio s i the _M_ Ne Ag eeme ts ith Mo e_ stateme ts belo Check the ag eeme ts _ou a t to achie e pe so ali e them a d add to them Read _ou mo e_ ag eeme ts o e especiall_ he _ou e at isk of falli g back i to old egati e spe di g habits

My New Agreements with Money

- ☐ I will use my money so my family and I can live in decent housing in a safe neighborhood.
- ☐ I will use my money to promote the physical health and emotional well-being of my family and myself.
- ☐ I will use my money to help further the educational and personal growth of my family and myself.
- ☐ I will use my money to provide for a secure future.
- ☐ I will use my money to help charities of my choice.
- ☐ Other: ______________________
- ☐ Other: ______________________

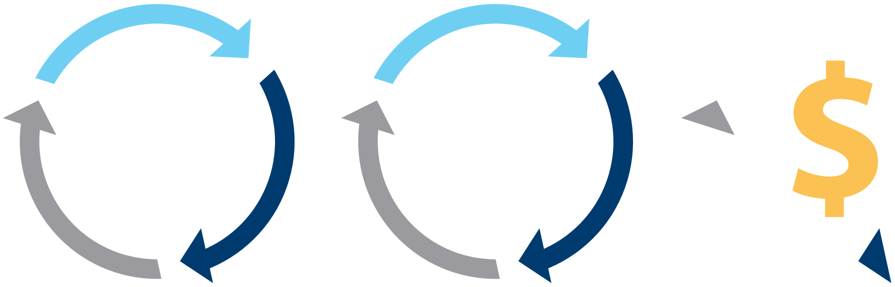
When you have made your new agreements with money and are working toward your goals, you can make better spending decisions.

O li e Resou ces

Use the Fi a cial Well Bei g cou se f om Sma t About Mo e_ to lea mo e about maki g sma t mo e_ choices to build _ou fi a cial secu it_

. -D B O D OE . OG

Selec Co r e hen M Financial Well Being Plan



Plug Spe di g Leaks

When you tracked your expenses, you probably found areas where money seems to disap-

WHAT CAUSES SPENDING LEAKS?

Use your actual spending list to identify spending leaks and begin exploring ways to plug them. That might mean giving up a costly habit or making diﬀerent choices. For example, if you cut back to buying lunch once a week rather than twice a week, you could save hundreds of dollars a year — money you could instead put toward your goals.

Maria had been working for a number of years in a downtown office. Many of the people around her had college degrees, and she envied them, despite the fact that she earned good wages. “I always wanted to go to college,” Maria says, “but my parents couldn’t afford to send me.” Still, Maria took pride in her fine wardrobe and her newer model car.

Then, her company hired Denise, who would play an important role in Maria’s life. “Denise and I would go to lunch together. One day she asked me why I hadn’t gone to college since it seemed like I wanted to go. I gave my usual answer: ‘My parents couldn’t afford it.’ That usually stopped most peo-

APPLY INTENTIONAL SPENDING STRATEGIES

Better spending decisions begin with getting the most out of every dollar. Check off any of the following items you want to put into practice within the next month or come up with your own list. Then rank them in order of priority. At the end of the month, turn back to this page to see how you're doing.

THINGS TO TRY	PRIORITIES TO ME	
☐	____	Buy the things I really need first. Then buy only a few inexpensive wants.
☐	____	Save money to pay cash for what I need. Limit the use of credit cards and loans.
☐	____	Shop at thrift stores, consignment stores, outlet stores, garage sales and flea markets rather than big-box stores and department stores. Bargain for better prices.
☐	____	Limit expensive telephone, cable TV/satellite and internet options in favor of basic services.
☐	____	Buy long-lasting classic styles of clothing made from high-quality fabrics.
☐	____	Keep my receipts in case I need to return an item.
☐	____	Make a shopping list and stick to it. Do not buy on a whim.
☐	____	When shopping, take only cash.
☐	____	Shop for food at supermarkets or food warehouses. Avoid costly convenience stores.
☐	____	Choose generic-labeled or store brands instead of name brands at supermarkets and drugstores.
☐	____	Use coupons when it saves money. Be careful not to buy discounted items just because they are on sale. Compare coupon "savings" on name brands to lower-cost generic brands.
☐	____	Buy bulk quantities of things I use a lot, but be careful not to buy more than I realistically can use or items that will spoil quickly.
☐	____	Eat at home. Make my meals from scratch. Take my lunches to work.
☐	____	Share driving (e.g., carpool) or use public transportation.
☐	____	Shop around for the best price on car, home, renters and other insurance every few years.
☐	____	Trade skills and services (child care, lawn care, cooking, crafts) with neighbors, friends and relatives.
☐	____	Check out media (movies, music, books, magazines) from the library rather than buying new.
☐	____	Stay within my cellphone limits to avoid overage charges.
☐	____	Give homemade gifts.
☐	____	Do as much simple repair work as possible myself.

Mi dful Spe di g

Cutting back spending can be very hard if you haven't considered your motivation for buying things in the first place.

Think about a "want" purchase that is expensive or that you consider a luxury. This could be something you already have bought, something you're planning to buy, or something you really want to buy but don't think you can a□ord just yet.

Before making the purchase, use these questions to be more intentional about your spending:

→ **What is m˛ easo i g fo bu˛i g this pa ticula thi g=**
Fo e ample

- I need to keep up with trends, otherwise I'll be embarrassed.
- I deserve to splurge once in a while, and this will feel like a reward for all my hard work.
- This was a necessary upgrade — even though my old one still works, someday I'll have to buy a new one, so it might as well be today.

→ **Ho do I thi k this pu chase might make up fo somethi g i m˛ life that is lacki g= E amples**

- If I had something nice to wear, then I would get asked out more.
- If I had a bigger TV, then my kids would want to come over.
- If I had a better computer, I would be motivated to work on side projects.

→ **What might be a alte ati e to this pu chase=**
Fo e ample

- I could research generic brands rather than brand names.
- I could monitor the deals online and make the purchase at a time when I would get a discount.
-

SPENDING PLAN STEP 1: IDENTIFY YOUR INCOME

When completing this worksheet, don't overestimate your income. Look back at check stubs and savings or investment statements to get the following information:

MANAGE BORROWING

Not all debt is created equal. Some types of debt are better than others. For example, a mortgage usually is one of the better forms of debt because most homes increase in value over time. Also, the interest paid on a home loan may be tax-deductible.

Student loans can be another type of better debt because there usually is a long-term financial payoff (higher wages) for those who earn a degree, and the interest rate tends to be lower than other types of loans.

The least beneficial type of debt is called consumer debt, which is money you borrow (from a bank, credit card or other source) to buy items that do not increase in value over time. This includes balances on credit cards and car loans. The interest paid on consumer debt is likely to be high and not tax-deductible. Managing consumer debt begins by knowing how much debt you can maintain without tipping your spending plan out of balance.

Wh Use C edit=

Credit S/Span /Langk/Ttengt-US3tn6 492.2123umer debt isnEMC (en-US)/n-US

How Much Consumer Debt Can I Manage?

Many financial advisors suggest that your total consumer debt load (not including housing debt) should be less than 20 percent of your annual net (after-tax) income.

When looking at your debt, remember to consider the amount you borrowed along with the interest on the debt. Even while you're paying down debts, you are being charged interest on the remaining balance.

When making your debt-to-income ratio calculations, don't forget to include debts that you are repaying to friends and family members or for child support. Even though debts like these don't show up on a credit report, they still are part of your monthly debt responsibilities.

Calculate how much you can afford each month for consumer debt. Consider this example:

Net yearly income (after income taxes and payroll deductions) = $25,000

Net monthly income = $2,083 ($25,000 ÷ 12)

Recommended maximum debt level (20 percent) = $417 ($2,083 x .20 = $417)

In this example, the person probably can manage to pay up to $417 a month, including interest charges, for total consumer debt. However other living expenses would determine if this is realistic.

YOUR DEBT-TO-INCOME RATIO

Net yearly income (after income taxes and payroll deductions) = $_________

Net monthly income = $_________ (net yearly income ÷ 12)

Amount of consumer debt per month that I should not exceed is

$_________ (net monthly income x 0.20)

Each month I should pay no more than $_________, including interest charges, for my consumer debt.

A word of caution: If your current debt level is below what you can afford to pay each month, don't go on a spending spree. Instead, congratulate yourself for living below your means. Your lower debt level can mean more freedom to change jobs or reach your long-term goals sooner.

The 20 percent rule of thumb is a general guideline and may not apply to you. For example, if you live in an area with high housing costs, you may not be able to afford 20 percent in consumer debt because you have to use more of your money to pay your rent or mortgage.

If you find that you're exceeding the 20 percent recommendation for consumer debt, does this mean you have a debt problem? Read on and find out.

Only you can repair your bad credit by repaying your debts and paying your current bills on time.

Before you get in over your head in debt, consider taking the steps below.

GET HELP WITH YOUR DEBT

1. Before you miss a payment, call your creditors to discuss your options. This may be a difficult step, but it is less embarrassing than receiving calls from creditors or debt collectors. Often you can work out terms with your creditors, and they might agree to divide payments into smaller amounts or even forgive some of your debt. Negotiate with lenders. They may suspend payments, lower payments, waive late fees or forgive part of the loan. Get any agreement in writing.

2. Go to a nonprofit credit counseling agency that can put you on a budget and help you negotiate with lenders. The U.S. Department of Justice lists (by state) approved credit counseling agencies at www.justice.gov/ust.

3. Stay away from so-called "credit repair" companies that offer to fix your credit history for a fee. Only you can repair your bad credit by repaying your debts and paying your current bills on time. Be wary of promises like, "We can erase your bad credit — 100 percent guaranteed!" These companies often charge large fees to do the same things you could do on your own.

4. To check out a credit repair company's reputation, contact the Better Business Bureau (www.bbb.org) or your state's attorney general (www.naag.org, and click The Attorneys General at upper left).

Reduci g You Debt Use a Debt Reco e Wo ksheet

First, make several copies of the worksheet below (one per creditor). On each worksheet, list the interest rate, amount owed, and the minimum monthly payment. Put your worksheets in order, from

BANKRUPTCY A Last Reso t

Bankruptcy should be considered a last resort for getting out of debt. It typically will not erase debts such as taxes, student loans and child support. It usually will stop collection agency calls, but it can have a serious effect on your credit for years.

Let's look at the two major types of bankruptcy for consumers.

CHAPTER 7

In Chapter 7 bankruptcy, your assets are sold and the money is divided among your creditors. You may be able to keep some items, such as a car and certain personal property. Still, you easily could lose many of the things you value. A Chapter 7 bankruptcy stays on your credit record for up to 10 years and there are some debts that won't go away even after filing. For example, you still have to pay child support, student loans, taxes and alimony.

In 2005, the federal bankruptcy laws were changed, making it tougher for most people to qualify for Chapter 7. For example, applicants must meet eligibility standards under a "means test," as well as complete mandatory credit counseling through a government-approved program. As a result of these changes, more people are required to use a Chapter 13 filing instead.

CHAPTER 13

A Chapter 13 bankruptcy is a plan to pay back your creditors. You make installment payments to the court, and a trustee forwards them to your creditors. In general, your creditors agree to accept less than the full amount you owe. As long as you make on-time payments, you get to keep your assets. A Chapter 13 bankruptcy stays on your credit record for at least seven years.

BANKRUPTCY FAQS

I was recently turned down for a job. Later I found out that the employer looked at my credit record and saw that I had declared bankruptcy a few years ago. Can they do that?

Yes. Many businesses — including employers, utility companies, banks, mortgage companies and so on — can look over your credit record. Bankruptcy can follow you for years and hurt your ability to take out a loan for a home or car, get utility service or even get a job.

I am still paying on my car, but I intend to file for Chapter 7 bankruptcy. Will I be able to keep the car?

Maybe. Your car loan probably is a "secured" loan, meaning if you do not keep making the payments, your car could be repossessed. Work with a trusted advisor to understand fully reaffirming your debt, especially if you intend to keep the property in a Chapter 7 bankruptcy.

I filed Chapter 13 bankruptcy five years ago, and now I need a car. Lenders are willing to loan me the money, but they want to charge me a high interest rate. Does this seem right?

Interest a company charges is partially based on its risk of loaning you money. SiC 74. (en-US)/MCID 1573 E

PART TWO

Your Savings

The second building block for reaching your dreams is a strong savings habit. When you put money away, you are saying, "I believe in my future and I'm willing to take charge of it." Saving puts into action the faith you have in yourself.

If you haven't successfully put money aside in the past, that's all right. Saving some amount is possible — no matter the size of your paycheck. Here in Part Two, we'll show you how to make use of your money so you can:

- Sa e fo sho t te m goals
- Sa e fo a eme ge c_
- Fi a ce _ou lo g te m goals a d d eams

GROW YOUR SAVINGS

Regardless of how much you earn, your savings (your wealth) can grow if you start treating money as something that works for you. And, time is much more powerful than the amount you save or even the returns you earn on investments because of inflation and the time value of money.

Sta t Sa i g Ea l_ It Pa_s

Because of **inflation**, the same items you purchase today will cost more in the future.

But individuals who start saving and investing early in life have an advantage over those who start later. When you put away even small amounts, a very important financial concept is working for you: the **time value of money.**

When you put money into an interest-bearing savings account, the amount you save is the principal. The principal earns a rate of interest as determined by the financial institution. Interest is paid on a saved amount at regular times, such as annually, quarterly or monthly. When interest is paid, it is added to the principal. This new balance – principal plus interest – earns more interest during the next period, and so on. This process is called **compounding,** and its effect is like magic when you let it work for you over time.

The more frequently interest is calculated (or compounded), the more your money works for you to grow. Here is an example of why it pays to start saving early in life and to compare interest rates and frequency of compounding.

Aletta and her brother Cory both deposit $5,000 into high-yield money market accounts that pay an annual percentage rate of 6 percent. Compare the results after 10 years if interest on Aletta's account is compounded once a year and interest on Cory's account is compounded once a month.

	ALETTA'S ACCOUNT	CORY'S ACCOUNT
FREQUENCY OF COMPOUND INTEREST	ANNUALLY	MONTHLY
Interest Earned over 10 Years	$3,954	$4,097
Balance of Account at Year 10	$8,954	$9,097

Another way to take advantage of the power of compounding is to increase the principal amount so more interest is earned each period. Suppose that Aletta and Cory both establish the routine to add $100 each month to their money market accounts. Not only will the principal grow, but they will receive a considerable amount of interest after 10 years. Compare to the previous example the results after 10 years.

	ALETTA'S ACCOUNT	CORY'S ACCOUNT
FREQUENCY OF COMPOUND INTEREST	ANNUALLY	MONTHLY
Interest Earned over 10 Years	$8,202	$8,485
Balance of Account at Year 10	$25,202	$25,485

WHERE DO I PUT MY PAY AND MY SAVINGS?

Both checking and savings accounts are offered by banks, savings and loan associations and credit unions. It is not necessary to have your savings and checking accounts at the same financial institution, although that may be more convenient and it may permit you to have a free checking account.

A checking account is a safe, convenient and inexpensive way to pay bills. This account is a service that financial institutions provide, so they often offset the cost of this service by charging fees. Make sure you understand what fees you will be charged, if any.

Once you start saving money, you'll need a safe place to keep it. A savings account pays you money in the form of interest while you leave your money in the account.

How much money do I need to deposit to open an account?

Automatic payments can work for you or against you

ONE COUPLE PAYS A PRICE FOR AUTOMATIC PAYMENTS

When Tina and Tyler bought their first home, they chose the automatic payment feature so that their house payments went directly from their checking account to the mortgage company. At first it was great — no checks to write, no worries about late payments.

When their first child, Alicia, was born, Tina quit work for three months to care for the baby. With no second paycheck and extra expenses, money was tight. A little while later, one of them forgot to track a payment for groceries. Not only did the automatic payment bounce, but so did two other small payments. The mortgage company charged a $25 penalty because the payment was late. Also, the bank charged a $30 overdraft fee for each of the other payments. Tina and Tyler lost a total of $85.

After paying these charges, Tina and Tyler decided to drop the automatic payment on their mortgage until they got their finances back under control. For them, this convenience feature was no deal.

AUTOMATIC PAYMENTS SAVE THE DAY AND MONEY

Jennifer, a recent college graduate, is accustomed to doing everything online. She uses direct deposit and makes as many bill pay-

Reconciling your own spending tracker with your bank statements verifies that your records match the bank's records.

1.

You Sa i gs Accou t

Before opening a savings account, call several financial institutions or visit their websites to find out answers to the following questions:

- How much money do I need to open the account?
- What is the minimum balance I will need to keep in the account?
- How much interest does the account pay?
- How o□en is interest applied to the account?
- How do I withdraw money when the time comes to spend or invest it?
- Is there a limit to the number of times I can withdraw money from my account each month without incurring a charge? (Remember, the whole point of having a savings account is to leave the money there, so a few reasonable limits on how o□en you can take money out should not be a problem.)
- When I take money out of the account, is there an e□ect on the interest earned?
- Is the bank insured by the FDIC? If it's a credit union, is it NCUA insured?

A□er those questions are answered, you also may want to ask about certificates of deposit (CDs) and money market deposit accounts.

CERTIFICATES OF DEPOSIT

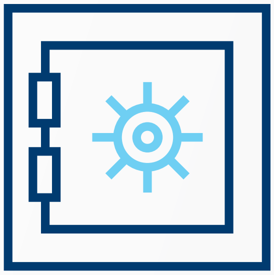
CDs are deposits you make for a specific period of time. At the end of that time period — called the maturity date — you get back the dollar amount of the CD (the principal) plus interest. CDs pay a fixed amount of interest, so the amount you can earn on a CD doesn't change over its time period.

You can choose a CD with a maturity period of one month, three months, six months, one year, two years, three years, and so on. The longer the maturity, the higher the interest rate you generally earn in your account. CDs are great when you have a specific time frame to meet a specific goal. For example, say you plan to buy a new car in three years. You can choose a CD with a three-year maturity. If you need the money before the CD matures, you may have a penalty (such as losing three to six months' worth of interest).

MONEY MARKET DEPOSIT ACCOUNTS

Compared to regular checking accounts that sometimes pay interest, you may earn a higher interest rate on money market deposit accounts. However, you may need to deposit as much as $2,500. (Each financial institution requires a di□erent minimum balance.) Like a regular savings account, a money market deposit account may limit the number of monthly withdrawals. A money market deposit account can be a good place to keep your emergency fund.

Mo e ma ket a d CD accou ts might pa mo e i te est mo e f eque tl tha   a egula sa i gs accou t but the e is a t ade o fo this highe i te est ate With a CD the t ade o is that ou ha e to lea e ou mo e i the accou t fo a ce tai pe iod of time With a mo e ma ket deposit accou t the t ade o is that ou ha e to keep a highe mi imum bala ce to ea the highe i te est Ho e e both optio s ha e the pote tial to g o   ou sa i gs faste tha a t aditio al sa i gs o checki g accou t



KEEPING YOUR MONEY SAFE

When you select a bank for your checking and savings accounts, be sure the bank is insured by the Federal Deposit Insurance Corporation (FDIC). This insures your bank accounts (checking, savings, trust, CDs and IRAs) up to a total of $250,000. Other accounts, such as mutual funds, may not be insured. Credit union accounts are insured in a similar manner by the National Credit Union Share Insurance Fund (NCUSIF), which is administered by the National Credit Union Association (NCUA).

Double You Mo e The Rule Of

As noted earlier, a key to investment success is time. The longer a sum of money earns compound interest or an investment increases in value, the larger it becomes. The other important factor is the rate of return. The higher the rate, the more quickly a sum of money will grow.

To see how fast your money can grow in di□erent savings and investment products, use The Rule of 72, which is an approximation of how quickly your money will double.

01. To see how long it will take to double a sum of money (for example, turn $500 into $1,000), divide 72 by the rate of return. The example below assumes an 8 percent interest rate.

72 ÷ by 8 (the interest rate) = 9 (years)

So, at 8 percent interest, $500 doubles to $1,000 in nine years.

02. To determine the rate needed to double your money, divide 72 by the number of years in which you want to double your money. The example below assumes an investor wants her money to double in 10 years.

72 ÷ by 10 (the desired number of years)

= 7.2 (the rate of return)

So, to double $500 to $1,000 in 10 years, the investment needs to have a 7.2 percent annual percentage rate.

The Rule of 72 shows that, over time, investors earn more on their money than savers. Using sample rates of returns in the table below, compare the outcomes of two di□erent average returns from individual stocks or mutual funds compared to money market deposit accounts. Using an 8 percent average return on individual stocks or stock mutual funds and 4 percent annual interest rate on money market deposit account, compare the number of years it takes to achieve the same dollar value of returns.

The rate of return can make an amazing di□erence. Investors need to balance higher rates of return with increased risk.

A I G $1,000		I E G $1,000	
MONEY MARKET		STOCK MUTUAL FUND	
Numbe of Yea s	Retu	Numbe of Yea s	Retu
18	$2,000	9	$2,000
36	$4,000	18	$4,000
54	$8,0008	27	$8,000

*Note that these interest rates and returns are for illustration purposes; they do not represent any specific products or returns.

TYPES OF INVESTMENTS

Here is a quick overview of common types of investments. The money you initially invest is called the "principal."

Stocks: Owning stock means you own part of a company. In general, if a company does well, its stock price increases. You also might receive some of the profit in the form of a dividend. Of course, if the company does not do well, the stock goes down in value. Also, stocks can be affected by outside factors, such as political and market events that have nothing to do with the company's performance.

Stocks can be risky; however, over a long period of time — such as 20 years — many stocks do increase in value. To decrease risk, it's a good idea to own stock in more than one company, in different industries (diversifying your investments) and to hold these stocks for long periods.

Mutual funds: A good way for most people to diversify their investments is through mutual funds. A mutual fund pools your money with money from many other people. Instead of buying just a few assets, a professional fund manager purchases many stocks, bonds and/or other assets. This diversifies your investment so that you don't have all of your eggs in one basket. Professional management and diversification are two of the main benefits of mutual funds.

Bonds: Bonds are issued by both companies and government entities (federal, state or local). When you buy a bond, you lend money to the issuer. The bond represents a legal promise to pay you interest for the use of your money (for example, for bridges and highways) and to repay you the original amount you paid for the bond (the principal).

Bondholders are less likely than stockholders to lose money. But the return on the bond investment usually is lower than potential returns on stock. However, the potential for your money to grow is greater than a basic savings account.

Treasury securities: Treasury securities include federal government bills, notes and bonds. The principal is safe as long as you hold the security to maturity (the time at which the government agrees to pay back the principal). However, if you sell the security before maturity, you risk losing some of the principal if interest rates have risen since your purchase date.

Real estate: A real estate investment may include residential rental property, raw land, real estate investment trusts (REITs) or commercial businesses. Real estate is an attractive investment to many people. It can be seen and touched, and it offers pride of ownership.

However, an investment in real estate carries some distinct risks. It is possible for property values to go down as well as up. If you sell the property when it is worth less than the price for which you bought it, you could lose some of your investment principal. Interest rates may rise, causing your monthly payments to go up if you have an adjustable-rate mortgage rather than a fixed-rate mortgage. Also, real estate is subject to property taxes, even if it is not income-producing.

Keep in mind that real estate is not a liquid investment. That is, it may be hard to sell the property when you want to, leaving your money tied up when you need it.

APPLY SOUND SAVINGS AND INVESTING HABITS

Set Financial Goals

How do you take control of your life and move forward when you are busy keeping up with everyday life demands, such as paying the bills and taking care of loved ones? The answer is planning, and the first step in planning is setting goals.

Different goals will have different time frames. Goals generally can be divided into three durations:

SMART Goals

Improving your financial life requires planning, which starts with setting goals that are **Specific, Measurable, Achievable, Realistic and Time-bound (SMART).** It also helps to share your goals with a "financial buddy" to set specific dates to check in on progress and celebrate your successes.

Once you've set your goals, you can figure out what you need to save over each time period and chart your progress with a financial buddy. Before you get started, however, take some time to think about what you want and need that costs money.

1. Jot down a dozen or more items that could become your goals.
2. Prioritize these items, starting with the ones that are the most important to you.
3. Mark each goal with a time frame: short-term, medium-term or long-term. Then use the worksheet that follows to outline

Make the Commitme t to Sa e

The first step in setting aside money for savings is deciding that it's possible. Far too many people think they just can't save money. If you are one of those who never seems to have anything le□ from your paycheck a□er paying bills and living expenses, start thinking of saving as a necessity.

The secret of saving is to pay yourself first. When you collect your paycheck, set aside a certain amount for savings.

IF YOU THINK PAYING YOURSELF FIRST IS EASIER SAID THAN DONE, HERE ARE SOME IDEAS TO GET STARTED:

- If possible ha e ou emplo e automaticall deduct mo e f om ou pa check a d deposit it i to ou sa i gs accou t What ou do t see ou o t miss
- Ha e ou fi a cial i stitutio auto matical t a sfe a set amou t f om ou checki g accou t each mo th i to ou sa i gs accou t You fi a cial i stitutio usuall ca set the date of the automatic t a sfe fo the da o a fe da s a e ou pa is deposited It is fi e to sta t small sa / o / a eek You ill be ama ed at ho quickl ou mo e g o s
- T putti g a da plus pocket cha ge i to a la ge e elope o a ja At the e d of the mo th ou could ha e about / to deposit i to ou sa i gs accou t That s // a ea ot i cludi g i te est if ou deposit it i a i te est ea i g accou t
- Deposit a ta efu d pa aise o bo us i to ou sa i gs accou t athe tha spe di g it
-

The first step in setting aside money for savings is deciding that it's possible.

Use I estme t St ategies to Mitigate Risk

It’s important to view investing as a long-term savings and wealth-building tool, not a get-rich-quick tactic. Controlling risk is key to your investment strategy. One of the best ways to manage risk is to spread your investments and savings across a variety of channels. This is important because if you have all — or even most — of your money in one place (whether it’s the stock market, real estate or even municipal bonds issued by your hometown), you’re at a higher risk to lose it all if something goes wrong.

There are three main ways to control risk: diversification, investing consistently and investing over a long period of time.

Diversification

US)/MCID 2526 BDC BT0.016 Tw(9.5 0 0 9.5 160.4456 383.1785 Tm(4.64)141 severtimigh

Diversifying means spreading investments across different industry sectors (e.g., technology and health care) and securities (e.g., stocks and bonds), and using a variety of investment products to protect the value of your overall portfolio in case a single security or market sector takes a serious downturn. This reduces risk, because even though one or more investments might falter, others will gain.

Think of it this way: If all of your wealth was in a single company’s stock and that stock suddenly plummeted 50 percent, you would lose half of your savings. Diversifying over several stocks, as well as real estate, bonds and other products, lets gains in one area offset losses in another.

Investing Consistently

USE INVESTMENTS TO MEET YOUR FINANCIAL GOALS

When you decide to take on investments, you will need to keep in mind the length of time to meet a particular financial goal.

For example, most stocks are growth investments that you buy in hopes of selling for a higher price later. But some investments, such as rental property and fixed-income securities (such as government bonds), are not meant to be sold, but are meant to be maintained as a consistent source of income.

SAVE FOR EMERGENCIES

Nobody can predict the future so it makes sense to put aside money for a rainy day. Keep this emergency fund money in an account that is separate from your general savings. If you mix your

Saving for Retirement Shouldn't Come Last

Many people look forward to retirement as the time when they will be able to kick back and do the things they love. That could mean traveling, starting a business or just living comfortably. No matter what your retirement dreams are, it's a good idea to start planning — and investing — for retirement now. With years to go before retirement, you can set aside savings from each paycheck in an investment account such as a 401(k), and let time and compound interest work their magic.

The best way to build your retirement account balance is through automatic savings. For example, your employer, at your request, can transfer a portion of your paycheck directly into your retirement savings account. You can request that your bank or credit union automatically transfer money from your checking account into your retirement account on the day of the month you choose. Dollar-cost averaging is a great investment strategy to use for automatic retirement savings.

Use these tools to see if ou eti eme t is o t ack

Tax-Advantaged Retirement Accounts

To make it easier to grow your retirement nest egg, the federal government enables you to put your retirement investments into certain accounts that have special tax advantages. These accounts, such as IRAs, are available from mutual fund companies and stock brokerage firms. Financial institutions, such as banks, credit unions and savings and loan associations, also offer and maintain these accounts. Be sure to ask about costs, such as annual fees and sales charges, before opening a retirement account.

One smart way to invest for retirement is to use accounts that let your money grow without generating a tax bill each year.

I di idual Reti eme t Accou ts IRA

If you have a job, you can put away as much as $5,500 each year ($6,500 if you are 50 or older) in an Individual Retirement Account (IRA). If you have a nonworking spouse, you can open a spousal IRA and contribute from your earnings up to the same limits. Contribution limits can change, so double check the current amounts with your financial planner or **visit www.irs.gov and search for “IRA contribution limit.”**

The money you put into an IRA often can be deducted from your taxable income, so you pay less in taxes each year. Your IRA money is not taxed until it is withdrawn. This is a big advantage because you end up having more money earning compound interest year after year.

Employer-Sponsored Retirement Plans

401(K) PLANS

This type of retirement plan is offered by employers. Usually, you sign up for the plan and tell your employer what percentage of your paycheck to transfer into your plan. (The maximum dollar amount you can contribute each year is set by the federal government.)

Many employers sweeten the pot by matching a percentage of your contributions. For example, an employer might contribute 25 to 50 percent for every dollar (25 to 50 cents) you contribute to the plan. This is equal to getting a bonus, so it pays to put in as much as you can afford.

A 401(k) offers you a number of advantages:

- You do not pay taxes on the money you contribute; in other words, you make "pretax" contributions.
- You pay taxes on those contributions only after you withdraw them from your plan — usually after you retire.
- The money you contribute to a 401(k) plan usually can be invested in a selection of investments that ranges from reasonably safe to risky.

After you contribute money to a 401(k) plan, leave it there. It's true that some 401(k) accounts permit you to borrow from them, but borrowing slows down the rate at which your account grows. If you borrow from your 401(k), you will have less money with which to retire.

Borrowed 401(k) funds must be paid back with after-tax dollars. Because you must pay income tax on 401(k) withdrawals after you retire, you end up paying income tax twice on borrowed funds: once when you borrow, then again when you retire. If you leave your job and cannot repay borrowed funds within a short time period, you will pay taxes on the balance. If you're younger than 59½, you also will pay a penalty of $1 for every $10 you borrowed from this fund.

To learn more about 401(k) plans and how they help you reach your retirement goals, **visit the FINRA website at www.finra.org/investors/401k-investing.**

403(B) PLANS

Nonprofit organizations offer 403(b) retirement plans, which are similar to 401(k) plans. These plans are sometimes referred to as tax-sheltered annuities.

As with a 401(k), you do not pay taxes on your contributions or on the amount of money the plan earns until you withdraw funds after you retire.

Also, similar to the 401(k), you choose how your contributions are invested. There are limits on how much you can contribute each year. Taking money out of a 403(b) plan before you retire has the same 10 percent penalty that applies to the 401(k) plan.

THRIFT SAVINGS PLAN (TSP) AND 457 PLANS

The TSP covers federal government workers and service members and 457 plans cover state and local government workers. Contributions by you (and your agency, if applicable) are pretax.

Online Resources

Explore more employer-sponsored retirement plans at Smart About Money:

WWW.SMARTABOUTMONEY.ORG

Select Courses, then Money Basics, then Employment.

Ta Ad a taged Wa s to Pa fo Educatio

The U.S. government not only provides tax-advantaged ways to save for retirement, it also provides tax-advantaged ways to pay for education. These include Coverdell Education Savings Accounts, which apply to a child's entire education; 529 plans, which are helpful for traditional college; and the American Opportunity Tax Credit, which can be ideal for adult education. Be sure to consult a financial planner or tax professional on all these options.

COVERDELL EDUCATION SAVINGS ACCOUNT ESA

A Coverdell ESA provides a tax-deferred method to save for elementary, secondary and postsecondary education expenses, including tuition, books, supplies, room and board, private school enroll-

PROTECT YOUR SAVINGS AND INVESTMENTS

Financial planning encompasses many aspects of managing your financial life. One key area is how to protect yourself and your finances from fraud. This section will explore ways to help you identify common types of fraud and what you can do to protect yourself.

Wo k ith a Fi a cial P ofessio al

Taking care of your finances is like taking care of your health. You need to do regular checkups. But just like going to a doctor for your physical, not everyone wants to do their own financial planning, In fact, many of us prefer to have the assistance of a licensed financial practitioner.

Use these tips to help ou ide tif a qualified k o ledgeable fi a cial p ofessio al

WORKING WITH AN ADVISOR

- Ask for recommendations from family and friends, then interview at least three financial planners before making a choice.
- Ask for the planner's credentials and licensing in the areas such as investment advice, securities or insurance.
- Ask about the person's work experience in financial planning.
- Find out how the advisor keeps on top of the latest trends; regulations change all the time, so current knowledge is important.
- Find out what you can expect regarding the extent of written advice offered, number of meetings, whether you are expected to purchase investments through the planner, etc.
- Ask for references from other clients.
- Discuss how the financial planner will be paid — by commission, fee and commission or fee only.

Make sure the planner is interested in your needs. You don't want someone who offers the same type of plan to everyone, and you don't want someone who is just interested in collecting fees or commissions from selling products.

PART THREE
Your Future

In this publication, we talk a lot about how to keep money from slipping through your fingers. We've talked about how to get out of debt and how saving and investing can make your money grow over time. We even looked at ways to protect yourself from financial fraud.

In this section, we start exploring what you can do to ensure your financial future by looking at areas concerning:

- **Pla i g fo co ti ge cies**
- **Pla i g fo eti eme t**
- **Pe so ali i g mo e ma ageme t to achie e ou goals a d aspi atio s**

PLAN FOR CONTINGENCIES: THINKING ABOUT TOMORROW

Terrell and Maya's most important long-term goal was building up a $10,000 down payment for a home. Both had good jobs and, to reduce

Establish Your Emergency Fund

If you were in Terrell and Maya's place, would you be able to handle unexpected expenses? Emergencies can send your family into financial crisis. Even relatively small costs like cellphones that get dropped in water, veterinary bills when the dog eats something he shouldn't, and helping friends or family in need can throw off your monthly budget.

Some of the top reasons for having emergency funds include medical bills, job loss, and car and home repairs. In a survey by the Federal Reserve, only 48 percent of respondents said they could cover an expense of $400 without borrowing or selling something. Other research shows that households with emergency savings below $500 are more prone to worry, loss of sleep and other ill effects than households with more savings.

Assess your emergency savings. If you do not have at least $500 on hand, go back to the financial goal-setting section in Part Two and consider setting a SMART goal to start your emergency fund.

USE INSURANCE TO PROTECT YOU, YOUR ASSETS AND YOUR LOVED ONES

Insurance is crucial to financial success. Suppose you can't get to work because of a car accident, or you become too sick to work for a long period of time. With a leaner paycheck and greater expenses, could you afford to pay your bills? Think about a recent natural disaster you've seen in the news. Do you have enough savings to rebuild and refurnish if your home was damaged?

Insurance protects your dreams and everything you're working to achieve. It helps you manage risk by passing some of it along to a third party — the insurance company — in exchange for the payment of a premium.

Here are three primary reasons to be insured:

1. Things happen. Accidents, illnesses, injuries, thefts and natural disasters happen all the time. Any of these events can drain your savings quickly and put you into debt.

2. The law says so. Almost all states require drivers to carry auto liability insurance that pays for medical costs, vehicle repairs and other costs. The one state that does not require liability insurance still requires drivers to show that they can provide funds to cover costs if they are at fault. And, under the current provisions of the Affordable Care Act, all Americans (with a limited number of exceptions) either must have medical coverage or pay a penalty.

3. Lenders say so. Your car or home can be seized by a lender if you default on your loan. Lenders don't want to lose their investment, so they insist on certain levels of coverage.

Which of these common insurances do you have?			
Yes	No	**Property Protection**	Auto and mortgage lenders insist on insurance to cover your vehicle and your home. Renters insurance covers your personal property. All of these insurances also protect you from liability claims.
Yes	No	**Protection for Yourself and Your Family**	Protect your family's financial future with health insurance, workers' compensation, life insurance and long-term care insurance.
Yes	No	**Income Protection**	Safeguard your financial savings with disability insurance, life insurance and unemployment insurance to provide income for you and your family in the case of illness, injury or death.
Yes	No	**Protection for/ from Others**	Liability insurance, also called umbrella coverage, protects you against injury and property damage claims from others. Umbrella liability insurance generally adds more protection to the underlying liability coverage provided in homeowners and auto policies.

A I G F O E D I E E D

O li e Resou ces

Sma t About Mo e o e s a cou se fo pla i g ou eti eme t

D B O D OE . OG

Declare Your Retirement Goals

Personalize Your Money Management

Developing your own money management system will help you achieve your financial goals and aspirations. The next few sections outline simple steps for effective money management.

Set Up a Financial Record Retention System

With all the paper and electronic statements, agreements, receipts and bills coming your way, it can be di icult to know what to save and for what reason. The list below will help you keep the important records where you need them and get rid of the documents that are OK to toss.

-D O	KEE F OA EA	KEE F 07 EA	KEE -D -D EEDED	KEE F OE E
Bills older than a year (phone, utility — you might want to record amounts before tossing)	Store receipts — unless you need them for tax, insurance or warranty purposes (which you then should keep for as long as you need them)	Bank and credit card statements that include taxC BTC m264.6432 530.4594 Tm[t)18 (axC BTC m264.64m,uctirETEtsucharitn-US)/MaEtsuBT8 0 0 8 264.		

RESOURCES

GOVERNMENT AGENCIES

- Consumer Financial Protection Bureau, www.consumerfinance.gov
- Federal Reserve System, www.federalreserve.gov
- Federal Trade Commission, www.consumer.ftc.gov
- Internal Revenue Service, www.irs.gov
- Social Security Administration, www.ssa.gov
- U.S. Department of Labor, www.savingmatters.dol.gov
- U.S. Department of the Treasury, www.mymoney.gov

MAGAZINES

- C
- K Personal Finance Magazine
- Magazine

NEWSPAPERS

- B
- J
- A

NONPROFIT ORGANIZATIONS

- Alliance for Investor Education, www.investoreducation.org
- American Institute of Certified Public Accountants, www.aicpa.org
- American Savings Education Council, www.choosetosave.org/asec
- Better Investing, www.betterinvesting.org
- Certified Financial Planner Board of Standards, Inc., www.cfp.net
- Consumer Federation of America, www.consumerfed.org
- Financial Planning Association, www.fpanet.org

WEBSITES

Credit Related

- www.annualcreditreport.com
- www.bankrate.com
- www.cardtrak.com
- www.consumerfed.org
- www.consumerfinance.gov
- www.equifax.com
- www.experian.com
- www.optoutprescreen.com
- www.transunion.com

General Personal Finance

- www.americasaves.org
- www.kiplinger.com
- www.managingmymoney.com
- www.money.cnn.com
- https://powerpay.org
- **www.nefe.org**
- **www.financialworkshopkits.org**