Financial Wellness

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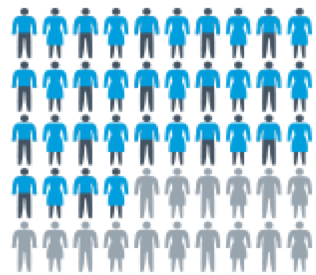
AGENDA

How does financial stress affect your health?

Answers to your financial questions

HOW DOES FINANCIAL STRESS AFFECT OUR HEALTH?

Could you pay an unexpected $1,000 bill?



About two-thirds of people in households making $50,000 to $100,000/year would have trouble coming up with $1,000 for an unexpected bill.

Source: Ken Sweet and Emily Swanson. "Poll: Two-Thirds of U.S. Would Struggle to Cover $1,000 Crisis." AP/NORC, May 19, 2016.

Charles Schwab

HOW DO I START A BUDGET?

Step 1: Plan

- First, divide your expenses into two categories:
  - Nondiscretionary expenses
  - Discretionary expenses
- Then list your sources of income

Step 2: Create

- Add up your income, itemize your expenses and do the math
- Coming up short? Prioritize

Step 3: Keep track

- Use a spending tracker to see precisely where your money is going day by day— It will give you ideas on where to make changes
- When it comes to budgeting, zoom in

HOW MUCH SHOULD I BE SAVING MONTHLY?

1. Contribute to your company's retirement plan up to the maximum employer match
2. Pay off nondeductible, high-interest-rate debt like credit cards
3. Create an emergency fund to cover at least three months living expenses.
4. Contributing the maximum allowed to tax-advantaged retirement accounts.
5. Save for the down payment on a home.
6. Pay down tax-deductible high-interest-rate debt such as a mortgage.
7. Save for a child's education.
8. Keep investing

HOW MUCH DO I NEED TO SAVE FOR RETIREMENT?

Start with these general guidelines:

If you start in your 20s, save at least 10 percent of your pre-tax income.

If you start in your 30s, save 15-20 percent.

If you're in your 40s, you'll need to save 30 percent. (Yes, that's a lot.)

After that, the percentages go up even higher. Someone over 50 just starting to save should aim to set aside about 40 percent of pre-tax income.

Why you need that much

Predicting how much you'll need in retirement isn’t an exact science, and it will depend on a number of personal factors. But in order to be confident that your money will last through a 30-year retirement, a common rule of thumb is that you'll need a portfolio roughly 25 times what you want to withdraw in your first year of retirement

Make it easier with a tax-advantaged account

Start investing now

WHAT ARE THE BIGGEST MONEY MISTAKES PEOPLE MAKE?

1. I took out more than needed in student loans
2. We had the down payment and were ready to buy our first home, but waited and were priced out of the market.
3. I didn't start investing until my 30s because I didn't think I had the money or the knowledge
4. My wife and I went into debt to pay for our daughter's wedding.
5. Instead of saving for the future, I banked on getting a big inheritance.
6. I figured I was healthy, so had minimal health insurance—then I had a major illness and fell into a financial crisis.
7. I kept my daughter's college fund in the stock market until just before she graduated high school
8. I ran up thousands of dollars in credit card debt before I even realized what I was spending.
9. My 401(k) seemed like an easy source for a loan. Now I'm struggling to catch up.
10. I applied for Social Security benefits at 62 when I was still working.

IS THERE GOOD AND BAD DEBT?

Good Debt - Good debt should ideally be low cost and have potential tax advantages.

- Mortgages and home equity lines of credit,
- Student loans

Bad Debt - Generally speaking, try to avoid debt that is high cost and isn't tax-deductible, such as credit cards and some auto loans.

- High interest personal loans
- Borrowing for something that immediately loses value.

Guidelines to help manage debt	
If your debt is…	**Then…**
30% or less of your pre-tax income	You're in great shape
Between 31% and 36%	You're doing OK
Between 37% and 40%	Beware, you're on the borderline
More than 40%	Red flag warning

HOW DO I RAISE MY CREDIT SCORE?

1. Pay your bills on time. Your payment history accounts for about 35 percent of your score.

2. Increase the length of your credit history. This accounts for about 15 percent of your score.

3. Keep your credit card balances low. Ideally, you should keep the amount you borrow below 25 percent of your available credit limit. This accounts for about 30 percent of your credit score.

4. Minimize the frequency of new card requests. This accounts for 10 percent of your score.

5. Keep a combination of different types of installment debt (such as car loans and mortgages) and revolving debt (like credit cards). This makes up the remaining 10 percent of your score.

Your credit score is based on five factors, each weighted differently

- 35% Payment History
- 30% Amount Owed
- 15% Length of Credit History
- 10% New Credit
- 10% Types of Credit Used

HOW DO I TEACH MY KIDS FINANCIAL WELLNESS?

Have an open dialogue about money. For many families, talking about money is uncomfortable, but it’s important to move beyond that. Here are some guidelines to make teaching money skills easier for you and more rewarding for your family:

Make money conversations a part of everyday life. On a trip to the store or while planning a family vacation, talk about how you budget and save.

Set a good example. Friends and the media have a lot of influence on kids, but your spending habits have the most influence.

Use age-appropriate activities. Consider your child's age and maturity. No two kids are alike and neither are their approaches to money.

Talk to girls and boys in the same way. They need to learn the same lessons about spending, saving, borrowing and investing.

Try to be open about family finances. Find areas where you are comfortable involving kids in family financial decisions.

WHAT IS THE FIRST STEP IN INVESTING?

The principles of investing don't change. The economy changes, markets change, your own needs and goals change but the strategies you use to help meet those goals remain the same. Learn them once and you've learned them for good.

1. Know yourself and set your goals.
2. Spread your money out between stocks, bonds and cash.
3. Put your eggs in more than one basket.
4. Be tax-smart.
5. Stay involved.

TIP: Diversification can help mitigate risk.

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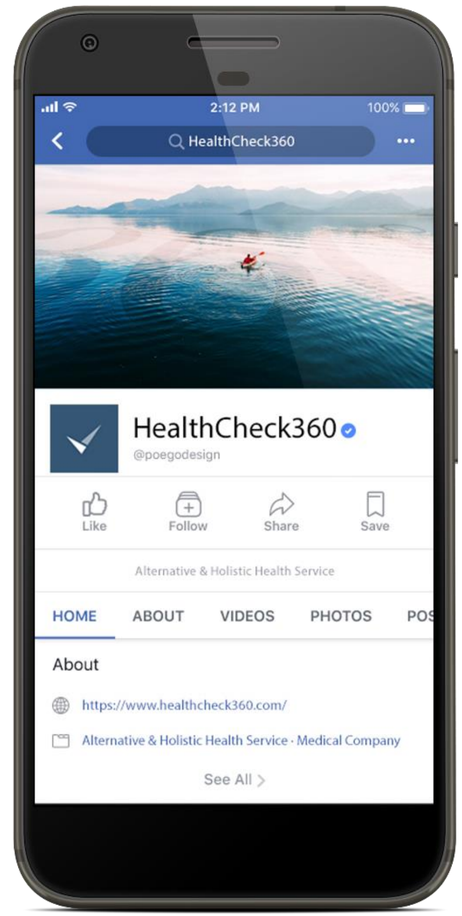

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QUESTIONS?