



Getting & Keeping Your Financial House in Order

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Why Is This Important?

- 75% of WOMEN are WIDOWED at the average age of 56
- 1 in 4 of them will end up broke within 2 months

National Center for Women and Retirement Research

Getting Your Financial House In Order

- Current Landscape
- Plan
- Foundation
- Structure
- Furnishings

Current Landscape

- Know What You OWN
 - Know *Where* It Is
- Know What You OWE
- Know How Much You Spend/Save
 - Pay yourself first – save 15% of your Income

Plan

- Goals
 - Get Out of Debt
 - Purchase a Home
 - College Funding
 - Retirement
 - Charity & Other Goals

Foundation

- Get Out of Debt
 - Credit Card
 - Auto Loan
 - Mortgage
- Time to Pay Off \$5,000 of Credit Card Debt - 18%
 - Minimum Payment of 1% of Balance + Interest = 22 years & 9 months
 - Pay \$6,923 in interest
 - Level \$125 per month = 5 years & 2 months
 - Pay \$2,693 in interest
 - Level \$250 per month = 2 years
 - Pay \$989.13 in interest

Foundation

- Emergency Fund
 - Have 3 to 6 months of Living Expenses (Cash or Cash Equivalents)
- Insurance
 - Health
 - Life
 - Disability
 - Property & Casualty
 - Home
 - Auto
 - Umbrella

Foundation

- Will
 - Executor, Guardian, Beneficiaries
- Durable Power of Attorney (DPOA)
- Medical Power of Attorney (MPOA)
- Living Will / Physician Directives

Structure

- How do you accumulate wealth?
 - Spend less than you earn and do it over a long period of time

The Primary Factor in Accumulating Wealth is ***Saving***

Structure

- The Time to Start Is NOW!
- Interest Rate = 6%

YR	Deposit Beg of YR	Balance End of Yr	#	Deposit Beg of YR	Balance End of Yr	#
2010	5,000	5,300	1			
2011	5,000	10,918	2			
2012	5,000	16,873	3			
2013	5,000	23,185	4			
2014	5,000	29,877	5			
2015	5,000	36,969	6			
2016	5,000	44,487	7			
2017		47,157	8	5,000	5,300	1
2018		49,986	9	5,000	10,918	2
2019		52,985	10	5,000	16,873	3
2020		56,164	11	5,000	23,185	4
2021		59,534	12	5,000	29,877	5
2022		63,106	13	5,000	36,969	6
2023		66,893	14	5,000	44,487	7
2024		70,906	15	5,000	52,457	8
2025		75,160	16	5,000	60,904	9
2026		79,670	17	5,000	69,858	10
2027		84,450	18	5,000	79,350	11
2028		89,517	19	5,000	89,411	12
2029		94,888	20	5,000	100,075	13
2030		100,582	21	5,000	111,380	14
2031		106,816	22	5,000	123,363	15
2032		113,013	23	5,000	136,064	16
2033		119,794	24	5,000	149,528	17
2034		126,982	25	5,000	163,800	18
2035		134,601	26	5,000	178,928	19
2036		142,677	27	5,000	194,964	20
Total	35,000			100,000		

Structure

- Retirement Savings
 - Rules of Thumb
 - You Need 60% to 80% of Current Income in Retirement
 - You Can Spend 4% of Your Portfolio in Retirement
 - The Amount of Savings You'll Need at Retirement is a Function of Spending
 - If You Need \$40,000 to Live On in Retirement, You Need to Save \$1,000,000

Structure

- The Latte Factor
 - Spending \$5 per day = \$1,825 per year

So you give up the daily latte and invest the money instead...

- Investing \$1,825 per year with an annual rate of return of 6%
 - 1 year = \$1,850
 - 2 years = \$3,815
 - 5 years = \$10,461
 - 10 years = \$24,582
 - 20 years = \$69,306
 - 40 years = \$298,724

Structure

- Vehicles to Enhance Retirement Savings

	Amount Allowed for Under 50	Amount Allowed for Over 50
IRA	\$5,000	\$6,000
Roth IRA	\$5,000	\$6,000
401k, 403b	\$16,500	\$22,000
Roth 401k, Roth 403b	\$16,500	\$22,000
457 Plan	\$16,500	\$22,000

Structure

- Investing
 - Preserve Your Hard Earned Savings
 - Savings More Important than the Investment Vehicle
 - Understand What You Are Investing In

Furnishings

- College Funding
- Charity
- Travel
- Second House
- New Cars

Resources

- Organizing Documents
 - <http://financialplan.about.com/od/personalfinance/qt/organized.htm>
- Tracking Assets & Spending
 - Software: Microsoft Money, Quicken
 - Online: mint.com (free), mvelopes.com (charge)
- Credit Card Payoff Calculator
 - <http://www.bankrate.com/calculators/managing-debt/minimum-payment-calculator.aspx>
- College Savings
 - www.savingforcollege.com