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Falmouth VIPS' Earn Save Grow financial literacy programming presents:

ABC's (and D) of Personal Finance

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The information presented is for informational and educational purposes only and should not be construed as financial, tax or legal advice. Individuals should consult a financial planning professional to discuss implications of any financial planning strategies in consideration of individual circumstances.

ABC's (and D) of Managing Your Finances

- **A**SSESS Your Financial Situation – Create Net Worth & Monthly Cash Flow Statements
- **B**UILD Savings – Make an emergency fund & retirement savings a priority
- **C**ONTROL Credit – Check your credit report & scores on a regular basis
- **D**ECREASE Debt – Choose repayment method(s) that either decrease cost or term

GOAL:

- ✓ Staying Organized & Involved!
- ✓ Achieving Financial Stability & Peace of Mind!

ASSESS Net Worth Statement

ASSETS	AMOUNT
Cash Assets <ul style="list-style-type: none"> • Checking & money market accounts, Savings accounts & CDs 	\$ 25,000
Invested Assets <ul style="list-style-type: none"> • Taxable brokerage accounts (bond, stock, mutual fund investments) • Qualified retirement plans: 403(b) / 457(b) / 401(k) / Keogh • Individual Retirement Accounts: (IRAs): Traditional / Roth / SEP • Vested pension account balance & Annuities (accumulated value) • Real estate for investment purposes (fair market value) • Business Interests (sole, partnership, C/S Corp, LLC (appraised value) 	\$ 85,000
Use Assets (fair market or appraised value) <ul style="list-style-type: none"> • Principal Home, Vacation Home, Cars, boats, RVs • Home furnishings, Jewelry & collectibles 	\$ 350,000
TOTAL ASSETS	\$ 460,000
LIABILITIES	AMOUNT
Short-Term <ul style="list-style-type: none"> • Credit card balances, Tax liens 	\$3,000
Long-Term <ul style="list-style-type: none"> • Mortgage(s) & Home Equity Loans • Auto loans • Student loans • Other long-term debt 	\$ 225,000
MINUS: TOTAL LIABILITIES	(\$ 228,000)
NET WORTH	\$232,000

Saving & Investing

- ✓ Pay Yourself First – automate savings
- ✓ Match your time horizon (when you will need the money) and risk tolerance to an investment strategy

Debt Repayment:

- ✓ Snowball, Avalanche, Snowflake methods
- ✓ Refinance for lower rate and/or shorter term

GOAL:
Grow over time through saving and investing while paying down debt

Resources:
 Online: www.schwabmoneywise.com/public/moneywise/tools_resources/worksheets
 Excel template: search 'Personal Net Worth Calculator'

ASSESS Monthly Cash Flow Statement

CASH FLOW	AMOUNT
INCOME: Salary, Self-employment, Bank Interest, Investment Interest & Dividends, Capital Gains, Alimony	\$8,000
TAXES: Federal, State & FICA (Social Security & Medicare)	(\$1,100)
AUTO SAVINGS: Bank Savings Account, Retirement Plans, 529 Plans etc.	(\$700)
MONTHLY NET INCOME	\$6,200
EXPENSES	AMOUNT
FIXED Mortgage/Rent/HOA fees, Loan Payments (auto, student, other), Property Taxes (real estate & auto excise) Insurance Premiums (health, property, life, disability, long-term care etc.) Child Care and/or Tuition Payments	\$3,100
VARIABLE Grocery, Heating & Electricity, Water/Sewer/Trash, Cable & Phones Clothing & Personal Care, Home Maintenance & Repairs Auto Maintenance & Repairs, Out-of-Pocket Healthcare (copays, deductibles, etc.)	\$1,925
DISCRETIONARY Dining Out & Entertainment, Memberships & Subscriptions, Vacations & Leisure / Children Activities, Gifts & Charitable Donations ATM/Bank Fees & Credit Card Interest Payments	\$975
MINUS: TOTAL MONTHLY EXPENSES	(\$6,000)
NET MONTHLY CASH FLOW	+\$200

Find the Money to Save:

- ✓ If you receive large tax refund, adjust W-4 and apply increased income to savings
- ✓ Pay Yourself First – automate savings whenever possible

Find the Money to Save:

- ✓ Scrutinize discretionary expenses
- ✓ Reduce impulse purchases
- ✓ Evaluate electric, cable, wireless phone etc.
- ✓ Assess insurance coverage levels

GOAL:

Income > Expenses = Surplus
(use surplus to increase savings or pay down debt)

Resources:

Online: <https://www.nerdwallet.com/blog/finance/budgeting-saving-tools/>
Excel template: search 'Cash Flow' or 'Household Budget'

BUILD Savings

Emergency Fund

GOAL:
3 – 6 months
of fixed & variable expenses

Keep Safe & Liquid



- **Bank Savings Account**
- **Certificate of Deposit (\leq 1 year)**

Retirement Savings

GOAL:
15% - 25% of pay

Invest for Income
and/or Growth



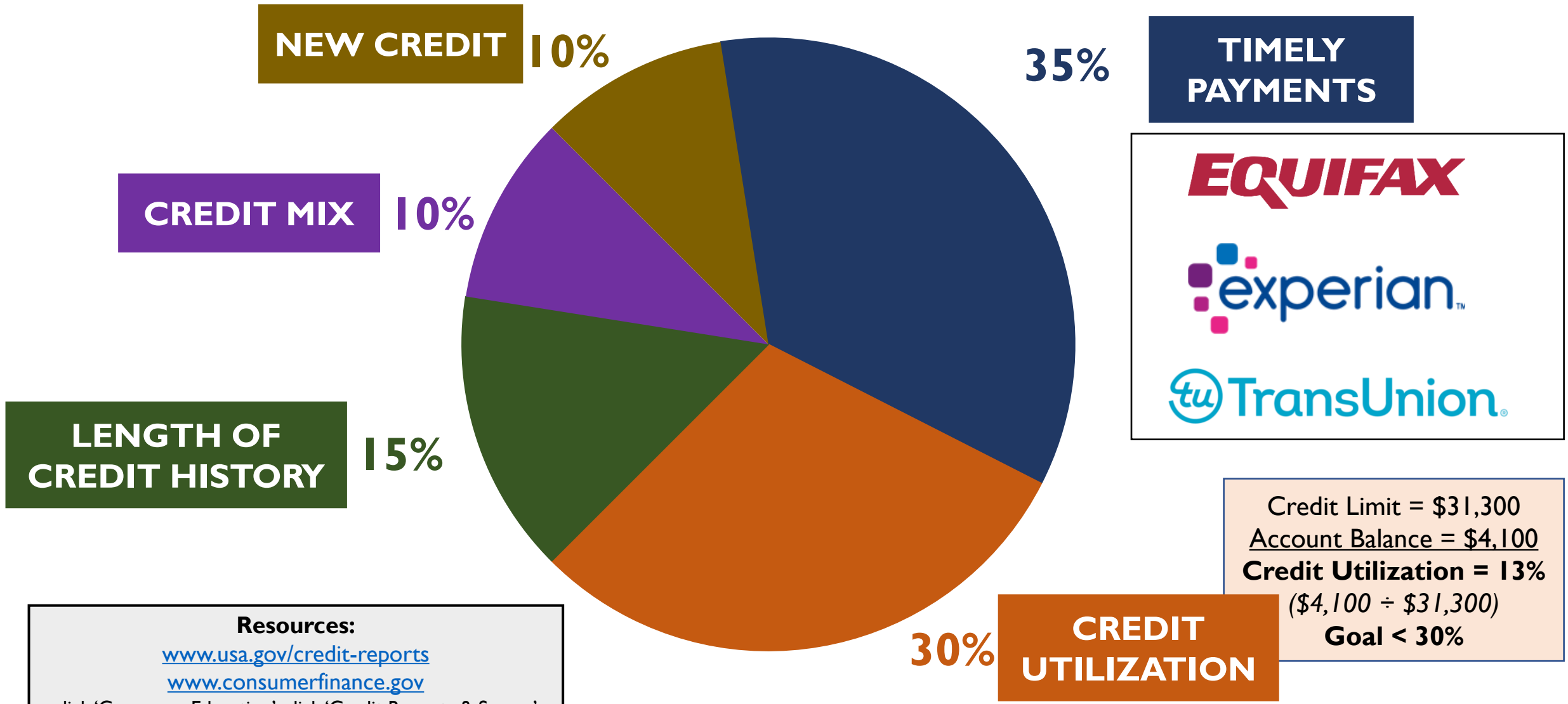
- **Employer-based Qualified Plans:**
 - 401(k), 403(b), 457(b), Keogh
- **Individual Retirement Accounts (IRAs)**
 - Traditional (deductible & non-deductible)
 - Roth IRA
 - SEP IRA (self-employed)

Resources:

General Personal Finance: www.nerdwallet.com and www.bankrate.com

Investing: www.morningstar.com

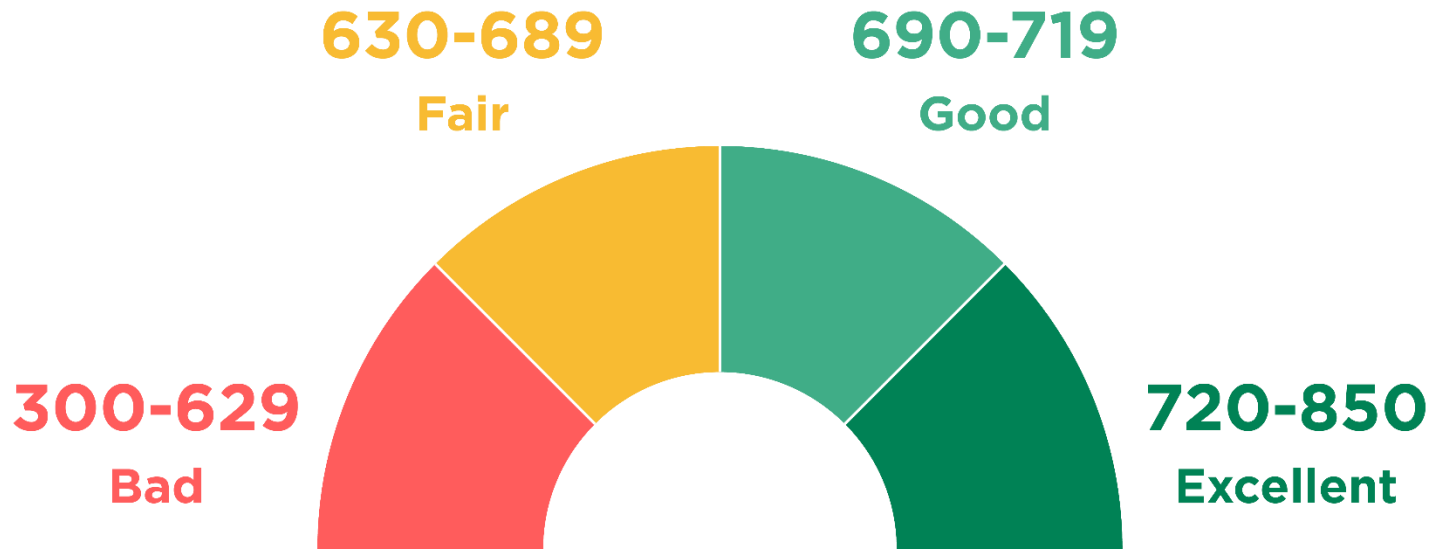
CONTROL Credit – Your Credit Behavior



CONTROL Credit – Your Credit Score

3-digit number that tells lenders how likely you are to repay!

**HIGHER
the
BETTER!**



CONTROL Credit – Checking Your Reports & Scores

Check Credit Report

GOAL:

Check one report every four months

1. Go to the official website: www.AnnualCreditReport.com
2. You will be asked to select one of the credit reporting agencies: Experian, TransUnion, Equifax
 - You will need to provide your SSN as it is the main identifier for your credit information.
 - Choose one agency on a rotating basis every four months in order to obtain it free of charge.
3. You will be transferred to their website and asked identifying personal or financial information such as mortgage amount, past address, loan servicer etc.
4. Review for accuracy and notify credit reporting agency immediately to correct any errors.

Check Credit Score

GOAL:

Reach at least 720 and above

1. Many financial institutions (bank, credit card company etc.) provide a free credit score (VantageScore, FICO etc.)
2. Otherwise, you can obtain a free estimate at www.CreditKarma.com.
3. Your score will fluctuate based on your credit activity – but it tends to go down faster than it comes up!
 - Payment History – never miss a payment, make at least the minimum payment on all debt!
 - Utilization Ratio – target less than 30% on individual cards and overall!
 - Credit History – hold off canceling cards that you've had for the longest time, it can have a negative impact on your score!
 - Credit Mix – it is optimal to have a mix of revolving (credit cards) and installment (auto / student loans)!
 - New Credit – be judicious about applying for credit, although it can help your utilization ratio, but it tempt you to spend!

Resources:

Credit Cards & Other Debt: www.wallethub.com

Credit Counseling: www.nfcc.org

DECREASE Debt - Repayment Strategies

GOAL:

Pay down debt as cheaply (lowest interest rate) and/or as quickly (shortest term) as possible!

Snowball

Smallest to Largest Balance

1. Make minimum payment on ALL debt.
2. Add additional savings to card with **SMALLEST BALANCE.**
3. Once paid off entirely, apply same amount toward next smallest balance.

Builds Momentum!

Avalanche

Highest to Lowest Interest Rate

1. Make minimum payment on ALL debt.
2. Add additional savings to card with **HIGHEST INTEREST RATE.**
3. Once paid off entirely, apply same payment amount toward next highest interest rate.

Saves the Most Money!

Snowflake

Lower Credit Utilization Rate

1. Make minimum payment on ALL debt.
2. Add additional savings to cards with **HIGH UTILIZATION RATIOS.**
3. Once reduced under 30%, apply same payment amount to another card with 30% or greater utilization or move to Snowball or Avalanche.

Improves Credit Score!

Other strategies to research and consider:

Refinance (caution: extending term & fees) and Balance Transfer (caution: teaser rates)
Debt Consolidation (caution: extending term) and Debt Management Plans (caution: fees)

Resources:

Avalanche: <https://www.nerdwallet.com/article/finance/what-is-a-debt-avalanche>

Snowball: <https://www.nerdwallet.com/article/finance/debt-snowball-calculator>

Q & A

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