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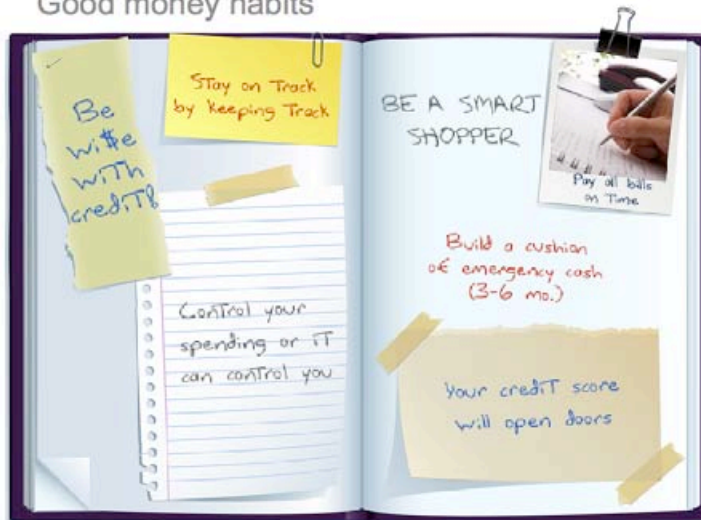
Managing Money & Credit

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Welcome to the Fifteen Minute Finance presentation on Managing Money and Credit. Do you know anyone who has lost control over his or her money? Once you let your finances get out of control, it really is hard to get it back. It's like gaining weight and then having to work hard to lose those extra pounds. It's much easier to stay financially fit.

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Good money habits



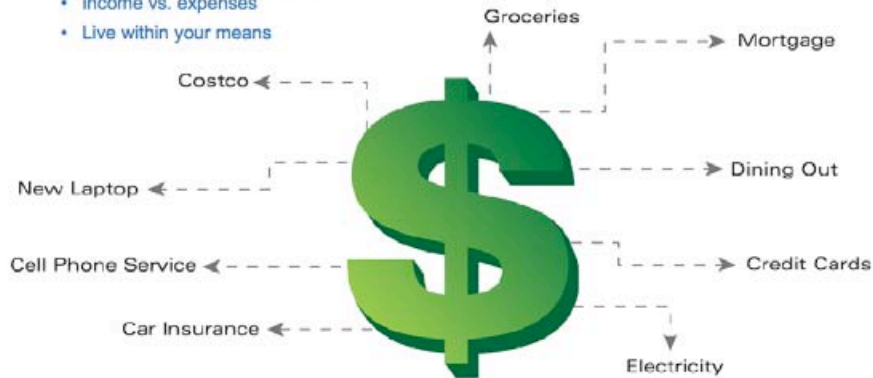
In the next few minutes, I'll touch on a few important habits with the help of John and Sue, a fictitious couple who have some different approaches to managing money. You may benefit from being a fly on the wall in John and Sue's house as they explore the benefits of keeping track of their spending. It doesn't take much time or effort but it can make a big difference. Being a smart shopper, paying your bills on time, and building some emergency cash aren't complicated or difficult things, but they take some attention and a commitment to maintain good habits. And good communication with your spouse doesn't hurt.

We use John and Sue to give life to these seminars. The specifics of their lives may change a bit from one presentation to another. Not all the details discussed here may pertain to your particular situation.

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Stay on track by tracking your money

- Follow the money – for a month or two at least
- Establish and follow a budget
- Income vs. expenses
- Live within your means



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There's a saying: "What gets measured, gets done." Managing your money effectively begins with tracking where your money goes each month. In other words, follow the money.

John and Sue are a happily married couple, but they embody the saying that opposites attract. John is a spender and Sue is very much a saver. For a while, Sue has been preaching but John hasn't been listening.

John says: "Gee, Sue, I don't know where my money's going. It just seems to slip out of my hands."

Sue: "Well, I've been trying to tell you that for a while."

John: "I know. I can recite the budget mantra according to Sue: '*For a month, track **everything** that you spend – by cash, checks, credit cards, large purchases and small. At the end of the month, see where your money went and compare your expenses with your income.*'"

Sue: "Well, that's it. That's the essence of budgeting. And it's not hard. But it's better if you do it for two months to get a more accurate reading."

John: "I hear you, Sue."

[Narrator:] Do you spend more or less than you earn? If you are spending less than you earn, then you have money available to save for longer-term needs or goals. If you are spending more than you earn, try to even that out. Look at where you have spent all of your money and assess whether you could have saved money by not buying something or buying a less expensive item. Ultimately, you should try to live within your means, or spend less than you earn, so that you can save – for the long term or simply to build that emergency cash cushion.

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Be a smart shopper

- Separate needs from wants
- Comparison shop
- Let's make a deal – bargain, wait for sales, use coupons
- Be informed – do your homework
- Money saved = money earned



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Living within your means begins with asking a simple question: “Is this purchase really necessary?” Don’t deny yourself the things you really enjoy, or your basic needs plus some extras. But at least be able to separate your needs from wants.

Let’s visit with John and Sue again.

John: “I understand budgeting, Sue. But what am I supposed to do? A friend had courtside tickets to the Lakers-Celtics game. Sometimes you just have to be ready to spend a few hundred dollars for a once-in-a-lifetime event.”

Sue: “John, take a deep breath and then repeat after me... ‘If this purchase really necessary?’ Now think, how many once-in-a-lifetime events have you had this year?”

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Be a smart shopper

- Separate needs from wants
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- Money saved = money earned



When you do buy things, compare items – for price and quality, and to give yourself a chance to think about buying instead of being an impulse shopper. Look for ways to save money. Certain items – such as cars – typically involve some bargaining or negotiating. Sometimes, just asking for a discount will get you one. Watch for sales – and save by using coupons.

Our friend John goes grocery shopping and spends twice as much as he expected, and then he complains to Sue.

Sue: “John, did you know we had some coupons you could have used? And did you know that the no-name brands actually have no difference in quality from the name brands? Do you mind if I go with you next time and show you a few tricks? For example, the competing grocery chain has cheaper produce and offers gas discounts tied into how much you spend, and if you wait a month for some fruit to come in season, you’ll pay 20 - 30% less.”

John: “Did you say free gas?”

[Narrator:] There’s a saying that money saved is money earned. But money saved by shopping wisely can be even better because you’re saving after-tax money. Everything you save this way is yours.

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Pay all bills on time

- Pay on time – avoid late fees
- Pay in full – avoid carrying high -interest debt
- Keep your credit history clean
- Don't buy it if you can't pay for it
- Keep credit card use in control

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We're focusing on good financial habits, like making sure you pay your monthly bills on time. If you are living within your means and not spending more than you earn, it's just a matter of following a system where you won't forget to pay a bill, and all bills should be paid in full. After all, why pay unnecessary late fees or carry a balance and have to pay interest charges? You could put that money to better use.

Sue notices that John's credit card balance of \$5,000 translates to a monthly finance charge of more than \$80.

Sue: "John, did you realize that if you paid off your credit card balance in full, you could pay for a round of golf, including a couple of drinks at the 19th hole with your buddies?"

John: "I've got to hand it to you, Sue. You have my attention again."

[Narrator:] By paying all bills on time and in full, you'll also build a spotless credit history. Your credit score can either open doors or close them to you at some point in the future. Why limit yourself? Maintain good habits in how you use your credit cards and how you use credit in general. Basically, if you can't pay for it, don't buy it. That doesn't mean don't charge expenses on a card. Just know that you will be able to pay your credit card bill at the end of the month.

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Build a 3-6-month cash cushion

- Be prepared ... what if?
- In case of emergency, build a cushion of cash
- Save something each month—make it a group project
- Your reward: freedom, flexibility, peace of mind

loss of employment
medical bills
major car repair
home repairs
family emergency

Now, what do you do if something unexpected occurs? A common rule of thumb is to have three to six months' worth of expenses saved and available in a bank account or money market fund.

John and Sue talk about this and realize how important it is. As a couple, they spend a total of \$120,000 a year. Three months' worth of expenses saved would mean having at least \$30,000 set aside for emergencies.

John: "What if one of us lost our job?"

Sue: "Or let's say your car breaks down and you have \$1,000 or more in repairs?"

John: "Or we might face a big medical bill that isn't covered by insurance. Yeah, I can see why it could be great to have some money set aside for an emergency."

Sue: "You know, I bet we could each easily set aside \$300 a month, or \$600 combined. After a year, we'd have more than \$7,000 saved. And if we kept that up, we'd have enough to cover any emergency after a few years."

[Narrator] Think about the wonderful feeling of freedom and peace of mind that would bring.

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Your credit score will open doors

- Good habits pay off
- Bad habits could cost you
- How your credit is scored
- Finding your score is easy



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Everyone who has ever taken a loan or used a credit card has a credit history of some kind and a credit score, which is made up of several factors. These include your payment history, the amount that you currently owe, the types of credit you use, the length of your credit history, and new credit. The two most important factors by far are your payment history and the amount you owe.

The longer you have made all your payments in full and on time, the higher your credit score. And the higher your score, the easier it will be to receive a loan or credit card if you apply for one. Also, higher scores can lead to a lower interest rate on a loan or mortgage because you represent a lower risk of non-payment.

You can get a free credit report each year from each of the credit reporting agencies, Equifax, Experian and TransUnion, from their web sites, by telephone or mail. In just a minute, I'll give you a handout that includes the contact information for these agencies and the reports.

John and Sue get their credit scores and compare notes. They both have decent credit scores, but Sue has an almost flawless track record and she scores in the 800s while John's credit score is a still-decent 750.

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Be wi\$e with credit

- Use credit cards wisely
- Pay your bills
- Borrow only when necessary
- Consolidate your debt



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To have a higher credit score, just follow some good habits. Pay your bills on time. Keep your credit card balances low. If you have debt, pay it off. Consolidate your debt if that could help you manage it better.

You can also make things easier on yourself by using credit cards wisely and cautiously. Only borrow when you have to. Apply for new credit only if – or when – you need to. And make sure that the information on your credit report is accurate when you get your free annual credit report.

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To summarize, there are certain golden rules to live by financially. I'll let Sue and John recite them:

Sue: "Try to be very consistent and stay on track financially by paying all your bills on time."

John: "If you have a debt, pay it off quickly. That way you could free up more money to have just in case a once-in-a-lifetime opportunity pops up. Tickets, anyone?"

Sue: "Follow a budget. If you know what you earn and spend, and then work within that framework, it'll be easier to stay out of financial trouble. This will be easier if you have a good handle on what things you really need and which items you merely want."

John: "If you have enough money to buy everything, that's easy, but if you have to be more careful with your money, it helps to be able to know your priorities clearly. Now, Sue, I've been meaning to ask you about those Prada shoes and designer jeans..."

Sue: "Oh, John. They were on sale!"

[Narrator:] Setting financial goals and working steadily to achieve them is an important lifelong habit, which will be covered in more detail in some other seminars in this series. And finally, do your children a big favor and teach them how to be financially responsible, through your example.

Thank you for your time. I have a handout for you now with more information, and I'll be happy to answer your questions.

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Tools you can use

ON THE WEB:

Budgeting: <http://www.kiplinger.com/tools/budget>

Smart Shopping: <http://www.thefrugalshopper.com/>

Emergency Cash: <http://moneytipcentral.com/how-much-is-enough-for-an-emergency-cash-reserve>

Compare Interest Rates www.bankrate.com

Get Your Credit Report:

Equifax 1-800-685-1111 www.equifax.com

Experian 1-888-397-3742 www.experian.com

TransUnion 1-800-916-8800 www.transunion.com

GENERAL INFO:

www.money.cnn.com/pf

<http://www.kiplinger.com/>

<http://www.smartmoney.com/>

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Narrator: This seminar touched on many topics within personal finance. You can find out more about some of the specific topics as well as general information on personal finance at the websites of the popular personal finance magazines, Money magazine, Kiplinger's and Smart Money. Each of those sites has numerous articles, tools and financial calculators.

Your handouts also include several websites that offer specific information on some of the topics in this seminar. Good information will go a long way in helping you manage your money and credit well.

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Thank you

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