MIND YOUR FINANCES

SAVING FOR THE FUTURE

Participant Guide

InCharge® Debt Solutions

WHAT DOES YOUR RETIREMENT LOOK LIKE?

Beach Lover
Your retirement feels like a long, relaxing vacation.

Porch Rocker
You'll spend your days on the front porch as the eyes and ears of the neighborhood.

Grandma
Helping out and pitching in, you're raising up the next generation in your later days.

What Retirement?
Income from your part time job is supplementing your social security and keeping you active.

QUESTIONS: Which retirement profile are you? Share with the rest of the class.

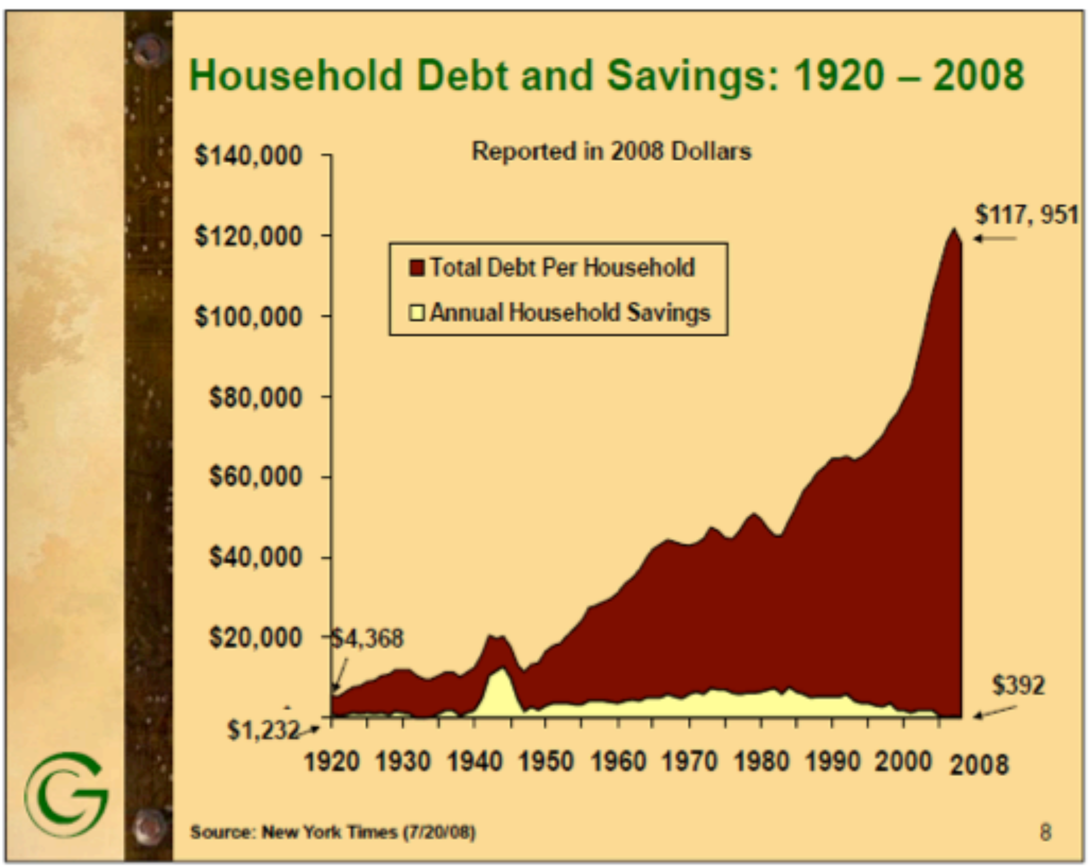
FIVE RETIREMENT PLANNING RULES OF THUMB

1. FIRST pay off your credit card debt, THEN build an emergency fund, THEN start saving for retirement.

If you have debt and pay interest on it, saving money in a retirement account is probably not going to help you over the long term. First pay off your credit card debt so that you do not need to allocate part of your monthly budget to credit card principal and interest payments.

Next, save up an emergency fund of 3-6 months expenses. If you do not have a healthy emergency fund in place you will raid your retirement account every time you have a money crisis. Withdrawing money from a retirement account can come with hefty tax consequences so you want to avoid emergency withdrawals. The best way to do this is to have a separate emergency fund.

No wonder people can't retire anymore.
Look at the changing ratio of debt to savings over the past 90 years.



2. The earlier you start, the better

Let's look at an example:

When you are 20 years old, you think less of saving for retirement than when you are 40 or even 60. The following graphs show why it is important to start saving early. The first example shows a person who begins to invest at the age of 25 and invests $1,000 per year for five years with an annual growth rate of 5%.

Age	Investment	Total
25	$1000	$1050
26	$1000	$2152
27	$1000	$3310
28	$1000	$4525
29	$1000	$5801
65		**$33,630**

The second example shows a person who decided to wait 10 years and begin investing at the age of 35. She also invests $1,000 per year for five years with an annual growth rate of 5%.

Age	Investment	Total
35	$1000	$1050
36	$1000	$2152
37	$1000	$3310
38	$1000	$4525
39	$1000	$5801
65		**$20,629**

Saving money for retirement is like planting a tree. The earlier you plant it, the bigger the tree will be in your golden years. The earlier you start saving money for retirement, the bigger your retirement fund will be as you age.

QUESTIONS: Why does the person who invested $5000 in their 20s have more than 30% more money at age 65 than the person who invested $5000 in their 30s?

3. Pay off your home before you retire.

Imagine living rent and mortgage free? By paying off your mortgage over 15 or 30 years, you will give yourself the best possible gift for retirement: living without a hefty rent or mortgage payment. A home can offer tremendous financial security and for most people it is their biggest asset.

Try to avoid the temptation of taking money out of your home in the form of a home equity loan, once it has risen in value. That's money that must be paid back later in life when you may have lower income, poor health or other financial problems.

A paid-off home can offer more than shelter as you age. Here's how:

1. *If you need extra money, you can take in a roommate and make hundreds of dollars a month off of your home.*
2. *You can rent your home out and go live in a less expensive rental in a retirement community or near the beach.*
3. *You can take out a "reverse-mortgage" whereby a bank pays you on a monthly basis. This can help you tap the equity of your home in your later years, without moving out.*
4. *You can invite relatives to live with you, offering them free housing in exchange for taking care of you in your golden years.*
5. *You can pass on a paid-off home to your children or grandchildren, giving them the priceless gift of financial security.*

QUESTIONS: Can you think of other ways a home can help you achieve financial security?

4. The Education vs. Retirement Debate

Many people consider making withdrawals from their retirement funds for their children's college education. This situation has inspired the great "Education vs. Retirement" debate. When resources are tight, what should you do? Help your child pay for their schooling or fund your retirement?

This is a personal decision, but the "rule of thumb" from the financial planning world is to NOT take money out of your retirement fund for your child's education expenses. This can seriously jeopardize your ability to retire.

The main idea is that retirement money should not be raided for other purposes, no matter what. Money saved in a retirement account (401k or IRA) is considered so "sacred" that it is one of the few assets protected if you file bankruptcy.

Other ways to help your children fund higher education:

1. Open a state prepaid account (go to www.myfloridaprepaid.com for more information); encourage friends and relatives to make regular gifts toward it

2. Encourage your children to live at home while they pursue higher education. This can save $5000-$10,000/year in room & board costs

3. Encourage your children to attend a local public community college or university and receive in-state tuition. This can save between 50%-75% on tuition. Starting at a community college and then transferring to a state college to finish can save even more.

5. Start saving for retirement if you are ready, but do not make any investments that you do not understand.

Retirement investments are complicated. Rule of Thumb: don't buy anything you don't understand. Before buying any retirement products, it is very important that you understand how they work, and what fees and risks are involved. If you have no debt (other than home or auto), an emergency fund saved up (3-6 months) and are ready to start investing extra money in your retirement, here's how to get started:

1. If your employer offers a 401K plan with a company match, enroll in this plan before looking at other options. A 401K plan with a company match means that your employer will also contribute money to your plan. You can think of this as "free money" but you only get if you contribute too. Your contributions will be deducted regularly from your paycheck (pre-tax). You will be given investment options with varying levels of risk. An advisor can help you choose investments that are a good match for you, based on your personal risk tolerance and the number of years you have until you reach retirement age.

2. If your employer offers a 401K plan without a match, it is still a good idea to enroll. Your contributions will be automatically deducted from your paycheck (pre-tax). You will be given investment options with varying levels of risk. An advisor can help you choose investments that are a good match for you, based on your personal risk tolerance and the number of years you have until you reach retirement age.

3. If your employer does not offer a 401K plan (matched or otherwise), you can think about taking out an IRA. This stands for Individual Retirement Account.

QUESTIONS: Can anyone explain what a "pre-tax" deduction is?

Here's an example: If 15% of your income is taxed, then for every $1 you earn, you actually receive 85 cents. If you put that same $1 into your retirement account from your "pre-tax" earnings, you will actually receive nearly the full dollar, because tax has not been deducted.

Retirement plans are COMPLICATED. It is very important that you do not invest in a retirement product that you do not understand.

MAPPING YOUR PRIORITIES

TIME: When figuring out how to divvy up your time, you have priorities that might look something like this:

1. Family
2. Work
3. Friends

Or

1. Family
2. Work
3. Night School
4. Church

Time is finite and there often isn't enough for everything we want to do, so we make decisions based on what our personal priorities are.

MONEY: Money is like time. It is limited by our income, and we have to make spending decisions based on our priorities. Your priorities may look like this:

1. Pay expenses
2. Build emergency fund (6 months of living expenses)
3. Save for a new car
4. Save for Retirement

Or like this:

1. Pay Expenses
2. Pay down debt
3. Save for retirement
4. Save for family vacation

SPENDING PRIORITIES WORKSHEET

Use this worksheet to order your priorities. Take it home and assign dollar amounts to each category.

You'll see that "meet current expenses" has been pre-filled in for you. You cannot meet any of your other priorities until this is met. Feel free to come up with new categories if you need them. The total should not exceed your income.

Other priorities that may be in your list:

Pay down debt
Save for a wedding
Save for retirement
Save for a computer
Save for vacation
Build emergency fund
Save for your education
Save for holidays
Save for new car
Save for your children's education

#	Priority	Budgeted Amount
1	Meet Current Expenses	
2		
3		
4		
5		
6		
7		
8		
9		
10		
	Total	

TOTAL MUST EQUAL OR BE LESS THAN YOUR TAKE HOME INCOME

FINANCIAL SECURITY = INCOME – EXPENSES

If income minus expenses currently equals "0" for you, that's ok.

Your mission is to figure out how to free up at least 10% of your income for saving and investing. Think of this 10% as the fuel for all of your financial goals.

There are two ways to do this:

1. Increase your income

2. Reduce your expenses

Saving money can actually help you reduce your expenses and free up more money for more saving, investing and other goals. Here's how:

1. Having a solid emergency fund set aside can help you reduce your car and home owner's insurance by choosing policies with higher deductibles. (Annual savings: $100-$300)

2. Keeping a minimum balance in your checking account can keep it fee-free FOREVER. (Annual savings: $100-200)

3. Saving up for and buying a car in cash can cut out a monthly car payment (Annual savings: $2400-$3600)

Cutting Expenses = Saving $ = Meeting Savings Goals = Cutting More Expenses = Saving More $

QUESTIONS:

Can you think of any more ways that saving money can help you reduce your expenses OR increase your income?

The Big Picture: Why Invest in a Retirement Account?
What do you think this statement means? Do you agree or disagree with it?

Investing is about making money work for you, instead of you working for money.

THE FRUGAL KITCHEN
COLD PASTA SALAD

1 lb. Pasta, cooked & drained (Use tri-color pasta for a pretty salad)

½ cup red Onion, chopped

½ cup yellow Pepper, diced

1 whole Tomato, diced

Handful of Arugula

Italian dressing

Parmesan cheese (optional)

Mix pasta, vegetables and dressing and chill overnight. Sprinkle with Parmesan before serving. Makes 8 servings.

HOMEWORK:
Finish Your Spending Priorities Worksheet
Bring in a Frugal Recipe to share (if you haven't already)