



# **FINANCE FUNDAMENTALS: REDUCE RISK AND TAKE CONTROL OF YOUR FUTURE**

**A WEBINAR FOR EMPLOYEES FROM YOUR  
EMPLOYEE ASSISTANCE PROGRAM**

July 14, 2021



Federal  
Occupational  
Health

# INTRODUCTION AND DISCLAIMER

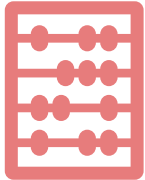
This is an educational workshop presented by the Institute for Financial Education (IFE). **The following presentation does not, in any way, advocate for, offer advice on, or make any recommendations about the stock market or any related investments, securities, or insurance.** The financial and investment products, services, and advice presented today are not endorsed by IFE or the presenter; any action taken by the consumer is solely at their own discretion.

**Financial decisions are important. Individuals are encouraged to seek advice from licensed professionals for actionable recommendations.** Please consult with an advisor who is specifically licensed in the jurisdiction where you reside prior to taking any action relating to investments, insurance, taxes, legal matters, real estate, or any other financial instruments. IFE is not directly affiliated with and is not owned in part or in whole by any private corporation, organization, or association. The material contained herein should not be construed by any audience as anything other than general educational information available to the public.

# OBJECTIVES

- Understand the fundamentals of creating a financial plan
- Review the six areas in your financial L.I.F.E.
- Evaluate your debt and improve your credit
- Discover where to reduce financial risk

# FINANCIAL FUNDAMENTALS



## Take inventory

- Include all assets and liabilities
- Evaluate strengths and weaknesses



## Improve credit

- Understand your credit report
- Increase your credit score



## Create a budget

- Understand cash flow needs
- Make a plan to save for retirement



## Decrease risk

- Protect your identity
- Create a strong financial base
- Utilize insurance when necessary
- Learn estate planning basics



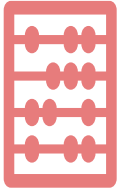
## Reduce debt

- Reduce debt for increased cash flow



## Save for your future

- Set aside an emergency fund
- Create financial buckets for protection, income, and growth



# TAKE INVENTORY

## Lifetime Inventory Financial Evaluation – L.I.F.E

### Salaries

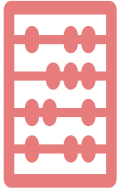
- Take-home vs. gross pay
- Current vs. future
  - Future:
    - Social Security
    - Pensions
    - Asset withdrawal

### Savings

- Emergency funds, savings, and retirement
- Investment accounts:
  - IRAs
  - 401ks
  - TSP
  - Stocks
  - Bonds
  - Mutual funds
  - CDs

### Real estate

- Current home value vs. purchase price
- Mortgage interest rate, principal, and interest amount
- Are you paying Private Mortgage Insurance (PMI)
- Rental property current value and depreciation



# TAKE INVENTORY

## L.I.F.E

### Debt

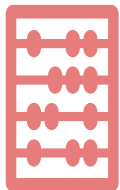
- Balances
- Minimum payments
- Interest rates
- Remaining payments

### Wills and trusts

- Avoid probate
- Ensure efficient passing to heirs
- Control your money after death

### – Insurance

- FEGLI – How many times your salary?
- Are you planning on keeping it into retirement?
- Life
- Term or permanent
- Cash value
- Current benefit vs. future
- Premiums
- Long-term care – premiums and benefits



# TAKE INVENTORY

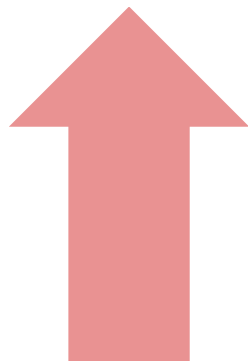
L.I.F.E



Evaluate your inventory for strengths and weaknesses



Formulate a plan for long-term success that can weather uncertainty



## This plan should include:

---

A budget: Understanding cash flow needs

---

Reducing debt and eliminating interest on debt

---

Improving credit

---

Saving, investing, and earning interest for retirement

---

Estate planning: Wills, trusts, longevity, etc.

---



# CREATE A BUDGET

## Determine your net income

- This is the actual amount of money received after state, federal, social security, and other taxes have been deducted

## Categorize all expenses

- Daily living
- Bills and fees: monthly, quarterly, and yearly

## Evaluate your spending

- Review all account transactions for at least the past 60 days
- Sort by merchant or description and identify where you can reduce or eliminate costs

## Standard Guideline

- Live on 70-75% of your net income
- Save 25-30%





# REDUCE DEBT

Reducing debt is crucial to a fundamental financial plan

Average stock market rate of return  
1999-2019: 6.25%

Average credit card interest rate in  
America for 2019: 15.09%

Where is your money best spent?

Pay your debt and increase your  
cash flow!



# REDUCE DEBT

1.

Pay yourself first – build an emergency fund

2.

Make a list of all debts

3.

Sort debt by lowest balance owed

4.

Review your plan with a mentor, if possible

5.

Pay off, or as much as you can, the smallest debt first

6.

Pay the minimum payment on larger debts

Repeat steps 5 and 6 until you are debt free

Acknowledge your accomplishments as you pay things off. **Give yourself credit** for your efforts to reduce debt!



# IMPROVE CREDIT

Three credit bureaus

---

Equifax

---

TransUnion

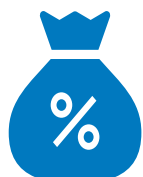
---

Experian



**You are entitled to receive:**

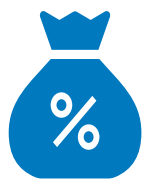
**One free credit report a year** from each bureau, and the CARES Act allows for **a free weekly credit report** through April 2022.



# IMPROVE CREDIT

## Four credit report areas

- Personally-identifiable information: Check spelling for accuracy
- Credit accounts: Includes accounts opened/closed, current balance, and payment history (including late payments)
- Credit inquiries
  - Hard inquiry: Lender pulls your report to determine lending (may impact your score)
  - Soft inquiry: Lender checks your report for accuracy, not for the purpose of lending (will not impact your score)
- Public records and collections: Information from courts and collection agencies
- Bankruptcy on reports: Chapter 7 = 10 years; Chapter 11 = 7 years



# IMPROVE CREDIT

## Five ingredients in a credit score

### AMOUNT OWED

How much you currently owe vs. available credit.

### PAYMENT HISTORY

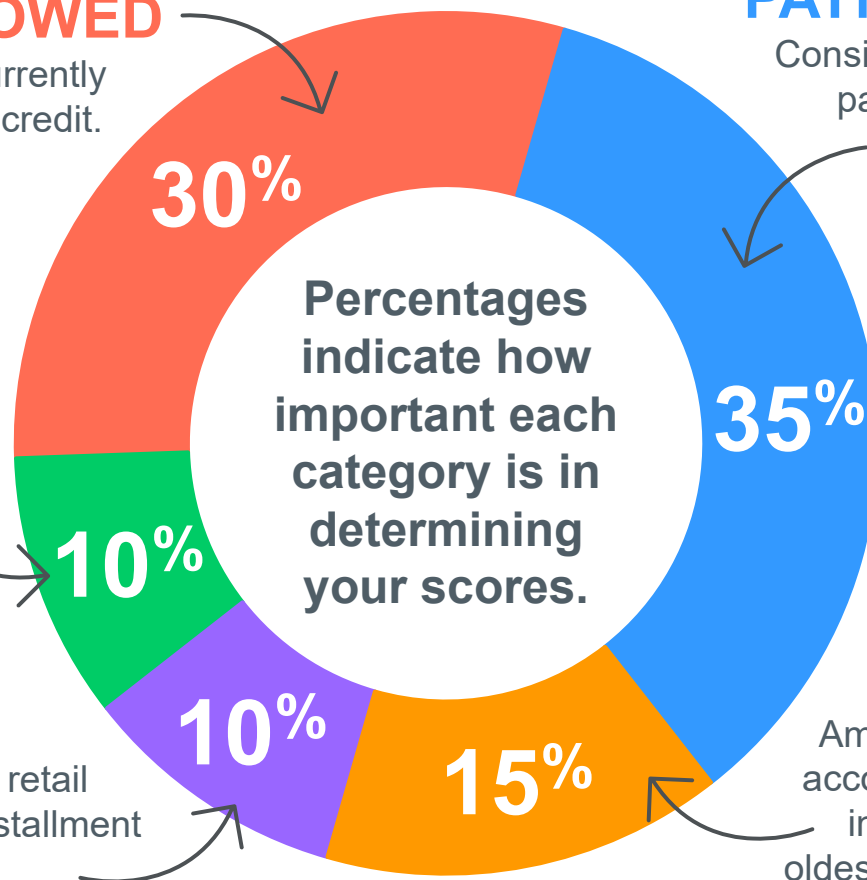
Consistency of on-time account payments vs. delinquencies (including bankruptcies)

### NEW CREDIT ACCUMULATION

Number of recent credit inquiries and newly-opened accounts.

### TYPES OF CREDIT

Your mix of credit and retail card accounts, and installment loans.

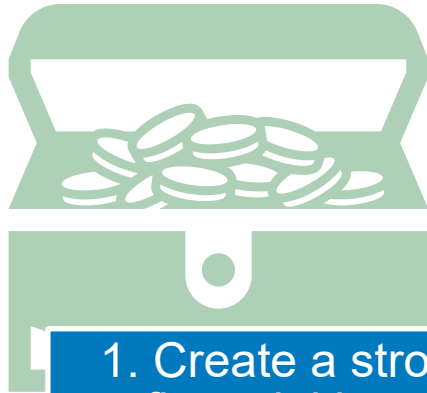


### LENGTH OF CREDIT

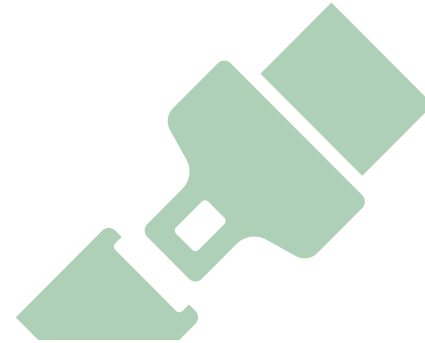
Amount of time your credit accounts have been active, including the age of your oldest and newest accounts.



# DECREASE RISK



1. Create a strong financial base



2. Utilize Insurance when necessary



3. Employ long-term care



4. Plan your estate



# DECREASE RISK

## 1. Create a strong financial base

- Reduce debt and improve credit
- Start an emergency fund – six months of expenses
- Start an investment account
  - Ensure your risk level is adequate with your age and tolerance
- Understand your tax situation
  - Should you do a Traditional or a Roth IRA?
- Ensure proper insurances are in place





# DECREASE RISK

## 2. Utilize Insurance when necessary

- Ensure that property and casualty is cost-effective (review prices annually), and coverages are adequate
- Disability Insurance - many policies have a return of premium rider that protects you until age 65, but if you don't become disabled, return your premium
- Life Insurance
  - Not just a death benefit, many products include living benefits:
    - » Access to the death benefit in case of disability or long-term care
    - » Continuation of premium in case of disability
    - » Cash value – premium paid goes into an interest-earning account, accessible at any time – can be tied to or independent from the market
    - » Cash value is a sheltered asset from FAFSA for college planning purposes
    - » Death benefit is tax-free





# DECREASE RISK

## 3. Employ long-term care

- Don't wait before it is too late
- Rising cost of care + increasing age of population = increased long-term care risk
- Evaluate your life with this in mind and implement insurance when necessary



## 4. Plan your estate

- A will
- Powers of attorney
- Executor of your estate
- Guardianship



# SAVE FOR YOUR FUTURE

As you invest, keep in mind strategy-level diversification



## Yield

Ensure you are saving with future income needs in mind



## Protection

Safeguard assets and earnings in case of a market downturn



## Growth

Depending on risk tolerance, age, and control of fundamentals, consider utilizing a growth strategy; risk/reward



## Balance

Find balance between yield, protection, and growth to create a well-balanced plan

# SUMMARY



Take an inventory of your L.I.F.E.



Create a budget to understand cash flow needs



Maximize cash flow through debt reduction



Ensure your credit is strong



Incorporate insurance as part of your plan



Save for your future, coordinating all the above aspects into a plan

# RESOURCES

## Articles

- How to Find a Financial Advisor if You're Not Rich
  - [money.usnews.com/financial-advisors/articles/how-to-find-a-financial-advisor-if-youre-not-rich](https://money.usnews.com/financial-advisors/articles/how-to-find-a-financial-advisor-if-youre-not-rich)
- The 10 Best Personal Finance Books of 2021
  - [thebalance.com/best-personal-finance-books-4154809](https://thebalance.com/best-personal-finance-books-4154809)
- Where to Get Good, Free Financial Advice Now
  - [nextavenue.org/where-to-get-free-financial-advice](https://nextavenue.org/where-to-get-free-financial-advice)
- How to Make a Personal Budget in 6 Easy Steps
  - [thebalance.com/how-to-make-a-budget-1289587](https://thebalance.com/how-to-make-a-budget-1289587)

## Websites

- National Foundation for Credit Counseling
  - [nfcc.org](https://nfcc.org)
- Get Your Free Credit Reports
  - [annualcreditreport.com/index.action](https://annualcreditreport.com/index.action)
- The Institute for Financial Education
  - [myife.org](https://myife.org)
  - [ifeonline.org](https://ifeonline.org)

## Podcasts

- Fifteen Minute Financial Advisor
  - [chartable.com/podcasts/fifteen-minute-financial-advisor](https://chartable.com/podcasts/fifteen-minute-financial-advisor)
- Live Financially Savvy
  - [livefinanciallysavvy.com/podcasts](https://livefinanciallysavvy.com/podcasts)

# THANK YOU



## Behavioral Health Services Employee Assistance and WorkLife Programs

24 HOURS A DAY

**800-222-0364**

TTY: 888-262-7848

**[foh4you.com](http://foh4you.com)**

