

# Managing Your Money in Tough Times



Date	Value
1/1/2016	0.17
2/1/2016	0.95
3/1/2016	1.58
4/1/2016	2.09
5/1/2016	2.69
6/1/2016	3.73
7/1/2016	5.09
8/1/2016	6.69
9/1/2016	8.53
10/1/2016	10.61
11/1/2016	12.93
12/1/2016	15.50



# Objectives

- Make it a family affair
- Do an annual credit check
- Reduce your debt
- Look at your spending
- Re-set goals
- Playing Catch-Up
- Consider other income sources
- Super Saving Ideas



# Where Do You Start?

- Relax
- Motivate yourself to go forward
- Stay positive
- Assess where you really are
- Does your plan still make sense?
- Take all your financial statements and see what you have

# Make it a Family Affair

- Tough and good economic times can take a toll on families
- Strengthen communication and cooperation by having a family money meeting
- Discuss how everyone can chip in to make things easier
- Don't create fear in children, but let them be involved in decision making and coming up with solutions
- Make sure relatives know you are tightening purse strings and enlist their help by replacing expensive gifts with practical ones

# Annual Credit Check

- Check your credit for free at least once a year – [www.annualcreditreport.com](http://www.annualcreditreport.com)
- Request all 3 reports
  - Experian
  - Equifax
  - Trans Union
- Correct wrong information
- Decide if closing inactive accounts makes sense
- If there is a negative rating on your credit report, call the creditor and see what you can do to remedy it
- In a tough financial climate, bad credit in one area will affect your good credit when things get tough



# What is FICO 9?

- Fair Isaac Company (FICO)
- Developed custom software back in the 1980's
- Prior to Fair Isaac credit was given out randomly, selectively and there was often discrimination
- Developed a statistical equation to make it as fair and non-discriminatorily as possible
- FICO scores are used by 90% of lenders
- Your credit score will be between 300 and 850
- The higher the better

# Factors That Can Affect Your Score

- FICO 9 uses more factors than previous FICO scores
- The minimum scoring criteria - 1 credit account open for 6 months and 1 credit account used in the last 6 months
- Inquiries are now tracked for a twelve month period
- Credit Card information counts more than an installment loan
- Using 30% of available credit is good
- Using 20% will be considered better
- Using 6% or less will qualify you for a super FICO 9 score
- How long has each account been opened 0-23 months has a higher risk than accounts open 24 – 60 months

# Factors That Can Affect Your Score (cont.)

- If you only have collections on your credit report you will have no score
- All paid Third Party collection agency accounts are excluded from FICO 9
- Inquiries for consumer, mortgage and auto installment loans made within 30 days have no effect
- Your score will be lowered if there is no activity for a 6 month period
- If you are using more than 30% of available credit this will factor into lowering your score



# Factors That Can Affect Your Score (cont.)

- Pursuit of new credit including the number of new accounts can cause your score to be lowered
- A recent delinquency of 0-11 months affects your score more than an older one of 12 - 24
- If you are a new borrower more inquiries will lower your score
- Young files will be affected by inquiries more than mature or older files
- An inquiry from a landlord is now considered a hard inquiry. It used to be considered a soft inquiry
- There are multiple FICO scores so you need to ask the lender which they use

# Reduce Your Debt

## Are you really saving?

- You have been faithfully putting away money in a savings account each month that earns 2% interest
- You have saved \$5,000
- You have charged \$5,000 on your credit cards
- The interest rate is 22%
- You are making the minimum payments each month

## What should you do?

# Look at Your Spending

- Know where every penny you spend goes
- Do not use cash or debit cards unless you have given yourself an allowance for small purchases – once it's gone it's gone
- Find ways to cut back on your spending
- Watch out for impulse buying
- Hide credit cards if you don't have will power
- Consolidate your bill paying with an on-line service to make tracking easier

# Look at Your Deductions

- Look at tax withholding
- If you are overpaying – readjust and save the difference
- Is your 401(k) at the max? Can you afford it?
- Are you getting the most bang for your health and life insurance dollars?
- Review all your policies to see if there are more cost effective options
- As your automobile ages you may not need as much coverage

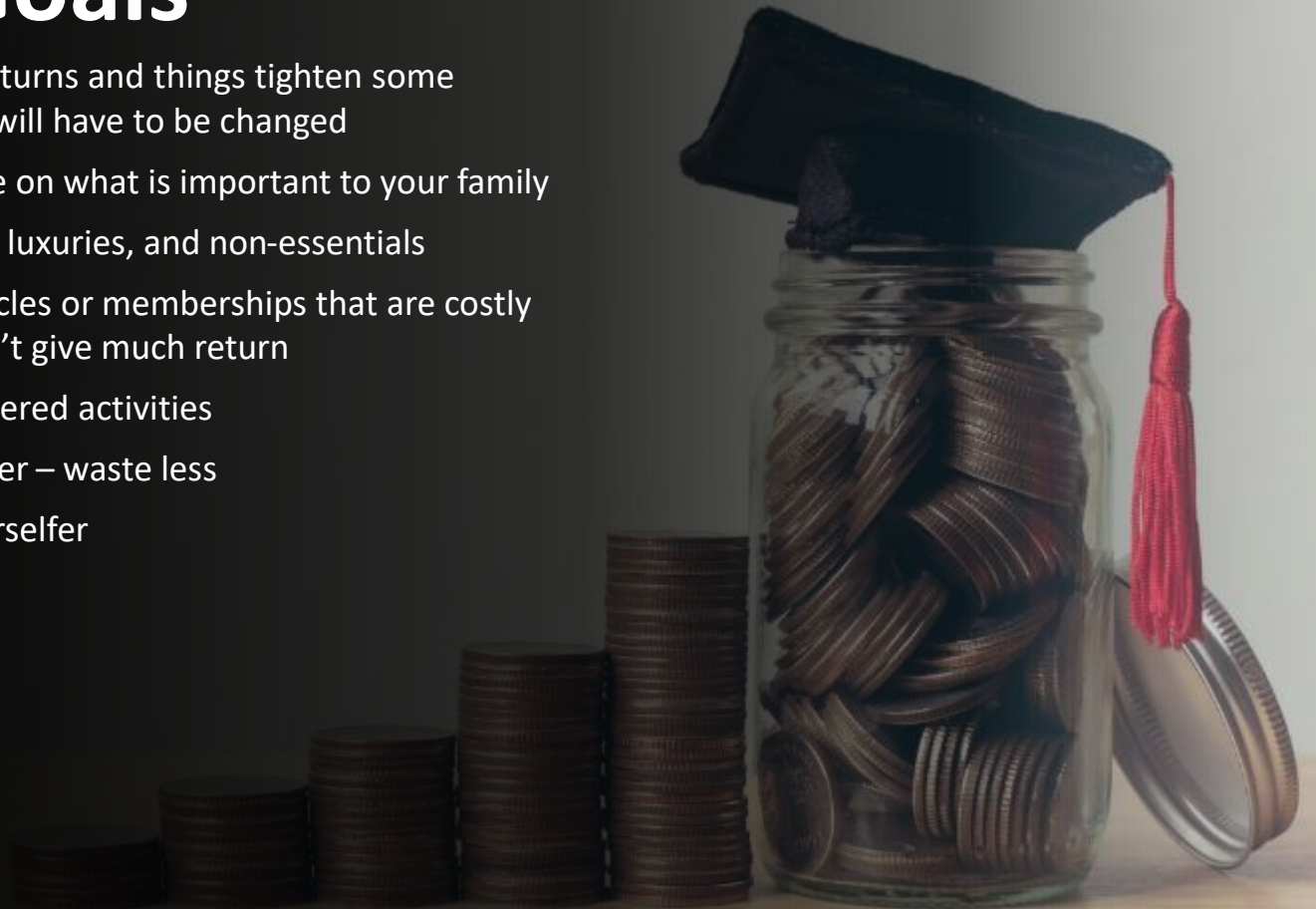
# Be Aware of Financial Changes

## Best strategies for coping with rising costs or reduced income

- Be prepared for rising prices on things you buy routinely like:
  - Gas – shop around for best prices, don't make unnecessary trips
  - Groceries – watch for items that increase in price – may have to change your buying habits
  - Clothing
- Eat out less often, cook more at home
- Learn how to ask for help from everyone and anyone
- Make every effort to keep yourself protected
- Be sure to check on eligibility for benefits or services for the unemployed

# Re-Set Goals

- When the economy turns and things tighten some priorities and goals will have to be changed
- Set priorities – agree on what is important to your family
- Downsize vacations, luxuries, and non-essentials
- Get rid of extra vehicles or memberships that are costly to maintain and don't give much return
- Do more family centered activities
- Learn to shop smarter – waste less
- Become a Do-It-Yourselfer



# Playing Catch-Up?

## Increase Risk?

- Future plans rely on a certain return on your investments
- Current economic and market conditions are uncertain
- Will the market and your investments meet your financial goals?
- If not sufficiently, what options do you have?

## Modify Your Plans?

- Increase your risk...Most financial planners will tell you to reduce, not increase your risk as you age
- Modify your plans...Rethink retirement, college plans, re-sizing or relocating to reduce your cost of living

## Do you have a certified Financial Planner (CFP)?

# Consider Other Income

- If you have an interest, talent or hobby, turn it into an income opportunity
- Get a part-time job to fill a gap
- Encourage children who are old enough to do small jobs to give them spending money
- Encourage grandparents to contribute to college accounts or savings instead of buying gifts



# Super Savers

- Get an automatic thermostat to lower heat when you are not home
- Replace old bulbs with compact fluorescents
- Consolidate car trips and errands to save gas
- Only shop with a list
- Look on-line for deals and coupons before you make purchases
- Re-cycle or sell items you no longer have a use for
- Have a garage sale
- Sell collectibles

# Thank You For Attending

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