January 2014 | Financial Coaching Institute | (912) 450-3738

Volume A Issue 1

10 Financial New Year's Resolutions that should be on your list!

#1 Spend Less!

One of the fastest ways to save money is to lower your living expenses. The best action you can take is to sit down and create a monthly spending plan. Determine your total monthly expenses and divide each categories' amount by the total monthly expenses. For example, if your total monthly spendable income is $7,000 and your food spend is $900, then it is 12.8% of your monthly expenses – well within the range of 10-15%. By doing this exercise, you can determine which categories are out of balance. These become the areas you try to spend less first. Below is a list of spending categories with recommended allocations by percentage for each category.

Category	% of Expenses
Housing	25-35%
Utilities	5-10%
Food	5-15%
Transportation	10-15%
Charity	10-15%
Clothing	2-7%
Personal Care	5-10%
Medical Care	5-10%
Pet Care	1-2%
Insurance	1-2%
Child Care	1-2%
Savings	5-10%
Financial Fees	1-2%
Entertainment	5-10%
Miscellaneous	1-2%

Creating a Reduction Plan

Now that you have the basic guidelines, let us review a couple of exceptions. First, if your monthly income is really high, that doesn't mean for example, you should go out and spend more on food if it only comes up to 5% of expenses. You may also find that your housing category is rather high. Many people during the housing boom found that just their mortgage payment alone accounted for 35% of their housing expense. Another overspend category might be transportation. If you have a couple of car payments and maintenance, you may find this number to be high or skewed as well.

Review each category and really challenge yourself as to whether an expense is a want or need. Even with the needs, is it a "high-end" need, or is there a compromise to save money? For example, your teenager needs jeans, but do they have to be the most expensive ones in town? Now is the time to spend less! With each overspent category, first sit down (with spouse and/or kids) and brainstorm 10 ways to reduce an expense. Secondly, take the brainstormed list and come up with at least one solution from the list to try. Perhaps you have a child that leaves lights on in every room they enter and you decide to encourage them to change their habit by explaining how it saves the family money. That money could be much better enjoyed while on vacation. In fact, if you have kids, they can be much better problem solvers than adults. Let their financial creativity flow!

If you have multiple categories that need work, please don't try and work on more than three at a time. You can become no fun to live with if every category is addressed at a family meeting. For ours, I grabbed a white board and we wrote everything out. Who doesn't love dry erase markers? They make everything more fun! Comparison shop all expenses. I have switched insurance carriers, pest control companies, landscapers, gas stations, grocery stores, mobile providers, etc. because I can find I spend less and often times get better service. Meet again with your family to report all the money saved. Spend less in 2014!

#2 Save More!

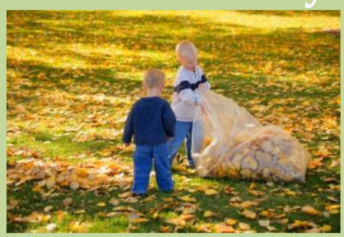
What do you do when your spending category is zero? Start saving! The best way to start is by making it automatic. The government figured this out a long time ago with tax collection. They knew that if they gave it to you and asked for it back, they would not get paid. You are certainly worth getting paid – so pay yourself first! Start by creating a dollar goal. Perhaps it is to create a $1,000 emergency fund. If you want to accomplish this in a year, then save $2.74 a day. Set up a savings account at your bank to automatically transfer $84 a month for a year from your checking account. Even if you are saving now, try and increase the amount you are putting away.

Spend less to save more. Once you complete Resolution #1, figure out how you want to save the money you are no longer spending. Goals include: Emergency fund, Vacation fund, Christmas fund, Sinking Fund, College fund, Gift Fund, Retirement fund, and Charitable fund. Write down all your personal savings funds and figure out how much each fund will receive. Set goals to increase as unexpected money and windfalls come your way. Keep the whole family involved!

Consider ways to create additional cash for your funds. Can you sell unused or gently used items locally or on the internet? Do you have a unique skill or talent that you can use to create some income? Can you tutor? Can you sell crafts? Can you be a sitter? Can you be a paid speaker? Can you get a temporary part-time job? Most people can find a way to create an increase in their savings to make it 10% of their annual income. Brainstorm and try at least one solution.

Even $0.50 a day in change adds up to almost $200 a year in savings. Focus on the right savings behaviors and not the dollar amount. Your positive behaviors can quickly replace years and decades of not saving. Save more in 2014!

#3 Start an Allowance for your Kids!



Does your kid's room look like this?

Allowances are a great tool to teach your kids the basics of money. You want to show them the 3 primary categories for their money. They already likely know the first one – which is spending. The second principle is saving. The last concept is giving. Even at young ages, parents find out quickly who the spenders, savers, and givers are in the family.

Begin a family meeting by explaining the categories. Set up goals like 80-10-10. 80% for spending, 10% for saving, and 10% for giving to others. Next, decide on what chores will be paid. For example, cleaning one's room is a non-paid chore in our house. Doing a chore that helps out someone else is paid. Figure out rules everyone can agree to.

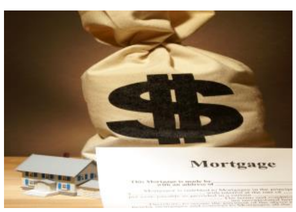
According to a 2012 survey by the American Institute of Certified Public Accountants (AICPA), they found that 61% of parents give their children allowances with most starting by the time the children reach age 8. Over all the age groups, allowances average $65 per month or a little more than $16 per week. The average American family pays approximately 50 cents per week for each year of a child's age. For example, a 12 year old would get $6 per week. Another method often used is $1 per week for each year of the child's age. For example, a 10 year old would receive $10 per week. Regardless of the method you choose, allowances help develop financial skills. Start an allowance for your kids in 2014!

#4 Pay Off Debt!

Most Americans have debt! According to www.nerdwallet.com, as of December 2013, the US debt profile for an indebted household looks like the following: Average credit card debt: $15,279; Average mortgage debt: $149,456; Average student loan debt: $32,140. If you have all three of these, then on average you have almost $200,000 in debt. You need a plan to get out of debt. You just can't pay the minimums and expect balances to decrease quickly.

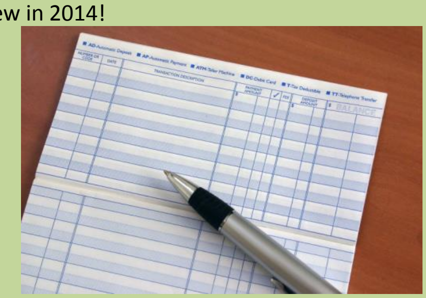
Begin by determining a dollar amount that you can commit to paying extra on your cards. We will call it your "Financial Force". A good rule of thumb is 10% of your monthly expenses. For $7,000 a month in spending, your goal should be $700. If you can start with $350, then so be it! Just start with something. Second, make a chart by listing out all debts in the first column. In the second column, list the total outstanding balance owed. In the third column, list the minimum required monthly payment. To determine the Eliminator column, divide the total balance by the minimum monthly payment. Round the Eliminator as needed. Complete the priority column by assigning the number 1 to the debt with the lowest eliminator number, assign 2 to the next lowest number, etc. until all debts have a priority assigned. Take your Financial Force which is $350 in this example and add it to the Priority 1 minimum monthly payment. Divide the total balance by the Financial Force to calculate the number of months until this debt is paid off. Continue to pay the minimum monthly payment on the rest of the debts. Once the first debt is paid off, go to the next one on the list – add its minimum monthly payment to the Financial Force you were using – in this case add $12 to the $742 from the car debt. Again, divide the total balance by the Financial Force to calculate the # of months until this debt is paid off. Keep paying off all debts using this snowball method. This family is able to pay off almost $10,000 of debt in a little more than a year. Pay off debt in 2014!

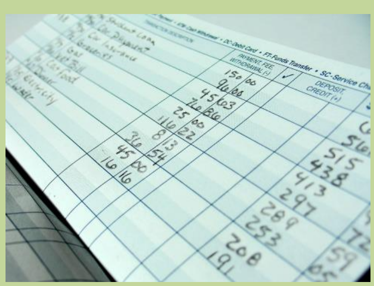
Debt	Total Balance	Min. Mo. Payment	Eliminator	Priority	Financial Force	# Mo. to Payoff
M/C	$900	$27	33	3	$781	2
VISA	$1,400	$42	33	4	$823	2
Sears	$785	$16	49	5	$839	1
Disc.	$370	$12	31	2	$754	1
Car	$5,870	$392	15	1	$742	8
					Total months	14




#5 Learn Something New!

Take this opportunity to learn something new about money, credit, insurance, or investing. As with anything, a little time and effort can reap huge rewards. Try learning something new or seeking an answer to one of your financial questions. Sit down and list out at least 5 topics and/or questions you would like to know more about or have answers to. For example, if your spouse manages the checkbook, spend one month shadowing them and the next month managing it yourself. You might start changing behaviors in a positive way and your spouse might enjoy the time off. Learn Something New in 2014!


69% of Americans never balance their checkbook

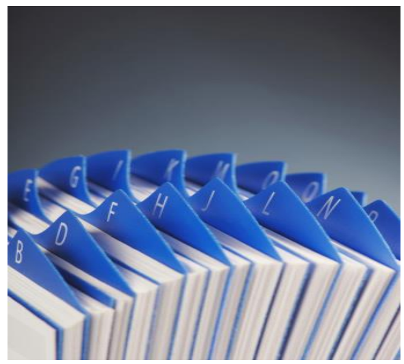

10% rarely balance their checkbook


21% faithfully balance their checkbook

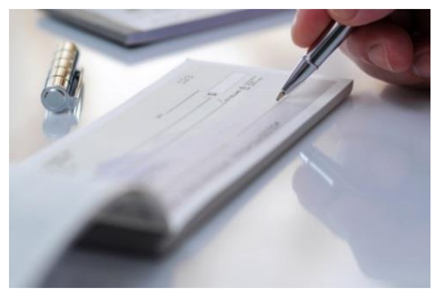
#6 Get Organized!

Getting organized is a basic step to getting your financial house in order. You can begin with the simple Rolodex or index file mechanism. Each letter of the alphabet is used to organize contacts such as doctors, dentist, pet groomers, and landscapers. You can also use that same Rolodex for website addresses to include your user ID and password. Please be sure and keep this secure and safe. Secondly, you want to create a central location where all your important financial documents are located. Create and use a well-organized filing system based on your most used categories of finance. Such categories include checking and savings accounts, insurance, utilities, pay stubs, etc. Have some fun! Office supply stores have wonderful accessories for any organizer. Make a copy of all your important documents such as passports, social security cards, and credit cards. Create a list of contact numbers in case any of these documents are stolen or lost. Keep your most important documents in a safe in case of fire or theft. Include such documents as property titles, wills, and passports. You may consider using a safe deposit box at your bank instead of keeping all the important documents at your house. Another great tip for organizing your finances is to automate your payments. For example, pay as many things as you can using your credit card, and then it creates a single payment date for all those expenses. If you prefer writing out checks, use a calendar to write down important payment due dates. Lastly, keep four items near you when sorting through bills and mail: trashcan, recycle bin, filing system, and shredder. With these tools, you can quickly deal with any financial documents. Get Organized in 2014!

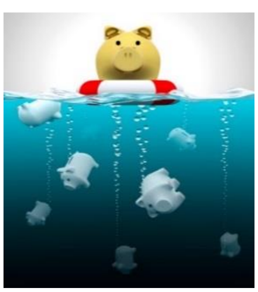
Before After



#7 Give More!



The average American gives 4.7% of their income to charities. Try and hit 10% for 2014! Not only is it a wonderful way to help others in need, but you can also benefit from the added tax break. What if you don't have the cash to donate? Here are a few ideas to get your charitable bones moving: consider going through your food pantry and try to donate 10% of your items, go through your closets and donate gently used clothing, linens, toys, etc. I recall an old Dr. Phil show where a man had over 50 jackets and coats. It was suggested that a lot of people could have really used some of those the previous winter. We all have a "stash" of something that could be used and cherished by someone else. With 365 days to go until the end of the year, can you give away $365 or 365 items? How about 7 items each week? Are you a hoarder that can give away 7 each day? The best charitable gifts: Give Money and Donate Items. Give More in 2014!

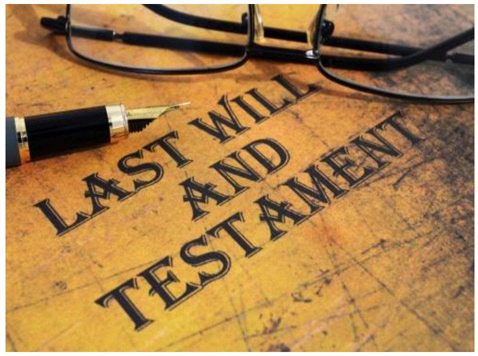


#8 Create a Sinking Fund!

A Sinking Fund is an account used to set aside money for the purpose of replacing expensive items or paying for large expenses that occur semiannually or annually. A sinking fund allows you to make payments that are like paying in advance for a large expense. It allows you to self -amortize the future expense by dividing it into equal payments. For example, if your real estate taxes are $2400 a year, then you would set aside $200 a month into your sinking fund. Examples of expensive items include your HVAC unit, repainting your house, replacing major appliances, car purchase, and replacing floors/carpeting. Examples of semiannual or annual bills that are due include property taxes, maintenance fees, Homeowners Association dues, and insurance bills. To start today, calculate the total amount that will need to be spent and divide it by the number of months until you have to pay. If your Long Term Care insurance annual premium is $496 and due in 8 months, then you need to set aside $62 a month to pay that bill. After it gets paid, you only need to set aside $42 a month for the next year, since you have 12 months to save. Sit down and write down all the future big expenses as well as annual or semiannual payments that you have coming up. After each itemized expense, write the date that it is due and how much. Then do the simple division to figure out how much you need to set aside each month to pay that expense on time. You can look up average life spans of appliances, tires, etc. to approximate how long before they need to be replaced. The great news is that the money is there, ready and waiting for its capital expenditure. Most people use a savings account to keep their sinking fund. If you decided to use an existing account, be sure to keep track of the money you deposit and to use it solely for sinking fund spending! This one habit – creating/funding a sinking fund – can provide a great amount of comfort and peace of mind. How would you feel the next time when an appliance died, you are able to go to an account for the money and it was sitting and waiting on you to use it? Create a Sinking Fund in 2014!

#9 Estate Plan!

Take this opportunity to create or update your estate plan. Tax laws have changed quite a bit this year, and it is important to update your existing estate plan. If you never sat down to create a will, trust, living will, or power of attorney, then don't worry - the government has one for you. No, seriously, if a person dies without a will (intestate), then the state will write a will for them. This is critically important if you have minor children, because the last thing most people want to have happen is to have their kids have to go to foster care. If you have minor children under the age of 18, please take care of this New Year's Resolution as quickly as possible. If you already have an estate plan in place, contact your attorney and make sure that it is still current and meets all of your needs. Also, update it if there have been any births, deaths, marriages, or divorces. If you have not done so already, consider adding social media bequests to your estate plan. How do you want your social media handled when you are gone? Do you want a memorial? Do you want your profile pulled from the internet? These are important questions to answer. Take the time to figure it out. Create/Update your Estate Plan in 2014!



#10 Help Others – Volunteer this year!

Take advantage of opportunities to help others this year. Volunteer! According to the database of US volunteer statistics, the average number of volunteer hours per resident is 37 hours. How do your hours of service stack up? A general guideline is to serve one hour a week. This gives you a simple goal to serve and create a routine of serving. Think about the causes you care about, and commit to volunteering. Help Others- Volunteer for 2014!

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