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Your Financial Fitness

Consider Financial Fitness to be just like physical fitness. Why? Because your physical health and your financial health are often the most important factors affecting your wellbeing, security, and quality of life — and your family's!

Smart investing@your library® Series

This initiative is administered jointly by the Reference and User Services Association - a division of the American Library Association - and the FINRA Investor Education Foundation. The program funds library efforts to provide patrons with effective, unbiased financial education resources.

FINRA Investor Education FOUNDATION

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Exercise #1: The Financial Fitness Test

In the Financial Fitness test, we'll assess your Financial Fitness based on your current use of certain personal financial strategies. Whether you are a designing your finances as a single person or with a partner, the most Financially Fit households in our survey reported frequent use of these strategies.

Take the Financial Fitness test!

- Decide how often you do each of the activities described below; write your score on the line to the right.
- Then add all your scores and write in your total score below.
- See what your total score means for your Financial Fitness by referring to page 8 in this booklet.

		NEVER	SOMETIMES	OFTEN	SCORE
1	Work on household finances and/or investments at least once each month	**1**	**2**	**3**	____
2	Actively share any new information and knowledge gained about personal finance and investing with my partner or others	**1**	**2**	**3**	____
3	Actively seek out personal finance and investing related information from my/our employer(s)	**1**	**2**	**3**	____
4	Made a forecast of how much money will be available in retirement given my/our current savings and retirement plans	**1**	**2**	**3**	____
5	Something from current paychecks goes into a savings or retirement account	**1**	**2**	**3**	____
6	Regularly save up to buy expensive items to avoid borrowing too much	**1**	**2**	**3**	____
7	Pay the household bills on time	**1**	**2**	**3**	____
8	Pay monthly credit card balances in full	**1**	**2**	**3**	____
9	Pay a little extra towards the mortgage principal	**1**	**2**	**3**	____
10	Have an emergency fund in some easily accessible savings account (to be used only for financial emergencies)	**1 No**		**Yes 3**	____
			TOTAL SCORE		_____

15 Minute Workout #1: Create an Emergency Fund

An emergency fund involves saving for unanticipated but critical expenses, not intended purchases. In other words, an emergency fund is a sum of money that remains untouched in an easily accessible savings account except in the case of emergencies, such as those incurred when your car, which is your only means to get to work, breaks down.

While financial experts differ on how much is required for an emergency fund, something is better than nothing. An emergency fund helps you to avoid borrowing money when an unanticipated and unavoidable expense suddenly happens; borrowing that nearly always involves you paying interest.

Step 1.

Identify a savings account that allows you to set up an automatic monthly transfer from your checking account. Online savings accounts typically allow this and often pay good interest. Typing "online savings account" into an internet search engine should allow you to easily identify online savings accounts. However, be sure that any account you open is **"FDIC insured"**; this way, any money you deposit up to $250,000 is currently insured by the federal government.

Step 2:

Once your account is open, **set up an automatically recurring monthly transfer from your checking account for a set amount,** even if it is for as little as $10. This way the money will be sent to your account each month without you needing to think or take action.
Financial Fitness without any effort; now that's what we're talking about!

Step 3:

The Golden Rule: **Never, ever touch the account unless there is a genuine financial emergency!**

❑ Open a **checking account** at my local bank.

❑ Open a **savings account** at my local bank.

❑ Set up an **Emergency Fund** within my local bank's savings account.

❑ Set up an **automatic transfer** of money from my checking account to savings of $_____ each month.

❑ **My bank name:**

_____

Address:

_____

Phone:

_____

❑ **If I haven't found a bank yet,** list 3 banks that are close to my home, their address and phone number:

1. Bank:

_____

_____

_____

2. Bank:

_____

_____

_____

3. Bank:

_____

_____

_____

15 Minute Workout #2: Set Up an Independent Retirement Account

An **Independent Retirement Account** (often abbreviated **IRA**) that gives you some tax advantages. This is especially useful if you have no retirement plans available to you from your employer — every little bit helps!

Step 1:

Retirement accounts can be complicated so **spend some time reading** about independent retirement accounts. For example, look for the IRS' website devoted to retirement information: **http://www.irs.gov/retirement**

Step 2:

Identify an independent retirement account (for example, a **Roth IRA**) that allows you to set up an automatic monthly transfer from your checking account. Typing "online Roth IRA" into an internet search engine should allow you to easily identify an online Roth account.

Step 3:

Once your account is open, **set up an automatically recurring transfer from your checking account for a set amount.** Some accounts require a minimum opening deposit that may involve more money than you currently have, but you can always save a little money each month until you reach the minimum amount. Some accounts, when opened, require a minimum transfer amount such as $100. You could transfer each month, or on a yearly basis. This way the money will be sent to your account each year without you needing to think or take action— and without any effort!

Step 4:

Never, ever touch your retirement account prior to retirement. Not only will you need the account during retirement, there are often tax penalties associated with withdrawals prior to retirement.

❑ **Start reading** about Roth IRAs (**I**ndependent **R**etirement **A**ccounts) on this website **http://www.irs.gov/retirement**

❑ Find a **Roth IRA** that allows me to set up an **automatic monthly transfer** from my checking account.

❑ **My Roth IRA bank name:**

_____

Mailing Address:

_____

Phone:

_____

Internet Address:

_____

❑ Set up an **automatic transfer** of money from my checking account to the Roth IRA of $_____ each month or year.

15 Minute Workout #3: Pay Your Monthly Credit Card Balances in Full

Step 1:

Credit cards **charge very high interest rates** on the amount that you borrow.
First, for each of your cards, **consider whether you will have any balance on the card that you cannot pay in full at the end of this month** (note: we don't mean the minimum permissible card payment, we mean the **entire balance** on the card). If so, stop using the card TODAY. Take it out of your wallet before you leave home and put it somewhere secure.

Step 2:

Next, **try to pay off your credit balance in its entirety at the end of this month.**
If you are not able to do this, pay as much as possible, even if that is only a little more than the minimum card payment.

Step 3:

Once you have no balance on your credit card, you can put your credit card back into your wallet. You must **create a written budget** that includes on the first line, exactly what you have to spend each month; that is, **your take-home pay**. Record on this budget every item you know you must pay during the month (for example: the rent or mortgage) and every other purchase you make. In addition, **write down an amount that will pay off your credit card each month**, for example $100. This way, you know you are only able to spend $100 on the card because you have the $100 available at the end of the month to pay the balance in full.

The Golden Rule:

Never, ever spend any more than this amount. This way you will always be able to pay the balance in full and will never need to pay the very high interest associated with the credit card.
This will help keep you Financially Fit!

❑ **Name each credit card and the balance I owe as of today's date ___/___/___ :**

_____ $_____

_____ $_____

_____ $_____

_____ $_____

_____ $_____

❑ Each month, I will **only use this one credit card** (name)

_____

and **only spend $_____** so I can pay off the balance each month.

❑ Each month, for each card, **I will pay $_____ more than the minimum payment,** so I can pay off the balances sooner.

❑ Let's make a list of what we

REALLY NEED	WISH FOR
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

15 Minute Workout #4: Talk about Finances with your Partner

Managing the household's finances is a joint project. It's also worth considering that household finances are a key cause of relationship strife, so it is worthwhile to spend time together working things out.

Step 1:

Arrange a **regular day and time** – for example, the first Wednesday of the month at 7pm - to talk about the household's finances and together plan your household's upcoming expenditures. This approach is much better than trying to sit down and attempt to sort out the household's finances when one partner announces a problem. During problems, emotions can run high: one partner tends to be frustrated, and the other defensive. Not good.

Step 2:

Talking about the household finances with your partner is not only about **discussing how to budget,** it's also about **sharing information**. Try to avoid allocating one partner the job of sorting out the household finances.
Instead, both partners should plan to manage the household's finances, and share any new information you obtain.

For example, if you discover a better way to track your spending, explain it to your partner; if he or she discovers that the government is offering a new tax break that might benefit your household, ask him or her to explain it to you. Two heads are better than one, but only when they talk to one another.

Step 3:

The Golden Rule: **Don't hide financial activity from your partner.** A household is a joint endeavor and requires a joint approach. Honest, open, and patient communication is required.

❑ Let's set a **certain day and time** to discuss our household finances each week:

Day _____ Time _____

❑ Let's make a list of the things we **should talk about:**

_____
_____
_____
_____
_____
_____
_____
_____
_____
_____

❑ Let's make a list of our big **goals for the next 1 year, 5 years, 10 years:**

_____
_____
_____
_____
_____
_____
_____
_____
_____
_____

Financial Planning Form: Your Net Worth Statement

A net worth statement, or balance sheet, is like a snapshot that shows a financial situation at a certain point in time. It shows how much money would be left if everything owned was converted into cash and used to pay off all debts.

The net worth statement includes what is **owned (assets),** what is **owed to creditors (liabilities)**, and the net value or **difference between what is owned and what is owed (net worth)**.

A net worth statement is an important financial tool because it helps:

- check progress towards financial goals,
- plan for changes in assets or liabilities,
- keep tax liability down to the minimum level,
- estimate how well dependent survivors would be able to live on current inheritance,
- determine the need for life and property insurance,
- serve as a reminder to make adjustments in insurance coverage or assets held,
- estimate of retirement income potential,
- chart financial progress over the years.

❑ **Vehicle valuation -** can be found in the Kelley Blue Book available at the library, automobile dealers, or financial institutions.
❑ **Home value** - Enlist the help of an expert in real estate.
❑ **Household inventory** (if done with actual and not just replacement figures) may be helpful in estimating the value of possessions.

❑ For **current bills**, include the statement figure of unpaid debt such as medical or dentist bills and other obligations as of the date of the Net Worth sheet. Include the current month's rent/mortgage if not already paid.
❑ **Taxes** are listed if there is an unpaid balance due.
❑ Current amounts of **debts** can be found on the payment stub, each bill statement, or by checking with lenders.

Net Worth Sheet Date: ____/____/____

Assets

❑ Cash on Hand	$_____
❑ Checking Account	$_____
❑ Savings Account	$_____
❑ Certificates of Deposit	$_____
❑ Money Owed You	$_____
❑ Tax Refund Due	$_____
❑ Cash Value of Life Ins.	$_____
❑ Stocks/Bonds	$_____
❑ Mutual Fund Shares	$_____
❑ Other _____	$_____
❑ Vehicle valuation	$_____
❑ Home value	$_____
❑ Household inventory	$_____
❑ Other _____	$_____
❑ Retirement Plan	$_____
❑ I.R.A.	$_____
❑ Other _____	$_____
Total Assets	**$_____**

Liabilities

❑ Auto Loan	$_____
❑ Installment Debt	$_____
❑ Personal Loan	$_____
❑ Charge Accounts	$_____
❑ Credit Cards	$_____
❑ Mortgage Loan	$_____
❑ Insurance Due	$_____
❑ Taxes Due	$_____
❑ Other _____	$_____
Total Liabilities	**$_____**

	Total Assets	$_____
(minus)	Total Liabilities	$_____
=	**Net Worth**	**$_____**

http://www.financial-library.com/networthstatement.html

Your Financial Fitness Score - How well did you do? (page 1)

Less than 19 = Poor • It's time to take action! Plan to weekly undertake a different "15 minute Financial Fitness Workout" for the next four weeks.

Between 20 and 24 = Baseline • There's definitely room for improvement.

Between 25 and 27 = Good • You might be able to learn how to tweak your fitness.

More than 28 = Very good • Keep up the good work to maintain your fitness level!

Try taking this test again next year and check out your Financial Fitness Score!

Martin County's Smart investing@your library® Series:

1 - Your Financial Fitness
2 - Designing Your Budget
3 - Banking Basics
4 - Establishing Credit
5 - Credit & Identity Theft
6 - Controlling Debt
7 - Tips for Daily Savings
8 - Saving for the Future

Credits:

❑ This booklet was designed by Chris Kilbride, University of Florida - Martin County Cooperative Extension Service for the Martin County Library System's **Smart investing@your library® Series.**
For details about Smart investing @ your library®, visit
http://www.smartinvesting.ala.org
To learn more about the Martin County Library System, visit
http://www.library.martin.fl.us

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http://www.finrafoundation.org/web/groups/foundation/@foundation/documents/foundation/p122359.pdf
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For more information and financial literacy resources:
http://www.financestudyfsu.org

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