



BUDGETING AND GOAL SETTING FOR THE NEW YEAR

The *Financial Principles Guidebook* is a comprehensive collection of our planners' insights to help you along your pursuit of financial independence.

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As we come closer to ending 2019, and welcoming the New Year, many of us are reflecting and making resolutions or setting goals for 2020. When we set these social, family, and professional goals, we often neglect our financial housekeeping. We encourage all of our friends and clients to take a little time to review their spending habits, prepare a budget, and set savings and investing goals for this upcoming year. To that end, we have prepared this *Guidebook* as a resource to help you.

We hope that you find this information valuable. Should you have any questions, please do not hesitate to contact our office. If you have a friend, family member, colleague, or client who may benefit from this Guidebook, please do not hesitate to share it with them.

We wish you a happy, healthy, and prosperous New Year!

FOCUSED ON YOUR FINANCIAL INDEPENDENCE

DO YOU HAVE A BUDGET?

Have you ever prepared a budget? According to a 2017 US Bank study, only 41% of Americans use a budget to track their monthly expenditures. Knowing this, perhaps you may not be surprised to learn that according to a 2019 NerdWallet study, credit card balances carried from one month to the next hit \$443.96 billion in September 2019, according to NerdWallet's annual analysis of U.S. household debt. Credit card debt has increased almost 6% in the past year and more than 34% in the past five years. ***While many may see a budget as an anchor holding them back from enjoying themselves, budgeting is more about understanding your spending habits so that you can spend with purpose.***



BUDGETING IN FOUR SIMPLE STEPS

HOW IS MY MONEY BEING SPENT?

We recommend that when you track your monthly expenses for the purposes of setting a budget, you review expenses for a period of no less than three months. There are several ways to identify how your money is being spent each month. If you use a credit card for the majority of your expenses (bonus miles!) you can review your monthly statements for the last three months. You may also receive a year-end summary from your credit card company which will categorize your spending for the entire year. Using your bank and credit card statements you should be able to recreate at least your last three month's spending relatively easily. We have prepared a budget worksheet (the last page of this Guidebook) to help you track your monthly expenses.

AM I SPENDING MY MONEY PRUDENTLY?

When you have organized your last three month's expenses, it may be eye-opening. Be ready to scratch your head and say "I can't believe I spent ____ on ____" more than a few times. When you review your spending habits you may be very surprised to learn that you are spending \$100 per week on take-out lunch at work, \$50 per week on daily Starbucks runs, or \$75 per month on a gym membership that you haven't used but a handful of times. All of these things seem inconsequential day-to-day, but over the course of a year it really adds up. For example, daily take-out lunch could easily total \$5,000 per year!

SET A BUDGET

When you finally see where you are spending money each month, it may inspire you to have leftovers for lunch once or twice a week, or even bring a sandwich from home. Setting a budget is all about identifying the essential expenses (your rent/mortgage, insurance, car payment, groceries, etc.) and setting a manageable and realistic goal for discretionary spending (eating out, entertainment, vacations, shopping). When setting your spending goals, be sure to do it with a savings figure in mind as part of that budget.

MONITOR YOUR PROGRESS

If you are able to contribute to your savings and investments, meet all of your expenses, and find that you still have money left over at the end of each month, you are doing a great job. But budgeting and savings goals, like all other goals, need to be revisited periodically throughout the year so that you can take stock of how you are doing and make adjustments as necessary.

BUDGETING TIPS



REDUCE EXPENSES—LARGE AND SMALL



WHETHER THEY ARE BIG EXPENSES LIKE A MORTGAGE PAYMENT OR PROPERTY TAXES, OR A SMALLER EXPENSE LIKE DAILY TRIPS TO THE DELI FOR LUNCH, YOU MAY BE SURPRISED BY HOW QUICKLY IT ALL ADDS UP.

REDUCE YOUR TAX BILL- INCOME TAXES

Are you maximizing your contributions to IRA accounts and tax-deferred savings accounts through your employer? Contributions to your employer-sponsored retirement plan will reduce your tax bill. Depending on your income, contributions to an IRA may do the same. In 2020, you can contribute up to \$6,000 to an IRA and \$19,500 to your employer-sponsored retirement plan (401(k), 403(b), 457 and thrift savings plans). If you are age 50 or older you can contribute an extra \$1,000 to your IRA and an extra \$6,500 to your retirement plan.

REDUCE YOUR TAX BILL- PROPERTY TAXES

If recent home sales in your neighborhood lead you to believe that the local tax assessor's assessment of the value of your home is too high, you can file a tax appeal. If successful you may be able to reduce your property tax bill.

REDUCE YOUR INTEREST EXPENSES

According to CreditCards.com's weekly survey, the average credit card interest rate is 17.27 percent. Year over year, the average card APR continues to be slightly higher than it was the year before. If you have any credit card debt or find yourself occasionally carrying a balance you should seek out a lower interest rate card or even a balance transfer to a 0% interest card while you pay down that debt. **Also be sure to make good use of credit card rewards programs through cash back, travel reimbursements, or even gift cards in exchange for your points/miles.**

Additionally, having a line of credit can be helpful. Do you have a line of credit? If you have a line of credit, banks can be very competitive and even offer promotional rates. You should ensure that your line of credit has a competitive interest rate.

REDUCE YOUR INSURANCE COSTS

Did you meet your health insurance plan deductible last year? If you are healthy and do not go to the doctor very often, you may want to consider a high deductible health insurance plan. Generally, the monthly premium for a high deductible plan will be lower. The trade-off is that if you do need medical attention your out of pocket expenses may be higher.

When was the last time you reviewed your property and casualty insurance? An independent insurance agent who has access to several insurers will often be able to reduce your premiums by offering coverage through another insurance carrier. You should review your coverage and rates every few years.

SIMPLE SAVINGS TIPS FOR EVERYDAY EXPENSES



PLAN YOUR MEALS

We mentioned earlier that take-out lunches for an individual could easily cost \$5,000 per year. Imagine if we multiplied that for a family of four going out to dinner two or three times per week. Food is one of the categories on a budget that, with take-out and restaurant costs, can easily become a burdensome number.

Planning your meals in advance not only can help you save money on take-out and restaurants, but also save you time during the week.

ARE YOU A MEMBER OF A “WAREHOUSE CLUB?”

Costco, BJ's, and Sam's Club are the three major warehouse clubs. They each charge a modest annual membership fee, but they offer consumers the chance to cut expenses by purchasing groceries, toiletries, appliances, household items, prescription drugs, and even gas at discounted prices.

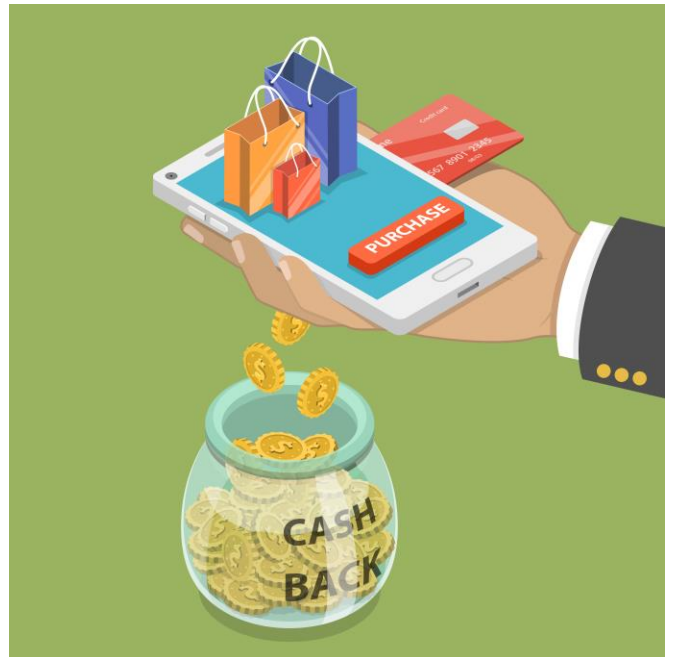


ARE YOU USING THE COMMON REBATE AND DISCOUNT WEBSITES?

Searching for coupons or manufacturer rebates is a bit of a chore. Before you make a purchase, you can go to Google and search for promotions and coupons for use at checkout.

If you are looking for things to do, new restaurants to try, or even to book a weekend getaway, you should check out Groupon and Living Social. Local attractions, businesses, and restaurants utilize Groupon and Living Social to advertise by offering discounted goods and services to consumers. If you are looking for a new restaurant or something to do, you may want to visit Groupon or Living Social not only for a suggestion, but a deal!

Most credit cards provide cashback and other rewards perks. If you use your credit cards, there is a “built in savings” on your purchases whether in the form of cashback or other rewards program benefits. Rakuten (formerly ebates) is a marketing and research company that offers cashback to consumers for their everyday purchases. All you have to do is create an account and “click through” to the store’s website from the Rakuten website. Rakuten tracks your purchases and you receive a check in the mail every quarter! If you shop online often, Rakuten is a great way to get extra cash back on purchases.





SAVINGS TIPS FOR 2020



WHEN YOU HAVE REVIEWED YOUR EXPENSES AND SET A BUDGET, WHAT ARE YOU GOING TO DO WITH ALL THE EXTRA DISCRETIONARY INCOME? DON'T NEGLECT YOUR SAVINGS AND INVESTING GOALS!

SET A SAVINGS GOAL AND “PAY YOURSELF FIRST”

Everyone should have 3-6 months of liquid savings available to them in the event of an emergency. Other short-term savings goals may include an upcoming vacation, home renovation, or a purchase such as a car. Beyond these shorter-term goals, don't forget to include your retirement savings goals as part of your budget.

People will often “save what is left.” This means that they will budget their expenses to match their income, or just spend what they earn, and at the end of the month save whatever is left over. When setting savings goals, you should always “pay yourself first.” This means that from every paycheck you should allocate an amount to savings immediately, then pay your bills and spend what is left. It is human nature to spend the resources that are available to us so by allocating funds to savings upon receipt, and then spending what is left, you will be better able to progress towards your savings goals.

ARE YOU GETTING A RAISE OR BONUS THIS YEAR?

This month many of us may be receiving year end performance evaluations that may be accompanied by a raise or bonus. When we receive raises or promotions, it is easy to allow our spending to expand to our new salary, or to spend that lumpsum bonus on something fun. If you are receiving a raise this year, try to allocate most of that raise to savings rather than new spending. Likewise, if you are receiving a bonus (or are expecting a big tax refund in April) most of that lump sum could help boost your retirement savings.

ARE YOU MAKING AUTOMATIC CONTRIBUTIONS TO A RETIREMENT ACCOUNT?

Are you making the maximum contribution to your IRA accounts or employer sponsored retirement accounts? For 2020, the maximum contribution to an IRA is \$6,000 and a contribution to a 401(k), 403(b), 457, and thrift savings plan rises to \$19,500. For those age 50 and older you can contribute an additional \$1,000 and \$6,500, respectively. If you are making contributions to your accounts automatically, you should adjust your contributions to meet the new maximums in the new year.

ARE YOUR SAVINGS WORKING FOR YOU IN THE MOST PRODUCTIVE MANNER?

Other than for 3-6 months of living expenses and any other short-term savings goals you may have, cash may not be the most productive way to allocate your savings when considering your long-term goals. You should consult with your financial advisor regarding your individual savings and investing goals and how to make the most productive use of your funds within your individual financial plan.



**HAVE A TOPIC YOU WANT
TO SEE COVERED IN THE
GUIDEBOOK?**

Call or email your advisor with a suggestion for a topic to be covered in The Guidebook. If we have covered it, we will send you that edition. If we haven't, we will cover it!



**HAVE A FRIEND,
NEIGHBOR, COWORKER,
OR RELATIVE WHO COULD
BENEFIT FROM THIS
GUIDEBOOK?**

Feel free to forward our Guidebook to anyone you feel would benefit from this information. We would be happy to speak with them and answer any questions that they may have.



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Expense Organizer

	Monthly	Annually		Monthly	Annually
Household			Medical and Healthcare		
Mortgage/Rent	\$	\$	Health Insurance	\$	\$
Property Taxes	\$	\$	Life Insurance	\$	\$
Maintenance	\$	\$	Long Term Care Insurance	\$	\$
Home/Renter's Insurance	\$	\$	Disability Insurance	\$	\$
Electricity	\$	\$	Dental Expenses	\$	\$
Oil/Gas	\$	\$	Prescriptions	\$	\$
Water/Sewer	\$	\$	Out of Pocket Medical	\$	\$
Garbage	\$	\$	Other:	\$	\$
Cable, Phone, Internet	\$	\$	Family Care		
Cell Phone	\$	\$	Parent/Child Care	\$	\$
Groceries	\$	\$	Education	\$	\$
Student Loans and other Debts	\$	\$	Clothing	\$	\$
Other:	\$	\$	Other:	\$	\$
Other:	\$	\$	Other:	\$	\$
Other:	\$	\$	Personal Care and Discretionary		
Automobile and Transportation			Clothing	\$	\$
Car Lease/Payment	\$	\$	Beauty/Barber	\$	\$
Car Maintenance	\$	\$	Entertainment	\$	\$
Gasoline	\$	\$	Dining Out	\$	\$
Registration	\$	\$	Hobbies:	\$	\$
Insurance	\$	\$	Publications and Subscriptions	\$	\$
Tolls	\$	\$	Travelling and Vacations	\$	\$
Public Transportation	\$	\$	Charitable Contributions	\$	\$
			Gifts	\$	\$
			Gym Membership	\$	\$
			Other:	\$	\$
			Other:	\$	\$
			Other:	\$	\$