

FOURTEEN STEPS TO FINANCIAL FREEDOM

1. **Give God a chance first.**
2. **Learn to save money.**
Put \$100 per month into savings. If you average a 7 ½ per cent over 40 years, you will have \$302,382 at age 65.
3. **Learn to spend less than you earn.**
4. **Don't finance pleasure items.**
5. **Have cash in an emergency fund.**
6. **Control your credit cards.**
7. **Have adequate life insurance to protect your family.**
(\$400,000 - \$750,000)
8. **Be self-insured for life insurance by age 65 or retirement.**
9. **Have retirement plan in progress by age 40.**
10. **Own your home by age 65 or retirement.**
11. **Have a workable budget - key discipline and control.**
12. **There is a difference between debt and obligations.**
13. **Understand the TAX law as it applies to you.**
14. **Have an estate plan that includes a will and/or living trust.**

Use these principles to develop a financial plan for your life.

CREDIT CARD STATISTICS

Over 200 million used every day

2001 - \$670 billion charged on credit cards

2010 - \$2 trillion charged on credit cards

Presently over \$800 billion owed on credit cards

17% average interest rate

\$373 million per day of interest income

6 average number of credit cards per household

60% carry unpaid balances from month to month

\$800 in debt on credit card – have you for life

What is a Credit Score?

A Report that shows your credit history.

Everybody has one.

Goes from 300 to 850

720 or Higher is the best rating and results in lowest interest.

What is the Big Deal?

A person with a 720 score verses a person with a 520 score on a \$100,000 mortgage/30year amortization:

Will save \$85,000 in interest over life of loan

Monthly payment - \$235 less

What impacts the Credit Score?

- 1. Late payments can have the biggest impact on your credit score.**
- 2. Don't use more than 1/3 of your available credit.**
- 3. Consolidating loans and cancelling credit cards can be a negative.**
- 4. Look for mistakes on your credit report. (annual credit report.com)**
 - A. Late when you weren't late**
 - B. Loans that are not yours.**

TREAT YOUR CREDIT AS A VALUABLE ASSET.

BUDGETING

The exercise of preparing a budget is more important than attempting to control that Budget.

The process of preparing the budget defines who you are and what's important.

The control aspect is mechanical

**When the Budget becomes inflexible, it is a taskmaster.
When it is a guideline to be followed, it is a friend.**

FOUR REASONS TO LIVE ON A BUDGET

1. Helps Control Debt

No Budget makes you vulnerable to over spending.

2. Earn cheaper Interest Rates

Helps you avoid late payment penalties which improves your credit score

3. Saving for the Future

Live within your means and Budget saving money

4. Improve your Relationship with your Spouse

85% of divorces start with money problems

Stewardship says I know where my money goes and when it goes there. This worksheet will track your spending by the month and by category.

BUDGET WORKSHEET

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Spt	Oct	Nov	Dec
Giving												
Savings and Retirement												
Mortgage with Ins./Taxes												
Utilities												
House Repairs												
Car Payment												
Gas, Oil & Repairs												
Auto Insurance												
Life Insurance												
Health Insurance												
Medical Care												
Food												
Clothing												
Entertainment												
Special Gifts												
Christian School												
Total Expenses												

PROJECTING YOUR RETIREMENT INCOME

1. Annual income needed in retirement @ 80% of take home pay (if no home then 100% of your current take home pay).					\$ 40,000
2. Expected social security benefit (for a projection of your benefit call the Social Security Administration at 800-772-1213 and ask for Form SSA-7004.)					21,600
3. Expected pension benefit from other work sources - for example from your spouse's work.					-0-
4. Expected income from retirement benefits (line 2 plus line 3)					21,600
5. Annual retirement income needed from savings and investments (line 1 minus line 4)					18,400
6. Amount you must save by retirement in today's dollars. Divide line 5 by .05 =					\$ 368,000
7. Amount you have saved already:					
a. IRAs	b. Employer plans	c. Other investments (include all CDs, mutual funds, bonds, stocks, investment real estate and any other assets available for retirement.	d. (Optional) if you wish to count a portion of your home's value as savings, enter its present value minus the anticipated cost of a home in retirement.	e. Total retirement savings (add a through d)	
a. 20,000	b. 20,000	c. 20,000	d. -0-	e. 60,000	
8. Amount of retirement capital still needed (line 6 minus line 7e)					\$ 308,000

Amount of contributions per year into a retirement account. Example - assume you invest \$2,000 per year into a tax-sheltered plan until age 65:

8% Annual Return

Start at age 40 – at age 65 you will have - \$169,000/1,127-mo/13,524-yr

Start at Age 50 – at age 65 you will have - \$ 60,986/403-mo/4,878-yr

TRUSTS

Living or Inter Vivos Trust - A trust created during your lifetime.

Testamentary Trust - A trust created at death by either your will or Living Trust.

Trustee - A person who manages a trust. Through the Trust Agreement you can give your trustee as much or as little discretion as you choose.

LIVING TRUSTS

Facts Regarding a Revocable Living Trust

- A. They are not only for the "rich"
- B. An estate of from \$60,000 to \$100,000 can benefit

Advantages of a Revocable Living Trust

- A. It will bypass probate
- B. There will be minimal or no attorney fees at death
- C. Distribution can take place immediately
- D. You can revoke or change it at any time
- E. It is confidential
- F. It is more difficult to successfully contest than a will

Disadvantages of a Revocable Living Trust

- A. All property you wish to be distributed through the trust must be put into the trust (it is work)
- B. The trust must be maintained over your lifetime
- C. More expensive to create

Charitable Remainder Unitrust/Annuity Trusts

- A. Receive income for life
- B. Receive an income tax charitable deduction
- C. Avoid capital gains tax on the transfer of appreciated property
- D. Avoid management worries
- E. Avoid the cost and delays of probate
- F. Pass the funds to your charity at death

Trusts can be created for protection:

1. You want to assure a loved one an income for life.
2. You want one person to have the income from your property for the rest of their life and another to get the property later.
3. You want a loved one (like a son or daughter) to be protected against their inexperience in managing property until later in life.
4. You want a loved one to have the income for life and your favorite charitable institution the property later.

POWERS OF ATTORNEY

"Powers of Attorney" provide a means by which you can authorize another person to make decisions or do things for you that you would normally do for yourself.

General Power of Attorney - is essentially a blank check given by you to another person by which that person has immediate and unlimited power over all your assets!

Special Power of Attorney - limits the extent of the authority you have given to another person to either specified assets and/or specified actions that can be done with your assets.

Health Care Power of Attorney - authorizes another person to follow your guidelines or instructions to give or withhold consent regarding your medical treatment when you are unable to give or withhold the consent yourself.

Durable Power of Attorney - simply means the person you have empowered to act in your behalf continues to have that power if you have become mentally incompetent but have not died.

Springing Power of Attorney - is dormant so long as you are capable of attending to matters in your own behalf, but "springs" to life during times of your verified incompetency.

Living Will - is an expression of your preferences to receive or reject certain medical treatment in the future. It is not, however, legally binding and does not empower another person to give or withhold consent when you are unable to do so.

HIPAA Agreement – Health Insurance Portability and Accountability Act – requires appropriate safeguards to protect the privacy of personal health information.

******All Powers of Attorney, Living Wills and HIPAA Agreements are legal documents requiring care in drafting in order to be valid and appropriate for your situation. Whenever documents of this nature are needed, an attorney familiar with their legal requirements should always be consulted.***

PRACTICAL TIPS

1. Have a Budget Prov. 24:3, 4
2. Get out of Debt Prov. 22:7
3. Control Credit Card Use Prov. 22:7
4. Are you 50 with little retirement set aside? Prov. 13:16
5. Do you have an up-to-date Will and Living Trust?
6. Be afraid of credit cards
7. Learn to procrastinate on discretionary purchases.
8. Buy a home not a castle
9. Have an emergency fund and plan ahead for special event

SUMMARY

- I. Give to the Lord's work.
- II. Take care of the needs of your family.
- III. Protect your family from a catastrophic occurrence
- IV. Provide for your future Prov. 13:16