Take a few minutes to write down your answers to the following:

1. My parents taught me about money, how it works, and the importance of financial planning. (Yes/No)
2. The most important thing to me about money is:
3. My family always had enough money (Yes/No)
4. The yearly income I need to support my lifestyle is:
5. The amount of money I want to have in my savings account to feel comfortable is:
6. The amount I want to have for retirement is:
7. The amount I’d like to donate to charity each year is:

*The above is adapted from Raines, Sherry & William Austin. “Dollars and Sense: A Guide to Financial Security”.

**Step 1: Calculate Your Net Worth**

Assets (what you have) – liabilities (what you owe) = net worth

Example: Joe Rich has a car worth $12,000, a savings account with $2,000 and an investment fund started by his parents when he was born with a cash value of $10,000. He owes $11,000 in student loans, $8,000 in car loan, and $2,000 in credit cards.

Joe’s assets total $__________.
Joe’s liabilities total $__________.
Joe’s net worth is $__________.

Primary goals:
1. Net worth should be growing over time
2. The ratio of liabilities to net worth should be decreasing with assets to net worth increasing.

**Step 2: Budget Your Money**

a. How do you attain your 5-year goals?

b. Wants vs. needs:

I _______ to make my student loan payment
I _______ to buy a new car
I _______ to pay my rent
I _______ to buy a new pair of jeans

c. Spend Wisely

The “latte factor” – David Bach: 1 latte = $5 a day

At 5% compounded monthly = $__________ in 10 years
At 5% compounded monthly = $__________ in 25 years.
At 10% compounded monthly = $__________ in 25 years.
With 45 years left to retirement those lattes cost $______________.
The power of compound interest!!

d. Manage credit card debt

The power of compound interest can also work against you.

Suppose you have a $1000 balance on your credit card. Let’s assume for simplicity you make minimum payments of 2% of the balance per month and the interest is 18%. How long will it take you to pay off this debt? ________________

What is the total amount this debt will cost you over that time? $_____________

www.bankrate.com → calculators → credit card minimum payment calculator. Check out the credit card payment calculator as well.

e. Pay yourself first.

<table>
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<tr>
<th>Age</th>
<th>Starting salary</th>
<th>% Saved</th>
<th>$ Saved monthly</th>
<th>Amount in account at end of year</th>
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<tbody>
<tr>
<td>22</td>
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<td>2%</td>
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</tbody>
</table>

f. Take full advantage of employer matching contributions.

Calculators (located within each of the links across the top of the page): http://www.bankrate.com/

Student loan repayment plans: http://biz.yahoo.com/special/youngearn06_article2.html

“How to Invest with $500 or less”: http://www.kiplinger.com/columns/starting/archive/2005/st0310.htm

Questions? Feel free to contact:
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