

# Financial Strategies

## Budget Strategies

### Walk the talk

We all have goals but many times we don't handle our money in a way that works toward accomplishing our goals. Are you putting money toward your goals? Make sure you manage your money so you can fund and accomplish your goals.

### Count the cost

When you plan for large purchases are you counting the cost to see if you can actually pay for it or are you just taking on more debt? These days it is very easy to get financing to pay for things, in order to avoid debt establish a savings plan for what you want to buy.

### Weigh the alternatives

We generally make the best decision if we weigh the benefit, costs and external support of each. Should I save more for retirement or more toward college funds? In this situation consider the many sources of grants, scholarships and low cost loans available to help with college costs, then consider how corporate pensions are going unfunded and social Security is in trouble. Comparing these should influence where we save most of your money.

### Plan for big changes

If you are having a baby how do you plan for the additional costs? What if you want to buy a new home, move or change jobs how do you figure out how you can afford to do that? People must have a way to plan for known changes in income and expenses because in life change is guaranteed.

## Loan Strategies

### Monitor your Score

When you were in school you got a report card, that report card informed you on how well you were doing in school, it helped show you where you needed to concentrate more of your effort. As an adult you also have a report card it is called your Credit Score. This report card tells you how well you are handling your finances. The higher your Credit Score the better you are handling your money.

### Make your debts tax deductible

If you have too much debt and are looking for a way to reduce your monthly payments and convert all that interest into tax deductible interest you may be able to do just that, if the equity you have in your home is greater than 30%. Consider rolling your credit card and installment loans into your mortgage. It will lower the

interest rate you pay, spread those costs over a longer period, lower your monthly costs and make all that interest tax deductible.

### **Avoid using a bi-monthly mortgage plan**

You can use a Bi-Monthly Mortgage Payment plan, with this plan you make 2 payments every 4 weeks, which equates to one additional monthly payment a year. What is wrong with that? Nothing until you get into a month where you need make a third mortgage payment and may not have the money. You can achieve the same benefit by dividing your mortgage payment by 12 and then pay the resulting number as prepayment added to your monthly payment

### **Treat your credit card like an installment loan**

Paying off a Credit Card requires two things, a payment plan and the discipline to stop charging against that credit card. If you have the discipline to stop using the card then the easiest and most effective way to pay it off is to take the current minimum payment say \$100 and make that same payment (\$100) every month. By doing this you treat that credit card as if it is an installment loan.

### **Prioritize the payoff of your loans**

If you have more than one credit card and want to pay them off without a consolidation loan then you should first consider paying off the loan that you are able to pay off the fastest. Now this is probably not what your financial guy would tell you, he would probably say payoff the card with the highest interest first. But, this likely what will cost you more because typically the number of months you make payments adds more cost than the interest rate alone.

## **Retirement Strategies**

### **Prepare a Retirement Plan**

#### *Harvest your home equity*

We all will retire eventually and many are not saving enough, so what can we do to help ourselves? First save what you can. Second your home is likely your largest investment. Once your kids are gone downsize to a smaller, less expensive home as soon as you can. This will lower your costs and give you the opportunity to save more money every month. Try to pay cash for the home and if there is money left, invest it. If you can't pay cash try to get a mortgage payment that will enable you to pay it off by the time you retire. You will likely still have a lower house payment to go along with lower utilities and taxes. Save your excess income for retirement. When you retire, consider downsizing again in a location you truly want to retire in. This time make sure you have no mortgage and again save the excess equity for retirement.

### Consider working part time in the early years of retirement

Retiring is a major change and it may require that you make an adjustment. Ease into that change and get a benefit at the same time by working part time in the early years of retirement. This can have a positive impact on your finances as well as the quality of your life.

### Keep your living costs low

In retirement rethink the need for a big house or expensive car. Consider a lower cost of living that gives you the most freedom to travel and spend time and money on family. Thinking small and simple will serve you well in retirement. Control what you can because things you cannot control, like health costs, can take a big bite out of your retirement savings.

### Work a couple years longer

Working a couple more years does two things: it allows you to put more money away and it allows your savings to grow and this makes the biggest difference to your retirement savings. The beautiful thing about this is it is easy for most people to do.

### Manage your investments through retirement

Interest is one of the great wonders of the world and the higher the return the better. So keep some of your money invested for higher returns during your retirement years. Seek a financial planner to help diversify your savings and protect and grow your nest egg. If you can improve your post retirement return by one percentage point it can greatly impact the money you have available later in retirement.

### See if you have a windfall coming

Many of us have some type of inheritance coming our way. Plan on investing the money to reduce your debt or add it to your savings.

### Consider taking out a reverse mortgage later in your retirement years

A reverse mortgage can provide tax-free income at a time when you may not have enough in savings. It can be in the form of a monthly amount similar to a pension or a lump sum amount or a credit line. It is paid by the equity in your house. This is a great choice for people who need money and have a lot of equity in their home. You do not need to pay back this money it will be paid for when your house is sold. You do not need to move out of your house either. One caveat is by doing this you reduce the inheritance your children will get because you are borrowing against the equity in your house.