

Tighten The Belt...


On Your Finances

How to Survive the Current
Economic Crisis and
Remain Financially Healthy



The Short Explanation | How We Got Here

- Mortgage-backed securities were targeted as a means to offer higher yields when the Funds Rate fell from 6% to 1% in early 2000.
- Mortgages once offered to well-qualified buyers were now being offered in pretty packages to non-qualifying buyers (aka sub-prime loans).
- Mortgages requiring initial small payments and adjustment a few years later, became common.
- Banks gave out as many loans as possible, sold them to Wall Street, who repackaged them and sold them to investors, “securing” them with other instruments.



**Pure greed brought
America to its
Knees.**


The Short Explanation | How We Got Here (con't)

- Wall Street also used leverage (**borrowed money**) to invest in mortgage related securities. Some companies borrowed money to the brink of their books.
- Then.... Just in time for the rate adjustment of the fancy loans, the Funds rate went up. Homeowners could no longer afford the payments nor were they able to refinance at a lower rate or sell at value.
- The wrath of foreclosures began, affecting the securities and leverage tied to the mortgages and Wall Street firms could not make good on the promises to investors – some even went under, spurring the economy downward.



Where Do We Go From Here?

- While we will recover, this recession will most likely last for another three to four years.
- Unemployment will continue to rise, and you'll see more corporations, consumers, the retail sector and others, struggling to stay afloat and cutting to the bare minimum.
- So what do YOU do? Focus on making sound financial decisions in order to protect yourself from a financial crisis.




**Stop living under
the “blissful
ignorance” of
borrowed money
and the concept of
“paying it later”.**

A Story of Ignorant Bliss



“I don’t know where
my money goes.”



**Very few Americans
know exactly how
they spend their
money. More than
half don't.**

Take Action!

- Finances are a Priority | Commit To Taking Control
- Clean House | Taking Financial Inventory
- Find the Money | Plan Your Attack
- Budget & Spending | Living Responsibly
- A Little Extra | Additional Income
- Money Management | Never Stop Learning



FOCUS!
My Finances
Are A
Priority.

“Being debt free
would make me
feel _____.”



**Financial Freedom
leads to less worry
and better health.**

Sleep better...


Finances Are A Priority | Commit To Taking Control

- Forget the past and look towards a new beginning
- Set financial goals (be realistic)
- Work towards living below your means
- Establish a budget and stick to it
- Pay down debt
- Save, save, save
- Start an emergency fund
- Contribute to retirement/college regularly



FOCUS!
Set Realistic
Goals.


“I Review All of
My Statements
Every Month.”



**Few Americans
actually open their
statements. Most
only worry when
funds are low or bills
are high.**

Clean House | Taking Financial Inventory

- Choose a tool for tracking (i.e., Excel, Access, or a financial program)
- Paint the Picture: Calculate Your Net Worth (Assets – Liabilities)
 - Determine your total account balances
 - Determine your total debt
- Review Your Credit Report
 - Visit freecreditreport.com and review for inaccuracies
 - Know Your Credit Score – if your score is not above the 700 range, do something about it!



**Only by laying out
your finances can
you get a realistic
picture.**

Clean House | Taking Financial Inventory (con't)

- Gather all of your paperwork
 - Bank Statements
 - Credit Card Statements
 - Financial Accounts (i.e., 401K, pension, etc.)
 - Insurance
 - Mortgages and Lines of Credit
 - Utilities
- Review all statements to determine:
 - Monthly Fees
 - Benefits & Services (Free or paid and their usage)
 - Interest Rate(s)
 - Penalty Charges
 - Accuracy of Information




**Consumers pay
more than \$1
million yearly in
unnecessary fees.**

“With an extra \$250 a month, I would _____.”



Find the Money | **Plan Your Attack**

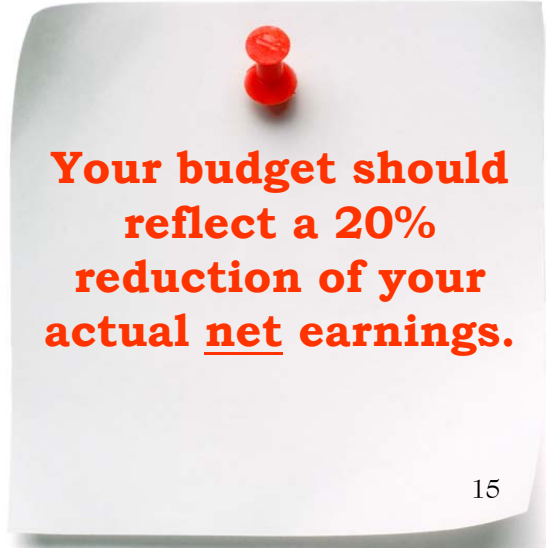
- Time to **Negotiate** or Renegotiate Your Interest Rate on...
 - Mortgage
 - Insurance (Car, Life and Home)
 - Student Loan
 - Credit Cards
- Time to **Review**
 - Cable Bills, Telephone Services and other utilities
 - Subscriptions and Memberships
 - Conveniences (housekeeper, laundry services)
 - Spending habits



FOCUS!
Ask Yourself:
Where Can I Save?
Find the Money!

Budget & Spending | Living Responsibly


- Keep Track of Your Expenses
 - Keep a “Dollar Diary” – jot down every single expense, no matter how small
 - Categorize your expenses, daily or monthly using your “tool”
 - At month’s end, review and see where you can eliminate (i.e., the “Latte Factor”)
- Calculate Your Cash Flow (Total Income – Total Expenses)
 - Add up all sources of regular income
 - Add up all expenses (count quarterly expenses too)
 - Set a Budget and stick to it!



Your budget should reflect a 20% reduction of your actual net earnings.

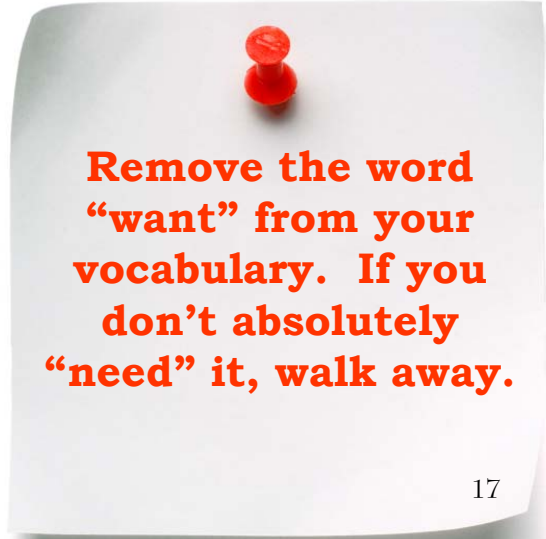
Budget & Spending | Living Responsibly (con't)

- Time to Reconsider
 - Eating out every day (yes, breakfast and lunch are eating out)
 - Entertainment and entertaining
 - Shopping for clothes, jewelry, cosmetics
- Time to Start Being a Smart Shopper
 - Use debit cards NOT credit cards – you can't spend what you don't have
 - Don't rely on credit to "close the gap" between earnings and spending
 - Do comparison shopping
 - Consider alternatives to buying it new
 - Don't wait till the last minute to obtain a need
 - Look for bargains, clearances, coupons
 - Register with free programs that reward you for spending



**A visit to diners
and other eateries
is considered
"eating out."**

“I shop to make
myself feel better.”



**Remove the word
“want” from your
vocabulary. If you
don’t absolutely
“need” it, walk away.**


Reasons We Shop

- Depression
- Keep up with the Jones'
- Feel attractive
- Take a break from everyday rut
- Take a break from children, spouse, family
- Sometimes we just find ourselves in a store



**“Retail Therapy”
shoppers are more
likely to file for
bankruptcy.**

“I will save for _____.”



**Learn how to
manage your
money to save for
the things you
need.**

Save, Save, Save


- Any amount counts – commit to saving regularly
- Do it automatically
- Pretend your savings are not there
- Build a reserve fund of 8 months
- Consolidate accounts
- Sweep unused money from checking to savings
- Empty your change purse every night



Saving just \$10 a day can get you \$8,000 in just three years.


The Signs of Financial Distress

- Late payments | Missed payments
- You're barely making the minimum
- Your paycheck is gone even before it hits the bank
- Your expenses are greater than your income
- You're using savings to cover basic expenses



**Know when you're
in trouble and get
help early.**


“I never knew it was
that bad.”



**Most Americans
live on borrowed
money – it's just a
way of life.**

A Little Extra | **Additional Income**

- Work overtime or part-time
- Use your skills to make extra money
- Some flexible opportunities
 - Blogging
 - Business Inspector | Phantom (Mystery) Shopper | Notary Public
- Sell Your Unused Stuff
 - Yard Sale | e-bay | Craig's List | Amazon



**Think of creative
and flexible ways to
make a little extra
money.**

Money Management | **Never Stop Learning**

- Read a money management book (i.e., Suze Orman or Jean Chatzky)
- Enlist the help of a financial manager
- Utilize on-line tools (i.e., bankrate.com and kiplinger.com)
- Stay informed by reading and watching (i.e., Carmen Wong Ulrich) but don't overwhelm yourself with too much information
- See what your organization offers
- Review your situation regularly



**Better control
comes from having
knowledge.**

**Commit to
Financial Freedom**

**Call Madrinas
for your
“Dollar Diary”**

**Complete your
Financial Inventory**

**Calculate Your
Net Worth**

**Calculate Your
Cash Flow**

**Get Your Rate
Reduction Speech
Ready**

**Review Your
Credit Report
and Score**

Set Financial Goals

Establish a Budget

Pay Down Debt

**Don't Use
Credit Cards**

**Set Aside an
Emergency Fund**

“Make this the year
you begin building the
road to financial
freedom.”



Questions?

For Your Dollar Diary
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