

TAMI'S 17 FINANCIAL MUST-DO'S

1. Understand **WHY you spend money**. Know that, even if you weren't taught good habits as a child or are intimidated by financial concepts, it's never too late to LEARN GOOD HABITS! Understand the VALUES that you associate with money (such as financial security) and make financial decisions based upon RESPECTING those VALUES!
2. Design a **budget** and/or keep an ongoing record of your expenses – do it for 30 days to start. Understand where you spend your money, so that you can cut back on areas where you overspend. Know what your payroll deductions are. Analyze your budget – I'm sure you will discover areas where you spend more than you thought. You can cut back on unnecessary expenses and use that money for your important financial goals.
3. **Set** short-term (within 12 months), medium-term (1-3 years), and long-term (>3 years) **Financial Goals** that are realistic and write 3 detailed steps, including specific dates and amounts, on how to achieve those goals. For example, a short-term goal might be: "I want to become debt-free by paying off all of my credit card debt totaling \$1,200 by April 1, 2009." Step 1: Start doing a budget and cut back on expenses in order to determine where you can "find" extra money (another \$110/month) to put toward debt. For example, start packing lunch 4 days a week, go grocery shopping, and stop taking taxi cabs. Step 2: Call your creditors and ask if they will lower your interest rate. You have more leverage if you have consistently been paying on time. Step 3: On a piece of paper, write down your various credit card balances, minimum payments, and interest rates of each, ranked from highest INTEREST RATE to lowest (not highest balance). Pay the minimum on all credit cards except the one with the HIGHEST INTEREST RATE. Pay the maximum amount that you can on this credit card, until this card is paid off in full. Continue this same process until that credit card is paid off, then do the same for the next highest interest rate card until you are paid off.
4. Open up a **FREE checking account** (pay attention to minimum monthly balance requirements and DO NOT pay monthly fees to have the account). Make sure not to bounce checks – otherwise, you will be charged a very high rate of interest. Make sure you know how to balance a checkbook and DO IT monthly.
5. Set up **direct deposit** via your employer, if available. It puts your money to work faster than waiting to cash your paycheck. Make sure to select an account that earns interest.
6. **Pay yourself first**. Have a set amount of your paycheck FIRST direct deposited into a savings account, with the balance deposited into a checking account to pay your bills. This method will be ongoing "forced savings" that will magically grow before you know it.
7. Get a copy of your **3 credit reports and credit scores** and make sure all information is correct. Deal with the debts listed on the reports. Remember, 35% of your FICO credit score is whether you pay your bills **on time** (even if you can only afford to make the minimum payment). Why do you need a good credit score? People with the highest FICO scores get the best interest rates on such things as mortgages, credit cards, etc. Credit scores range from 350-850 - the higher the better. A target score is to be 750 and above.
8. **Pay off any balance on credit cards or loans** – make a habit of paying your balance in full every month and keep a low line of credit!! Use the card only for emergencies and only keep ONE credit card – the one you have had the longest. **DON'T SPEND MONEY YOU DON'T HAVE!** Understand the "real" cost of items bought with a credit card, due to **COMPOUND INTEREST**, when the balance is not paid in full. Once debt-free, maintain good habits of continuing to **live within your means** and use a budget. Remember, compound interest is your enemy when you have

debt, but your best friend when you have money invested and it is working for you while you sleep! Also understand the dire and long-term consequences of filing for bankruptcy.

9. Contribute as much as possible to your **retirement plans** (ideally, contribute the legal maximum amount) – remember, pre-tax growth is huge! Understand the difference between pre-tax & post-tax growth, tax-deferred, tax free, various types of IRA's, 401(k)'s and 403(b)'s. You get the benefit of paying lower taxes now and the advantage of the money growing tax-deferred until retirement (or tax-free with a Roth IRA, but no upfront tax deduction). In addition, if your employer matches your contributions, that is FREE money! At a minimum, contribute up to the amount your employer matches.
10. Using the concept of **COMPOUND INTEREST** and growth, **start investing** (only after you are bad debt-free and are contributing the maximum amount to your retirement savings). **Mutual funds** are the simplest way to benefit from **DIVERSIFICATION** when investing. Understand the various elements to look at when considering a mutual fund (such as your financial risk tolerance, time to retirement, expense ratios, fund objective, multi-year performance data, manager, etc).
11. Set up bills on **AUTOPAY**. This way, you will save money on stamps and you will NEVER be late with a payment again. This act alone will help improve your credit score significantly!
12. Have all of your **financial documents in order**. Designate a **guardian** for your children, so that your wishes are represented in the event of early death. Also make sure to have at least a minimum amount of **life insurance** for them if they are minors. Lastly, have a notarized **Last Will and Testament** and a **Living Will** done.
13. Understand how to **file your taxes** and make sure to **DO THEM EVERY YEAR**. Adjust your tax withholdings in order to not receive a significant refund, so that you can be using that extra money throughout the year. Remember, if you are getting a tax refund, that means that the government was using YOUR money for an entire year without paying you interest.
14. Set up a **college fund** for yourself and your children and understand the various tax-advantaged vehicles available such as 529's, which grow tax-free and are sometimes tax-deductible.
15. **READ, READ, READ** as much as you can about finance, saving, and investing!!! Remember, knowledge is power! **SHARE** the information you learn with others and **PAY IT FORWARD** (pass it on)!!
16. Think about **buying real estate** as a long-term goal – there are many tax benefits. Real estate taxes and interest on the mortgage are tax-deductible, lowering the amount of taxes you pay (in addition to some closing costs in the first year). Understand the entire home buying process. It will take a while to get there, but start **planning now** by improving your credit score and beginning to save for a down payment and closing costs. The **SINGLE** greatest financial factor separating the rich and poor is home ownership – almost all wealthy people own their own homes and also own additional real estate. Become a proud homeowner, too!
17. Lastly, **MEASURE YOUR PROGRESS**. Even if you temporarily get off track, get refocused and get back on track. Mark your calendar for when you expect your financial goals to be achieved and hold yourself accountable!

This is everyone's opportunity to start **TAKING CONTROL of your FINANCIAL FUTURE NOW!**