Financial Wellness Education Series

**HANDOUTS from**

- **Session 1**  HEALTHY BUDGETING PRACTICES
- **Session 2**  FINANCIALLY-FIT INVESTMENTS
- **Session 3**  EVERYTHING YOU'VE WANTED TO ASK ABOUT PREPARING YOUR PERSONAL INCOME TAXES
- **Session 4**  SAVING AND DEBT MANAGEMENT
- **Session 5**  INSURANCE ASSURANCE
- **Session 6**  FINANCIAL WELLNESS SPA

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Impact of Employee Financial Stress on Health Care Costs

Being a large public company that has had a wellness program in place for several years, we have recognized the links between stress and illness, and in particular, financial stress and illness. What we didn’t know was how financial education impacted financial stress, and ultimately, health care claims. Would employees who participated in intensive financial education, designed to help them resolve financial problems and reduce their financial stress, actually become healthier? Preliminary results from a recent study we conducted indicate that this is the case. After our employee financial wellness program reached a critical mass, we decided to see how much money, if any, the company saved in health care costs for heavy financial education users vs. non-users. It turns out the company saved 21.57% in health care costs for heavy users of the financial education program vs. 4.19% for non-users from 2009 to 2010.

FINANCIAL STRESS TOPS THE LIST

Sources of Stress

- Money: 81%
- Economy: 80%
- Work: 67%
- Family Health Problems: 67%
- Housing Costs: 62%


We believe that the correlation between financial education and reduced health care claims is strong for three reasons:

1. Financial issues are the number one cause of stress, and play a role in most preventable stress related illness;

2. Most of the other major sources of stress have a financial component that causes or worsens the stress;

3. Financial stress has been extensively studied by the medical profession and is commonly deemed to be one of the most dangerous types of stress on the body, if not the most dangerous.

For more information on the impact financial stress has on specific medical conditions and diseases, please refer to the chart on the right.
Personal Financial Management Series

Savings and Debt Management Class

Introduction:

Five most common personal financial mistakes

1. Jumping on or off the bandwagon
2. Only saving what's left over
3. No budgeting, reconciling and thus living beyond our means
4. Not having an emergency fund
5. Not asking for help

Savings – 10% of what you earn is yours to keep; develop habit to pay yourself first

Statistics: Average American has less than 2 month's savings of any kind

Average American has less than $50K in retirement

Average American has little or no other investments

Savings Accounts and priority

Emergency Fund – minimum of 3 months income – adjust as income goes up, continue to make contributions to build up reserves

Retirement – Actively contribute to retirement. Maximize employer match. Make IRA contributions

Education of Children – Decide what you would like to afford and start early – Get children involved in scholarship activities at 9th grade – Best summer job they can have

Deferred spending accounts – Save for everything else, vacations, large purchases, cars

Debt Management – Debt, they that understand it, earns it; they that don't pays it.

Statistics: Average American Household $8,500 (update) unsecured non-education related debt

Average Utah Household is nearly $16,000 (update)

1 in 7 people have declared bankruptcy – This impacts the ability for good employment

1 in 5 people have credit scores too low to get a decent loan

Average household will pay over $275K in interest payments over 40 years at a cost of $573/month; if same amount were invested over your 40 years – Approx. $1.4million

Get out of debt – pay off high interest first, make extra payments to principle

Payoff home on 15 years or shorter will save an average of $95k in interest
Do not take on new debt. Save for large purchases

What can I afford?

If you don't have the cash don't buy it!!!

"Same as Cash" is NOT same as cash" How they hook you.

Home finance model-15/30/15 Plan. Determine home on 15 years; finance over 30; payoff over 15 or shorter
Get in touch with your financial self

Identify your money type and the reason you feel the way you do about money. Then, ask yourself how you can meet or overcome those emotional needs without money.

- **Spenders spend money**, hoping material things will make them happy or relieve pain. They often spend beyond their means and have sizeable credit card debt. Ask: *Why do I need so many things?*

- **Penny pinchers** worry about not having enough money to live. Although ultra-frugal people fear poverty, many often live it because they spend very little. Ask: *Why am I so worried?*

- **Money haters** despise money and what it does to people. They shun wealth and intentionally avoid material possessions. Ask: *Why am I so bitter?*

- **Wealth seekers** obsess about becoming rich. They believe, “the more money, the better” because they believe wealth will solve all problems. Ask: *Why am I constantly chasing money?*
Timeless truths of financial security

- **The first payment**: Always pay yourself before meeting all other obligations. The standard rule is to take 10% of what you earn and set it aside for saving and investing.

- **Delayed gratification**: Have the discipline to put off purchases that aren't absolutely necessary. Remind yourself of your financial goals and keep your money focused on growing, rather than spending it.

- **Compounding**: Understand the power of compounding. Let your money multiply and increase your net worth 24 hours per day. Invest in things that grow in value rather than lose value.

- **Risk awareness**: Calculate risk carefully. Lower your risk by choosing a variety of investments — so if one investment does poorly, the other investments balance the loss. Buy insurance to protect yourself against catastrophic events.
Credit Dos and Don’ts

• Do know the power of credit. Be responsible with credit so you build a good credit history, which makes it easier to get loans with lower interest rates, rent an apartment, or buy a car or home.

• Do read credit application fine print. The application is a contract. Once you sign it, you must follow the conditions included.

• Do pay at least the minimum due each month to avoid late fees. Pay more than the minimum to pay down the balance more quickly. If you’re having trouble making the payment, contact the creditor.

• Do be skeptical of people who claim they can “fix” your credit report. No one can legally remove accurate information, good or bad. The only way to improve a bad report is time and a positive payment history.

• Do order a copy of your credit report every year at annualcreditreport.com. The three major credit bureaus must provide a free copy of your credit report when you ask for it each year. To get a free copy, visit annualcreditreport.com.

Don’t be pressured to get a credit card. If you don’t want to receive prescreened offers, opt out by calling 1-888-5-OPTOUT (1-888-567-6688) or visit optoutprescreen.com

• Don’t pay your bills late. Late payments can negatively affect your credit score and increase your balance.

• Don’t spend more than you can afford to pay back.

• Don’t “max out” your credit cards.

• Don’t ignore warning signs of credit problems — never paying any more than the minimum, paying late, using cash advances for daily living expenses, or transferring balances. Contact a financial counseling organization to help you get on the right track.

• Don’t share your credit card number or personal information if you didn’t initiate the transaction.

Source: American Bankers Association
Fiscal Fitness:

Debt collector ‘do’s and don’ts’

If you’re behind in paying bills, or a creditor’s records mistakenly show you are, debt collectors may try to contact you. If they do, know your rights.

The Federal Trade Commission (FTC), the nation’s consumer protection agency, enforces the Fair Debt Collection Practices Act (FDCPA). The law is designed to prevent debt collectors from using abusive, unfair, or deceptive means to collect from you.

- The act covers personal, family, and household debts, including money owed on credit-card accounts, auto loans, medical bills, and mortgages. The FDCPA doesn’t cover business debt.

- Debt collectors may not contact you at inconvenient times (such as before 8 a.m. or after 9 p.m.) or places, unless you agree. Collectors also may not contact you at work if they’re told (verbally or in writing) that you cannot receive calls there.

- If you have an attorney representing you about the debt, the collector must contact the attorney — not you. If you don’t have an attorney, the collector may contact other people for your address, home phone number, and where you work. Collectors may only contact each person once and cannot discuss your debt with anyone other than you, your spouse, or your attorney.

For more on debt collection, go to Now.HopeHealth.com

Source: Federal Trade Commission

The financial trifecta— savings, investing, or paying down debt

Deciding what financial goals to tackle in which order can be tricky. Should paying debt take precedence, or are saving and investing more important?

Financial advisors recommend that working individuals have at least three to six months’ worth of monthly expenses in cash saved up. If you don’t have this cushion, you may want to focus your efforts here first.

After that, redirect your energy to paying down (and paying off) any credit-card debt. Typically, credit cards carry interest rates higher than most investments earn before taxes.

Once you’ve eliminated credit-card balances, turn your attention to investing.

When shopping online, only connect to wireless networks that require a network security key or certificate.

How many credit cards should you carry?

If you’re like the average consumer, you have between three and four credit cards.

Although you want to have some credit so you can establish a credit history and have a credit score, the general rule is the fewer cards you have the better.

Many financial experts recommend carrying two major bank cards (e.g., Visa®, American Express®, MasterCard®, or Discover®) — a primary one and one you use as a backup in case there is a problem with the primary card. Having more cards is not typically necessary, nor financially smart.

Remember: The more open credit accounts you have (regardless of whether you have balances), the more they may negatively affect your credit score. To improve your credit score, avoid using more than 10 to 30% of your available credit per card at any given time.

Source: EBFixed.org
FiscalFitness:

‘Moving your checking account’ checklist

Planning to switch checking accounts from one financial institution to another? You can avoid accidental bounced checks or other hiccups during the transition by:

1. Listing all your automatic payments and deposits that go in and out of your old account each month.
2. Changing your direct deposit. You likely will need to fill out paperwork from your employer or other payment source to reroute deposits to your new account.
3. Finding out the date your direct deposits transfer. Arrange to have your automatic debits and withdrawals made from your new account starting after that date. Then, cancel the automatic transactions from your old account so that your bills aren't accidentally paid twice.
4. Leaving some money in your old account. Make sure you can cover any checks that haven't cleared or automatic payments that haven't taken place — and avoid dipping below your minimum balance requirement.
5. Transferring your remaining money, once all direct deposits and automatic payments are coming in and out of your new account. You can electronically transfer the remaining money from your old checking account or use a cashier's check.
6. Closing the old account. Ask the bank for written confirmation.

Source: Consumer Financial Protection Bureau

The basics of biweekly mortgage payments

A simple switch in how often you make payments on your mortgage can save you tens of thousands of dollars in interest over the life of your loan. You also can trim the time it takes to completely pay off your mortgage.

In a biweekly payment plan, you pay half your monthly mortgage every other week. With the biweekly plan, you:

- End up making one additional full mortgage payment every year. That extra payment goes directly toward the principal of the loan.
- Reduce the amount of interest charged over the life of the loan.

Be sure to check with your lender to make sure that it accepts biweekly payments and credits them immediately. If the lender waits until receiving the next payment before crediting both payments to the loan, you won't see the financial benefits.

Source: MortgageCalculator.org

Choosing a credit counselor

Are you living paycheck to paycheck? Worried about debt collectors? Can't come up with a workable budget? If so, you might consider working with a credit counselor.

Look for credit counseling organizations that:
- Advise you on managing your money and debts
- Help you develop a budget
- Offer free educational materials and workshops
- Have certified counselors
- Send you free information about themselves and the services they provide, without requiring you to provide any details about your situation. If a firm doesn't do this, consider it a red flag and go elsewhere for help.

Source: Federal Trade Commission

Always read the fine print when you order "free" apps on your smartphone or tablet. In some cases, you may be signing up for a service with a fee. Or, you could be agreeing to release your information to a marketing list.
Stop living paycheck to paycheck

If you're the type who nervously awaits your next paycheck to cover your bills, learn to spend your monthly income the following month to make sure you have everything covered. It may help to prevent financial panic between paydays.

How do you get ahead so you can be in a position to use one month's income the following month?

You can save up to get started by:

• Not adding to your debt through credit-card spending.

• Lowering your expenses by trimming utilities, such as your cable or cell phone services.

• Earning extra money from taking on additional shifts at work or getting a second job, as long as it doesn't interfere with your primary job.

• Earning extra cash by selling items you no longer need or use.
Sitter swapping

Babysitting fees can add up fast. Avoid the out-of-pocket costs of having someone watch your kids by forming a sitter-swapping network.

• Figure out whom you would be happy sitting for and who you would feel comfortable having watch your children. Think about family, friends, neighbors, co-workers, etc.

• Establish guidelines. Determine how far in advance sitting requests need to be made, how long each sitting session should last, how to track hours to keep swapping in balance, etc.

• Have families get to know one another ahead of time with a picnic or dinner.

• Make sure everyone has one another’s contact information in case of emergencies.
Refinance or wait it out?

Consider refinancing if you want to:

- **Reduce your interest rate** — Lower rates usually mean lower payments and/or building equity in your home more quickly. You may be able to get a lower rate because of changes in market rates or because your credit score has improved.

- **Change the length of your mortgage** — You may want a mortgage with a longer term to reduce the amount you pay each month. Note, though, that this will increase the time it will take to pay off your mortgage and likely will increase the amount of total interest you pay.

You may want a shorter-term mortgage to decrease the amount of time it takes to pay off your house and to reduce how much interest you pay over the length of the loan. Shorter-term mortgages usually have lower interest rates, too.

- **Switch from an adjustable-rate mortgage (ARM) to a fixed-rate mortgage** — With ARMs, your monthly payments change as interest rates change. If you’re worried that your mortgage payments could increase, you may want to “lock in” a permanent rate to give you peace of mind.

Source: The Federal Reserve Board

For information on when it’s not a good idea to refinance, go to Apr.HopeHealth.com
Fiscal Fitness: The lowdown on life insurance

To determine whether you need life insurance, ask yourself, "Would my death leave anyone in a financial bind?"

- If you don’t have dependents and have enough money to cover your debts and the cost of dying, you may not need life insurance.

- If you have dependents and/or don’t have enough assets to cover your debts and cost of dying, you should consider a policy.

The rule of thumb:

Once you become a parent, any adult in your house should carry life insurance until the youngest child completes college.

Term vs. permanent life insurance

Term life insurance pays a certain amount if the insured individual dies during a specified time. The term may be one, five, 10, or 20 years or longer. Term insurance policies are:

- The least expensive
- Have no cash value
- Are usually renewable
- Can sometimes be converted to permanent life insurance

Permanent life insurance doesn’t expire. It provides coverage for a lifetime, if premiums are paid on time. Most policies offer a savings or investment component with insurance coverage. Permanent life insurance policies:

- Build cash value
- Can have loans taken against them
- Have premiums that don’t change
Cutting costs on car insurance

• Get several quotes. You typically don't look at just one car before you buy it. The same strategy should hold true for auto insurance. You may be surprised at the differences in rates from one insurance company to another. It takes time to "shop around," but you'll likely save money in the long run.

• Don't forget about discounts. Many companies knock off the price of insurance for good driving records, how much you drive, or if you package your auto insurance with other insurance coverage along with a host of other offers. Always ask.

• Raise your deductible. An easy way to save is to change your deductible (the amount you agree to pay in the event of an accident before your insurance company pays). If you increase your deductible from $200 to $500, you may reduce the cost of coverage by 15 to 30%.
What you need to know if you suffer buyer's remorse

Do you ever regret a purchase and wish to return it? It may not always be possible, but you should know about the Federal Trade Commission's (FTC's) Cooling-Off Rule.

The rule gives you three days to cancel a purchase of $25 or more if you buy an item in your home (think door-to-door salesman) or at a location that is not the seller's permanent place of business.

Your right to cancel for a full refund lasts until midnight of the third business day after the sale.

Source: Federal Trade Commission

For more specifics on the Cooling-Off Rule, go to Jul.HopeHealth.com
Fiscal Fitness: Smart strategies for avoiding emotional spending

Discover your hidden power of discipline

Emotional spending is when you buy something you don't need and, many times, don't even really want, because you are unhappy, stressed, bored, or experiencing some other negative emotion.

Emotional spending is mood-driven, not goal-driven, as discussed in “Discover your hidden power of discipline” on page 1.

Vulnerable to spending for an emotional boost? Develop discipline by:

- Ignoring impulse buys — If you find yourself wanting to buy something you didn’t already want before you got to the store (either bricks and mortar or online), don’t buy it.
- Avoiding ads — Try throwing away product catalogs when they arrive in the mail. “Unsubscribe” from email promotions.
- Limiting temptation — Consider staying away from the mall or store Websites. Only visit shopping centers and sites when you have a real need and feel in control.
- Taking up a hobby — Many people spend emotionally because they are bored and have nothing else to do. Find a cheap, healthful activity. Walking is always a simple idea. How about reading a good book — that you get from the library?

Some people think having a healthy lifestyle requires the discipline of a Marine drill sergeant. It would, if you think every choice you make is a battle. But if you think longer term, and set goals, your whole perspective changes.

It’s the difference between:

- “I don’t feel like going to the gym, so I won’t go,” and
- “I feel so tired today, I am going to warm up gradually before I really get into my workout. I know I’ll feel great when I am done.”

If you can answer these five simple questions, you’ll feel the power of discipline in every decision you make:

- What life do I want?
- Why do I want that life?
- What steps will I take to achieve that life?
- What are some of the obstacles/temptations/barriers I will face?
- What coping strategies will I use to pursue my goal when I am tempted to stray from that life?

For related articles on discipline, see “Smart strategies for avoiding emotional spending” on page 6 and “Motivation and discipline lead to weight loss” on page 7.

For more on developing discipline in your life, go to JSHopeHealth.com.