

# Getting on the Road to Financial Security

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# Outline

- What caused the current crisis
- Complex nature of finances
- Information is power
  - What do you know about your finances
- Building blocks of healthy finances
- Few tools
- Some resources

# What Caused The Eco. Crisis?

- Risk management or lack of it
- Shadow banking
- Failure of Regulatory agencies
- Irresponsible behavior
  - Lenders, borrowers, investment advisors
- Greed
- Ignorance

# Personal Finances in Today's Environment

- Technology and easy access to products and impersonal transactions - -debit cards, credit cards, ATM cards
- Decision making responsibility shifted to the individual from every where: employer, government and providers of products
- Saving, investing and borrowing processes are complex
- *Finances are not just financial!*

# Finances Are Not Just About \$

- Family
  - Marital disharmony
  - Child abuse and violence
  - Communications with parents
- Personal, social, psychological
  - Physical, emotional
  - Depression, addiction
  - Relationships
- Work place
  - Absenteeism, lack of concentration, low productivity

**How financially savvy  
are you?**

***Take a quiz!***

# Power is in Knowing about your \$?

- your total monthly H H Income
  - Gross, net, disposable
- your total monthly H H expenses
  - Fixed, variable, flexible
  - difference between wants & needs
- your monthly *personal* expenses
- your total household debt
  - Credit card debt, car loan, mortgage, personal loans
- your total monthly debt payments?

(Worksheet

# To Manage – You Must Know

- How many cards do have
- How much is the balance due on each card
- What is the interest rate on each card
- What is your credit card payment style
  - Pay in full each month
  - Make partial payments
  - Make only minimum payments

(Worksheet #3)



**I AM REALLY GETTING WORRIED ABOUT  
THE INCREASING USE OF CREDIT CARDS...**

# You Can Take Control....

- Save something every month
- Have an **emergency** fund
- Set aside funds for **special** goals
- Have a **holiday** account
- Know the amount
  - in your retirement account
  - in your spouse's ret. acct
- Know the value in your cash value life insurance policy

(Worksheet #4)

# How to Survive & Thrive!

- Know your financial situation
- Be responsible about your finances
- Be involved
- Thought + Action = Success

*Whatever your mind can conceive and believe, you can achieve*

# To Be Financially Secure

- Spend less than what you earn
- Save regularly – no matter how small the amount
- Build an emergency fund (4-6 months of expenses)
- Carry no more than 2 credit cards
- Carry no credit card balances (pay credit card bill in full each month)
- Maintain a good credit score by making payments on times
- Open up every bank & credit card statement

(Worksheet #5)

# To Be Financially Secure

- Set aside money for large expenses/bills that come due regularly insurance, taxes, holidays etc.
- Have a plan to protect yourself from large losses
- Watch out for those who depend on you financially
  - so you must have, disability insurance and a Will
- Prepare your children to handle their money
- Talk about money
  - with spouse, children, parents

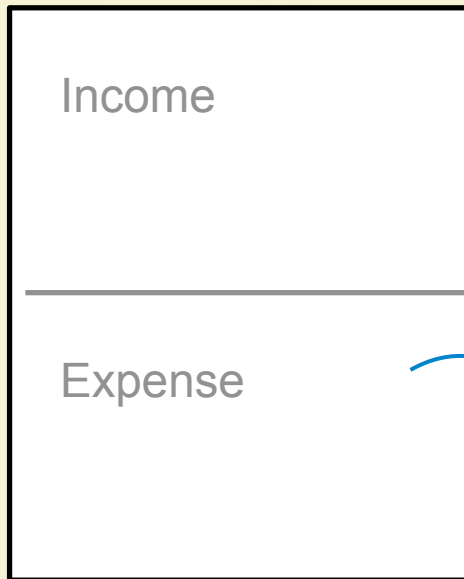
# Building Blocks for Secure Financial Future

- Cash flow statement
  - Details about income and expenses
- Net worth statement
  - Details about assets and liabilities
- Relationship between two statements

Income
Expense

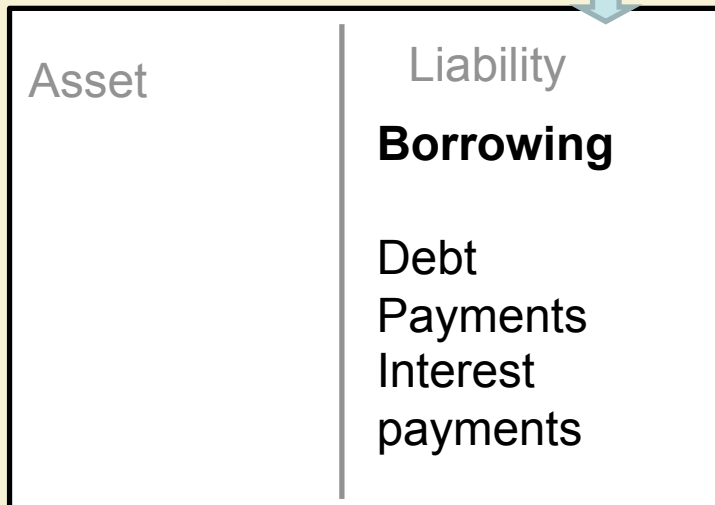
**Build financially  
secure future**

<b>Building Assets</b> <b>Is Your Business!</b>	Liability
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## When Expenses are larger than Income

**Liabilities are created and Expenses increase further**

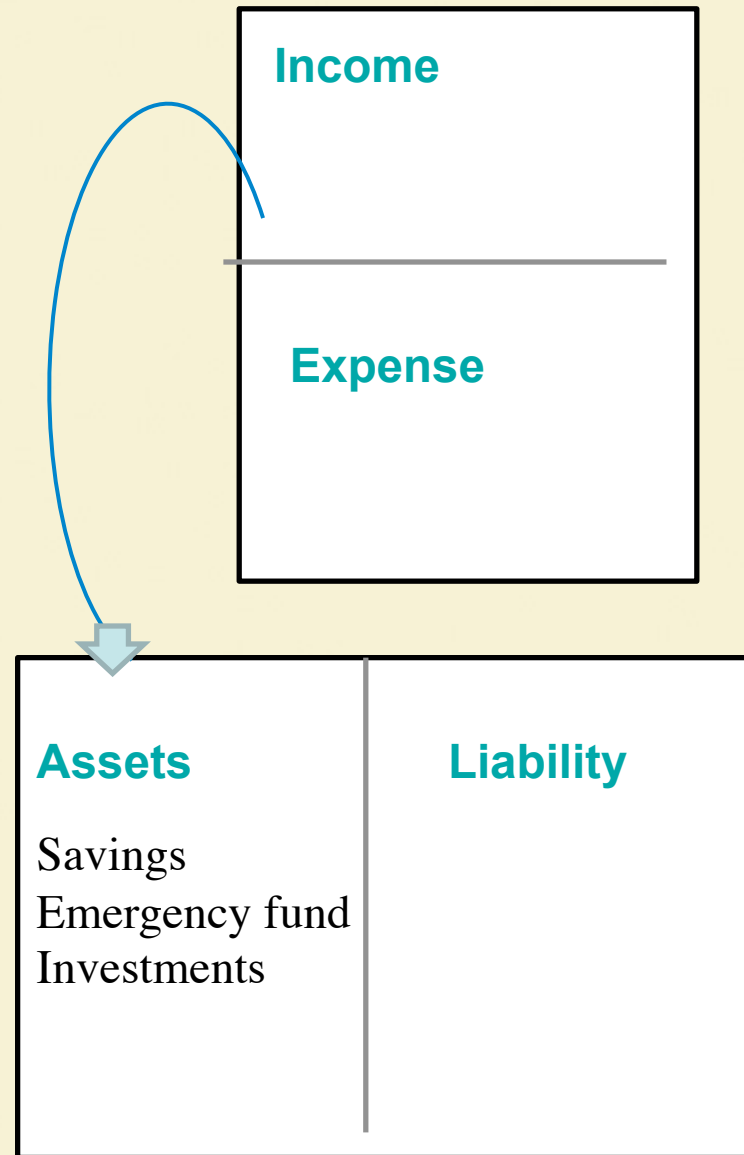


# Cash Flow Management

- Make a difference, give for a cause: 3-5%
- Ensure your long term security, invest: 10%
- Set aside fo periodic large bills, save: 20%
- Now spend it all, worry free: 60-67%

## When expenses are Less than income

Assets are built, and  
income is generated



# Saving Is Easy!

- Treat savings like a bill –save first not last
- *Use automatic transfer from checking to saving account*
- Save your salary raises/bonuses
- Save at least half of the tax refunds
- Continue payments after paying them off
- Learn to invest your savings

# Key Investment Concepts

- Time value of money
- Dollar cost averaging
- Diversification
- Direct vs. indirect investing
- No load mutual funds

# Financial Literacy

- Is a life long learning
- Teaching the basics early in life helps simplify things later in life
- Learning by doing is most effective
- Being a good role model is the best approach to teaching

# Worksheets

1. How financially savvy are you - quiz
2. What do you know about your own finances
3. Nine ways to cut your credit
4. Holiday budget expenses
5. You can always be financially healthy
6. Car buying comparisons
7. Children's budget worksheet
8. Resources for Children and teens

# Resources

- Money & the meaning of life by Needleman, 1991
- Common Characteristics of Millionaires by Stanley & Danko, 1996
- Quick Steps to Financial Stability by Alan Lavine and Gail Liberman
- [www.SmartAboutMoney.org](http://www.SmartAboutMoney.org)
- [www.cashcourse.org](http://www.cashcourse.org)
- [www.chiff.com/personalfinance/womens.htm](http://www.chiff.com/personalfinance/womens.htm)
- [www.nefe.org](http://www.nefe.org)
- [www.Mymoney.gov](http://www.Mymoney.gov)
- [www.womens-finances.com](http://www.womens-finances.com)

# Your Questions, Comments

*Thanks for the opportunity*

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