Getting on the Road to Financial Security

Tahira K. Hira, Professor
Iowa State University

www.eng.iastate.edu/tkhira
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 everywhere: 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 you 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 time
• 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

(worksheet sheets #6,7,8)
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
Build financially secure future

Is Your Business!

Building Assets

Income

Expense

Liability
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 for 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

- Income
- Expense
- Assets
  - Savings
  - Emergency fund
  - Investments
- Liability
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
• www.cashcourse.org
• www.chiff.com/personalfinance/womens.htm
• www.nefe.org
• www.Mymoney.gov
• www.womens-finances.com
Your Questions, Comments

Thanks for the opportunity

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