

# Financial Recovery - Action Steps for Your Solid Financial Future

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## Financial Recovery Takes Planning

### According to a Fidelity survey:

Only 18% of Americans have a Financial Plan in place

### Some of the Reasons Stated:

“I don’t know where to start”

“I don’t have enough assets”

“I feel too far behind for it to make a difference”

“I haven’t gotten to it yet”



# Financial Recovery Takes Planning

## Tackling the Excuses:

“I don’t know where to start”- Start in the here and now.

“I don’t have enough assets”- If you have a bank account, a business, an IRA or 401(k), you have assets.

“I feel too far behind for it to make a difference”- Take the emotion out of the equation. Action steps can bring results to your financial life.

“I haven’t gotten to it yet”- Financial Planning is self-care.



## Why You Need a Plan

- The Covid crisis has exposed cracks in our financial lives. This is an opportunity to make some much-needed changes to your current way of thinking about your money life.
- Many people have little or no cash savings. This crisis has caused financial panic that could have been avoided by having a cash cushion.
- Many had to go into debt to pay basic bills.
- 55% of Americans spend every penny they make.
  - This translates into: NO SAVINGS
- Only 35% of Americans polled had \$2,000 cash available for an emergency, according to the Fidelity survey.



# Why You Need a Plan

## *...Continued*

- Without a Spending and Savings Plan you cannot possibly know what you spend in what categories and what you should be saving. You are operating in the dark. It's time to come into the light.
- It's time for a change in personal and business spending habits. Your money has been running you. Time for you to be in charge of your money.
- It's time to get serious about having a peaceful financial life. How much anxiety does your financial life cause? Aren't you tired of this?
- Let's make some changes, TODAY.



# Your Savings & Spending Plan is Ground Zero for Your Financial Plan

## Where do I Start?:

- Financial software will create accurate numbers
- Personal Finances: Implement Quicken or Mint
  - Download once per week to keep it current and relevant
  - Your expenses will be tracked 100%
  - You can then make informed savings and spending plans for your hard-earned money

## Business Finances: Implement QuickBooks

- Download every few days or even daily
- You need to know and understand your business expenses
- How much cash, how much debt, what are you spending and where



## Your Savings & Spending Plan is Ground Zero for Your Financial Plan

Commit to living beneath your means- this is where savings come from. To have assets, you have to gather them. This happens over time.

- Start by cutting back on things you don't really need. This takes discipline and continuity.
- Take a serious assessment of what you are spending and where. Look at the whys of the spending habits. Money carries a lot of emotional weight for most of us.
- If you can live 5% beneath your means, that 5% can go towards savings & investments. This is how wealth is built.
- Aim to increase the % that you live beneath your means on an ongoing basis. Setting cash savings goals, then investment savings goals, is a pathway to making this happen
- Sacrificing now for future financial peace pays off. If you have assets, you have options.



## How can I plan to Live Beneath My Means?

- Make this a Way of Life. Decide now that you will have cash, investments, a home that you own outright. It starts here. Action is driven by heartfelt conviction.
- Decide in advance that you will get out and stay out of debt.
- Once you know the numbers on your spending from the financial software program, you can do a deep dive into the spending areas that you can cut.
- The thinking is Twofold:
  - Make some sacrifice now for a nice financial future ahead
  - Having cash savings means not going into debt to pay bills





## Increasing the Top Line- Your Income

- Earning more than you spend may also require you to increase your income. What can you do to make this happen?
- Start assessing your business income and how you are compensated:
  - Am I spending time with Clients that are not profitable
  - What additional value can I deliver that Clients are willing to pay for
  - Define your Client base, then go after that base - you may have to turn down unprofitable business while you are implementing this plan
  - Understand and be able to clearly explain your value proposition
  - Continuously hone your talents



## Fully Understanding your Business Expenses

- Take the time on a monthly basis to review your P&L.
- Know the numbers on your Balance Sheet. What are the assets of the business. What is the debt.
- Re-negotiate rents and other expenses wherever possible.
- The cash in the business should be separate from your personal cash.
- Have a Plan to pay yourself
  - Don't make the mistake of putting every dollar back into the business without paying yourself.
  - Get a Retirement Plan set up so that you are saving and investing for your future



## Implement the Plan- Stage One

- Once you have the hard numbers in front of you, sit down with a goals-based mindset.
- Plan to save enough to cover 3-4 months' of living expenses. Many of us see the pressing need for this now, enduring this pandemic. For your business, plan for the cash to cover extra expenses.
- A cash savings account is required. You cannot invest the money into the markets as you may need it for living or business expenses.
- You will “borrow” the money from yourself, and pay yourself back, interest-free. Be disciplined about replenishing your cash.
- This is the Be Your Own Banker philosophy. It works.



## Implement the Plan- Stage Two

- **Becoming free of Personal Debt:**
  - Becoming debt-free is realizing true financial freedom
  - You'll need a detailed plan, discipline and focus
  - Start with high-interest credit cards. This applies to business debt as well
  - Call your creditors and ask them to lower your interest rates
  - Start paying off the highest interest cards first. Apply that payment to the next-highest card, etc. Start saving the money you have been putting towards paying your debts, adding this to your cash reserve.
  - Commit to yourself that you will never get into credit-card debt again



## Implement the Plan- Stage Two ...*Continued*

- **Becoming free of Business Debt:**
  - Becoming debt-free takes pressure off your business, and off YOU
  - Plan for fluctuating income by having cash reserves
  - Call your creditors and ask them to lower your interest rates
  - Tackle your business debt head-on. Know the WHY of your business borrowing. If you are constantly in debt, you have to ask if the business is viable
  - Commit to a debt-free business on an ongoing basis. Profitability, being able to cover expenses on a monthly basis and paying yourself regularly are the goals



## More Advanced Financial Planning

**Once you are out of debt and have sufficient cash savings, you will be ready to add more advanced planning aspects such as:**

- Life insurance - is your family covered? Is your business covered?
- Disability insurance - how will you pay your bills if you become disabled? How will the business pay its bills and carry on?
- Long-term care plan- how will you pay for care as you age?
- Having a Will drawn up- Estate Planning is a vital piece of Financial Planning. How will your estate be distributed? Who will care for your children if no Guardianship agreement is in place?
- Possibly having a living revocable trust drawn up- This protects the estate from probate and can be used to direct disposition of assets



## More Advanced Financial Planning ...Continued

- Funding your retirement- What plan(s) do you have set up as retirement savings vehicles? An IRA, for example. Does your business have a retirement plan in place? 401(k) and SEP IRA are two types of plans
- Have you given any thought as to when you may be able to realistically retire? Have you set a numbers goal for the amount of money that you'd be comfortable with in order to retire?
- Buying a home- This will require a 20% cash down-payment to avoid PMI, and this is outside of your emergency savings. You should also plan another 15% for closing costs, repairs, new furniture
- Funding education- What is your plan for your child's education? Do you have a formal plan set up, such as a 529 savings plan?



# Update Your Plan Regularly

## Triggering life events:

- Marriage
- Divorce or Separation
- Birth of Child
- Death
- Inheritance
- Move to different state- laws vary by state
- Changes to your health
- Changing jobs
- Retirement





# Update Your Plan

## *...Continued*

### Other triggers:

- Changes in federal and state laws
- Changes in asset value
- Changes in goals
- Aging
- Purchasing a home
- Changes to your business
- Sale of business

If you are not sure how these changes affect your Financial Plan, ask your CFP® professional



## Having a Financial Plan in Place brings Peace of Mind for You and the People you love

- Financial Planning is done in stages - keep it realistic
- Your Plan should remain flexible - this is for YOUR Life
- Commit to the ongoing discipline of fulfilling the Plan
- Let this become a Way of Life rather than a quick fix
- Ask for help- fixing broken finances can be overwhelming
- Celebrate each fulfilled goal, no matter how small



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