

# MONEY MATTERS 2023: UL SYSTEM FINANCIAL WELLNESS SERIES

SESSION #13:

FINANCIAL PLANNING FOR THE FUN STUFF:  
VACATIONS, HOME IMPROVEMENTS, NEW VEHICLES



**JULY 26, 2023**



***Brian Bolton***  
***Professor of Finance***  
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***<http://business.louisiana.edu/financeispersonal>***



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L A F A Y E T T E<sup>®</sup>

**B.I. Moody III College of  
Business Administration**

# OWNING YOUR FINANCIAL FUTURE

**ADULTS RETURNING TO  
FINISH A DEGREE:  
FINANCIAL & OTHER  
CONCERNS**

**JUNE 6, 2023**

**FINANCIAL PLANNING  
FOR GRADUATE STUDENTS**

**JUNE 7, 2023**

**FINANCIAL & TAX  
PLANNING FOR  
INTERNATIONAL  
STUDENTS**

**JUNE 8, 2023**

**THE FINANCIAL ASPECTS  
OF YOUR SIDE-  
HUSTLE #1 – PLANNING,  
STRATEGIES, LEGAL,  
RESOURCES**

**JUNE 20, 2023**

**FAMILY FINANCIAL  
PLANNING: MAKING  
FINANCES WORK FOR THE  
WHOLE FAMILY**

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ISSUES**

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WHEN RETIREMENT IS  
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HUSTLE #2 – TAXES,  
PROFITABILITY,  
EXPANSION, SUCCESS**

**JULY 25, 2023**

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VACATIONS, HOME  
IMPROVEMENTS, NEW  
VEHICLES**

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**INVESTING 101**

**AUGUST 1, 2023**

**NAVIGATING THE  
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**FINANCIAL  
PLANNING FOR THE  
FUN STUFF**

July 26, 2023

**REMAINING SESSIONS ARE FROM 12:00-1:00PM**

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**FOR YOUR FUTURE. FOR OUR FUTURE.**

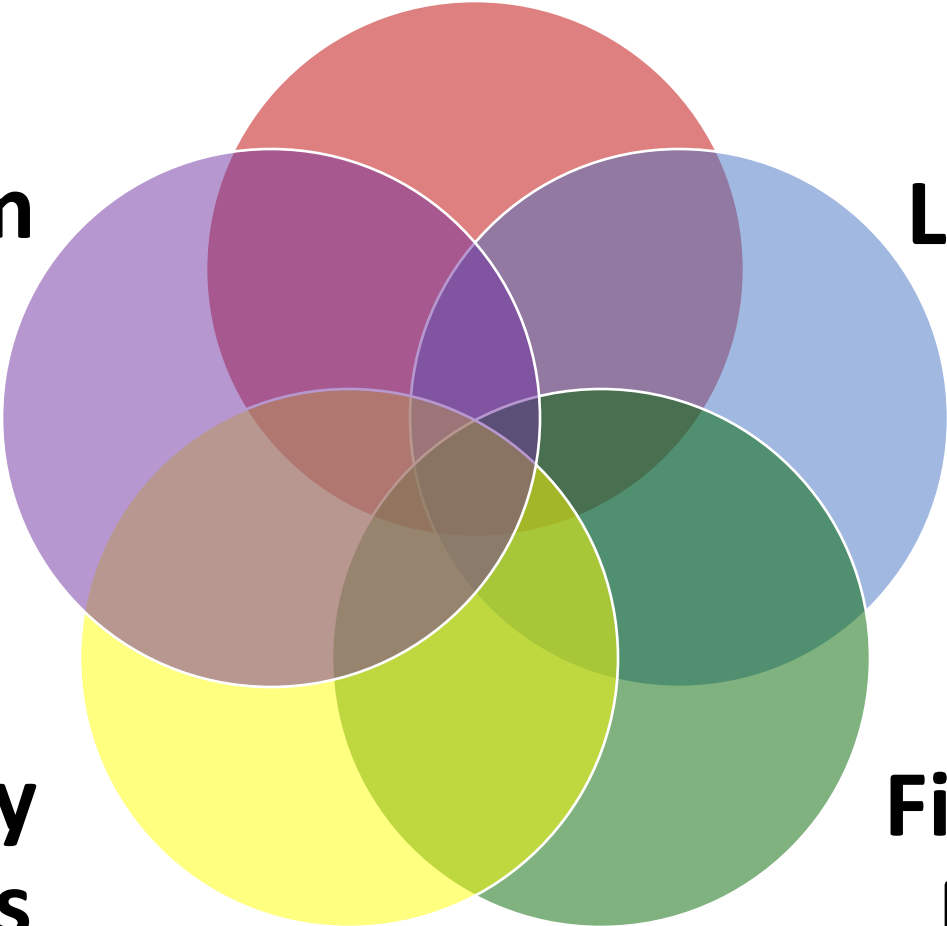
# Happiness

**Short-Term  
Goals**

**Long-Term  
Goals**

**Family  
Needs**

**Financial  
Needs**



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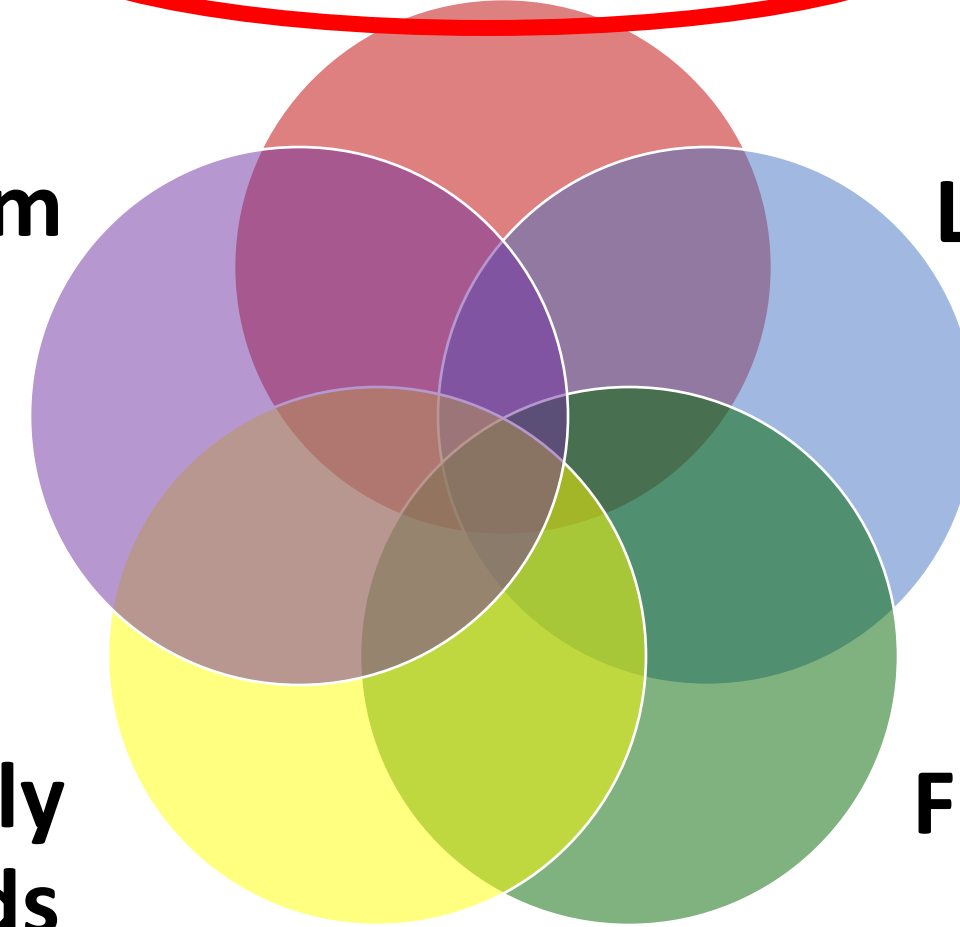
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Short-Term  
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***Personal Finance is...personal.***

***It's about you and not about anyone else.***

***You have to make it about you and your goals.***



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***INDULGENCE is good.***

***IMPULSE is bad.***



***Because personal finance is personal, it is virtually impossible for me to give you any specific advice.***

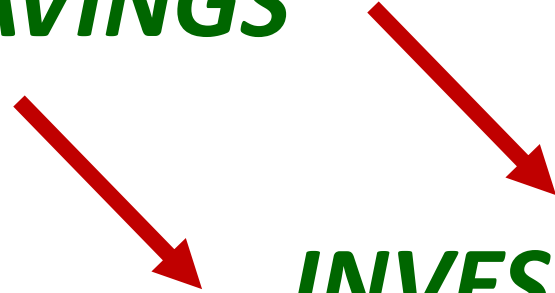
***However, there is one word of advice that applies to 99% of people working on their finances:***

***SAVE***

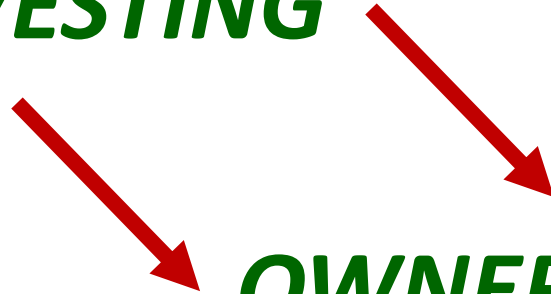




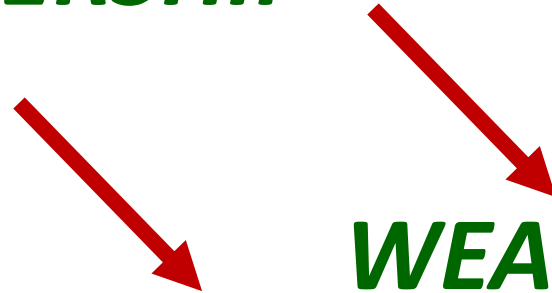
***SAVINGS***



***INVESTING***



***OWNERSHIP***



***WEALTH***



## What Are Your Values, Dreams & Goals?

Education

Career

Family

## What Is Your Current Situation?

Education

Career

Family

Financial

## Create a Personal Financial Plan for You:

Investing

Budgeting

Debt Management

Taxes

Insurance

Retirement

Education

Family

Business Planning

Philanthropy

Estate Planning



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Estate Planning

HAPPINESS

A FUN VACATION

A NEW CAR

SATURDAY NIGHT



**TODAY**

**THE NEXT 6 MONTHS**

**THE NEXT 12 MONTHS**

**2 YEARS AFTER GRADUATION**

**3 YEARS AFTER GRADUATION**

**ONCE EVERY SEMESTER:  
TRACK EVERY PENNY  
THAT YOU SPEND &  
TRACK EVERY PENNY  
THAT YOU EARN**

**IN THE NEXT 3 MONTHS:  
IDENTIFY WAYS TO  
DECREASE YOUR  
DISCRETIONARY  
SPENDING BY 25%**

**IN THE NEXT 6 MONTHS:  
MAKE A PLAN TO  
MANAGE – AND PAY OFF  
– YOUR DEBT**

**IN THE NEXT 6-12  
MONTHS:  
OPEN MULTIPLE  
SAVINGS ACCOUNTS, 1  
FOR EACH GOAL**

**IN THE NEXT 12 MONTHS,  
OPEN AN IRA OR ROTH IRA**

**WITHIN 2 YEARS OF  
GRADUATION:  
HAVE AN “EMERGENCY  
FUND” ACCOUNT, WITH 3-6  
MONTHS OF NON-  
DISCRETIONARY EXPENSES**

**WITHIN 3 YEARS OF  
GRADUATION:  
ELIMINATE ALL OF YOUR BAD  
DEBT.**



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# SAVINGS GOALS

1. Spend an afternoon going through your budget. Pick a month. Identify every penny that you spent. Track and know everything.
2. Categorize each expense as either “Non-Discretionary” (essential) or “Discretionary” (less essential).
3. For next month, add an ‘expense’ line for Savings. And pay yourself first – move some money, however much you can live without, from your checking or operating account to 1 or more savings accounts on the first day of the month.



# SAVINGS GOALS

EXPENSES		
Savings	\$	25.00
Rent or Housing		400.00
School - Tuition & Fees		150.00
School Supplies		50.00
Phone Bill		100.00
Insurance - Car		100.00
Insurance - Home		25.00
Insurance - Health		-
Food - Grocery		200.00
Food - Restaurants		50.00
Coffee		25.00
Subscription #1		19.99
Subscription #2		9.99
Subscription #3		9.99
Clothing & Shoes		-
Entertainment (music, movies)		25.00
Gym, Yoga, Fitness		-
Charity		-
Tax Planning		-
Other -		-
<b>TOTAL EXPENSES</b>	<b>\$</b>	<b>1,189.97</b>



# SAVINGS GOALS

<b>EXPENSES</b>		
Savings		
Savings - New Clothes	\$	5.00
Savings - Summer Vacation	\$	10.00
Savings - New Car	\$	10.00
Rent or Housing		400.00
School - Tuition & Fees		150.00
School Supplies		50.00
Phone Bill		100.00
Insurance - Car		100.00
Insurance - Home		25.00
Insurance - Health		-
Food - Grocery		200.00
Food - Restaurants		50.00
Coffee		25.00
Subscription #1		19.99
Subscription #2		9.99
Subscription #3		9.99
Clothing & Shoes		-
Entertainment (music, movies)		25.00
Gym, Yoga, Fitness		-
Other -		-
Other -		-
Other -		-
<b>TOTAL EXPENSES</b>	\$	<b>1,189.97</b>



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# SAVINGS GOALS

**IN THE NEXT 3 MONTHS:  
IDENTIFY WAYS TO  
DECREASE YOUR  
DISCRETIONARY  
SPENDING BY 25%**

**How can you decrease your  
discretionary spending by  
25% over time?  
Cut subscriptions?  
Cut impulse purchases?  
Coffee? Fast food?  
Entertainment?**

EXPENSES		
Savings	\$ 25.00	
Rent or Housing	400.00	
School - Tuition & Fees	150.00	
School Supplies	50.00	
Phone Bill	100.00	
Insurance - Car	100.00	
Insurance - Home	25.00	
Insurance - Health	-	
Food - Grocery	200.00	
Food - Restaurants	50.00	Discretionary
Coffee	25.00	Discretionary
Subscription #1	19.99	Discretionary
Subscription #2	9.99	Discretionary
Subscription #3	9.99	Discretionary
Clothing & Shoes	-	
Entertainment (music, movies)	25.00	Discretionary
Gym, Yoga, Fitness	-	
Charity	-	
Tax Planning	-	
Other -	-	
<b>TOTAL EXPENSES</b>	<b>\$ 1,189.97</b>	<b>\$ 139.97</b>





# SAVINGS GOALS

EXPENSES		
Savings	\$ 25.00	Non-Discretionary
Rent or Housing	400.00	Non-Discretionary
School - Tuition & Fees	150.00	Non-Discretionary
School Supplies	50.00	Non-Discretionary
Phone Bill	100.00	Non-Discretionary
Insurance - Car	100.00	Non-Discretionary
Insurance - Home	25.00	Non-Discretionary
Insurance - Health	-	
Food - Grocery	200.00	Non-Discretionary
Food - Restaurants	50.00	
Coffee	25.00	
Subscription #1	19.99	
Subscription #2	9.99	
Subscription #3	9.99	
Clothing & Shoes	-	
Entertainment (music, movies)	25.00	
Gym, Yoga, Fitness	-	
Charity	-	
Tax Planning	-	
Other -	-	
<b>TOTAL EXPENSES</b>	<b>\$ 1,189.97</b>	<b>\$ 1,050.00</b>

**Can you decrease your non-discretionary, essential spending by 10% over time?**

**Change insurance or phone carriers?  
Buy groceries in bulk? Empty your freezer and pantry?**



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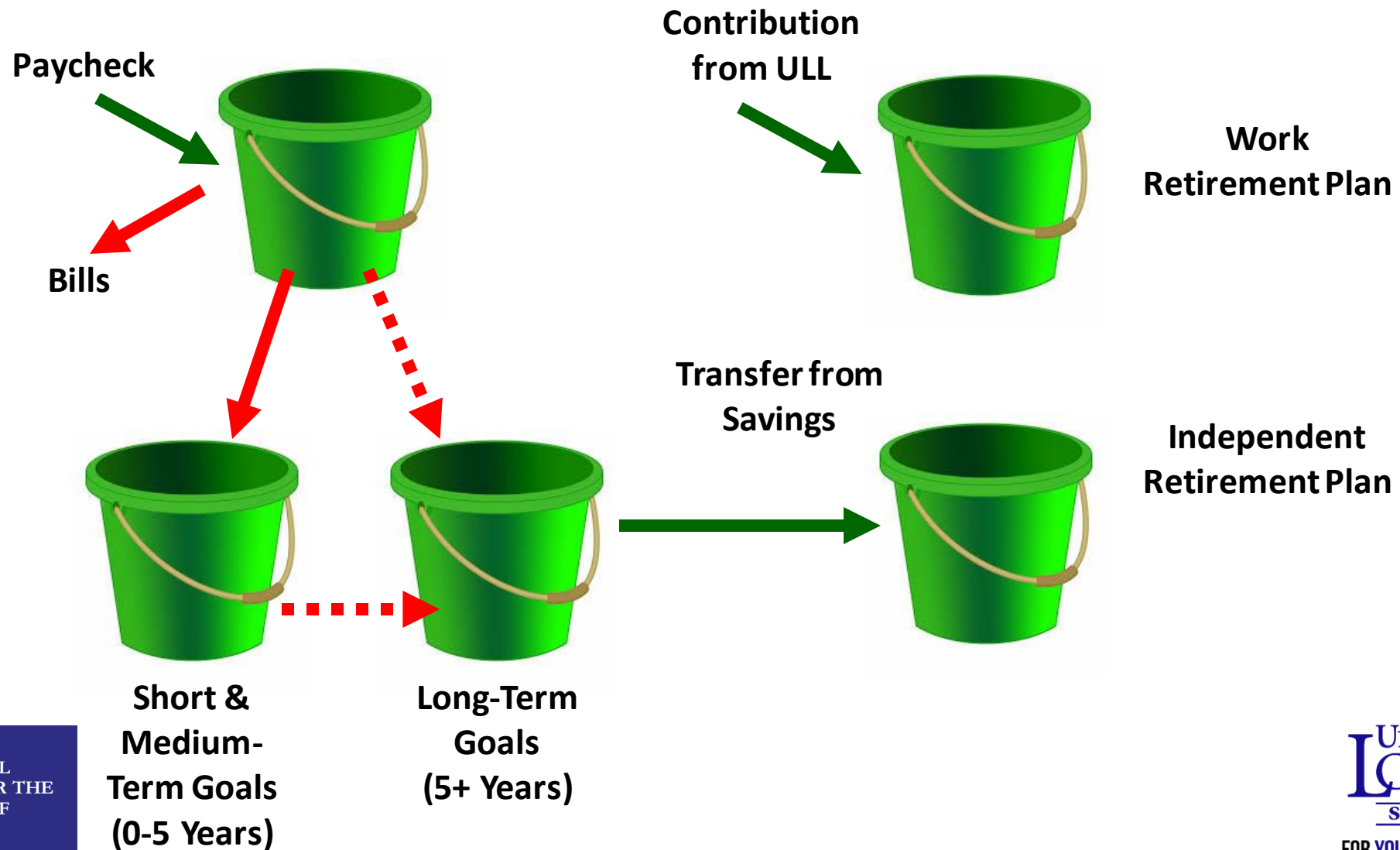
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# GOAL: Set up separate savings accounts for each savings goal. And add to each.

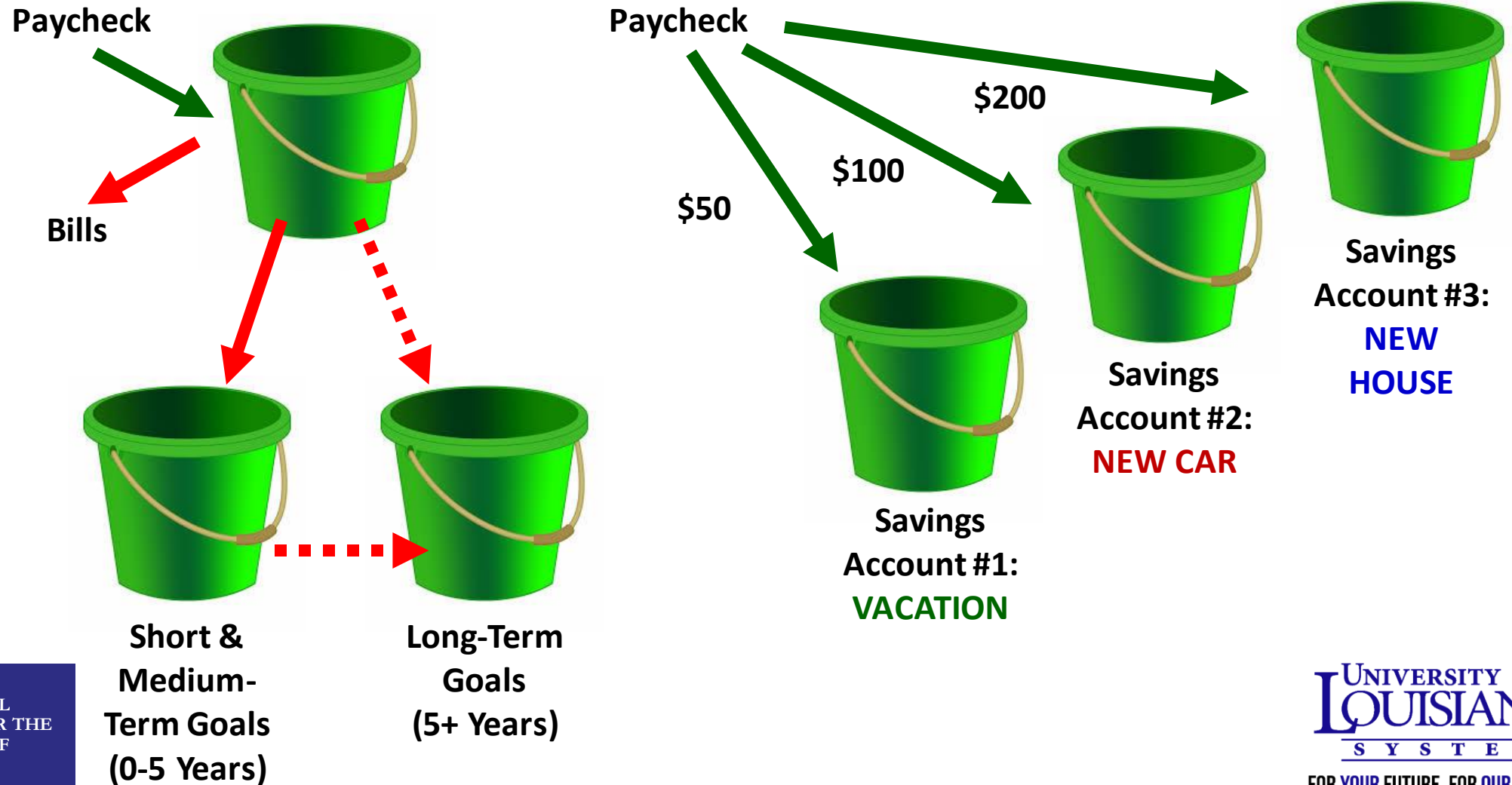
- Our minds are wacky.
- We engage in a behavior economists call “mental budgeting.”
- Having \$10,000 in one account *feels* different than having \$2,000 in five different accounts.
  - If each account has a purpose or goal, there’s a little governor in our brain that regulates our desire to use money from an account for anything but its intended purpose.
  - Some banks will let you do this automatically. If not, do this for yourself, by actually opening up 3-5 different savings accounts.



# MENTAL BUDGETING & SAVINGS ACCOUNTS



# MENTAL BUDGETING & SAVINGS ACCOUNTS



# MENTAL BUDGETING & SAVINGS ACCOUNTS

*I utilize 4-5 different accounts on a regular basis, as defined below. This allows me to mentally align my finances with my goals, kind of like how I use 3 credit cards with 3 different purposes each.*

Checking &  
Transaction Account



No risk,  
0.0% return,  
all cash

Short-to-Medium  
Term Goals



Some risk,  
0-3% return goals,  
cash + savings

Long-Term  
Goals



Some Risk,  
3-7% return goals,  
savings +  
investments

Retirement  
Accounts



Lots of risk,  
8-12% return goals,  
all investments



# MENTAL BUDGETING & SAVINGS ACCOUNTS

Short-to-Medium  
Term Goals



Some risk,  
0-3% return goals,  
cash + savings

*Maybe the money for these goals sits in a savings account, earning 0.25% interest. Maybe I buy a Certificate of Deposit and lock up this money for 3 months to 2 years, earning 0.50% to 2.00%. Maybe I invest in a government, municipal or corporate bond and earn a little bit more (and take on a little bit more risk).*

*The key is liquidity. I have to be able to comfortably and confidently convert these investments to cash when it's time to enjoy my goals.*



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# MENTAL BUDGETING & SAVINGS ACCOUNTS

Long-Term  
Goals



Some Risk,  
3-7% return goals,  
savings +  
investments

*Maybe I want to buy a new house in 10 years and need to save \$50,000. I really want the house, but the timing and amount are flexible.*

*Maybe I just had my first child and want to start a 529 Savings Plan for their college in 18 years.*

*Liquidity is less of the priority with these goals. I can take more risk, which should lead to higher returns over the longer-term. Now maybe I choose index funds or mutual funds. Maybe I choose individual stocks. Maybe the real estate is the risk. Patience is the key.*



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# MENTAL BUDGETING & SAVINGS ACCOUNTS

## Retirement Accounts



Lots of risk,  
8-12% return goals,  
all investments

*A company-sponsored 403(b) or 401(k) will give me the structure to invest for my retirement.*

*It will limit my investment options, but I should have plenty of index fund and mutual fund options.*

*These are tax-preferred accounts, so the IRS doesn't want me using this money for a new house or my kids' college. If I withdraw the money before I turn 59 ½, I pay all taxes and a 10% penalty.*





# MENTAL BUDGETING & SAVINGS ACCOUNTS

## Retirement Accounts



Lots of risk,  
8-12% return goals,  
all investments

*Liquidity is not the issue, again.*

*I care about:*

- *Capital appreciation*
- *Minimizing taxes (both today and in the future)*
- *Getting the maximum company match.*
- *Meeting any vesting period requirements.*



# 12 Financial Challenges for This Year



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# 12 Simple Challenges for This Year

For 1 or 2 months this year, track every penny you spend. Every single penny.

Stop spending money after a certain time at night.

For any purchases over a certain amount, wait 24 hours before buying. For me, it's \$100.

As soon as you get each paycheck, or on the 1st day of each month, explicitly save \$25.

Are you expecting a tax refund this year?  
If so, get rid of it.

Cancel (at least) one subscription this year.

For 1 month each year, empty your pantry and empty your freezer.

For 1 month each year, do not dine out.  
Nothing.



# 12 Simple Challenges for This Year

## CHALLENGE #5

Make saving a game.

After saving \$25 on the first day of the month, set a goal to save even more during the rest of the month. Maybe you set the goal of saving another \$50. If you manage to save \$150 instead of \$50, celebrate your success by taking the additional \$100 and using some of it to treat yourself. Maybe it's a spa day or a nice dinner – and then take what's leftover from this treat and put it towards savings.



# 12 Simple Challenges for This Year

## CHALLENGE #5 - Alternative

Make saving a game.

Anytime you treat yourself to a purchase over a certain amount, set aside  $\frac{1}{2}$  of the amount amount of the purchase to give to charity. For me, it's \$200.

If I buy anything over \$200 – except food or rent – I immediately set aside  $\frac{1}{2}$  of the amount to give to charity. I do not donate the money immediately, but I may pool it over several months to be able to give a bigger donation.



# 12 Simple Challenges for This Year

## CHALLENGE #12

Set 5 financial goals for the next year, the next 3 years and the next 5 years.

You pick your time horizons. Make this work for you.

Financial goals are not necessarily just about money. They can be about your work or school. They can be about habits and behaviors.

The key is that if you can improve your habits and behaviors, if you can improve your satisfaction at work and at school, you will feel more empowered to take control over your financial situation, too.



# 12 Simple Challenges for This Year

## CHALLENGE #12

Set 5 financial goals for the next year, the next 3 years and the next 5 years.

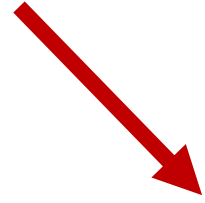
Be sure to include the fun stuff in your list of goals.  
Yes, a new car or a vacation or a Saturday night can be financial goals.

We choose these goals because they make our lives better.

And only you can know what goals and activities do that.



***SAVINGS***



***INVESTING***



***OWNERSHIP***

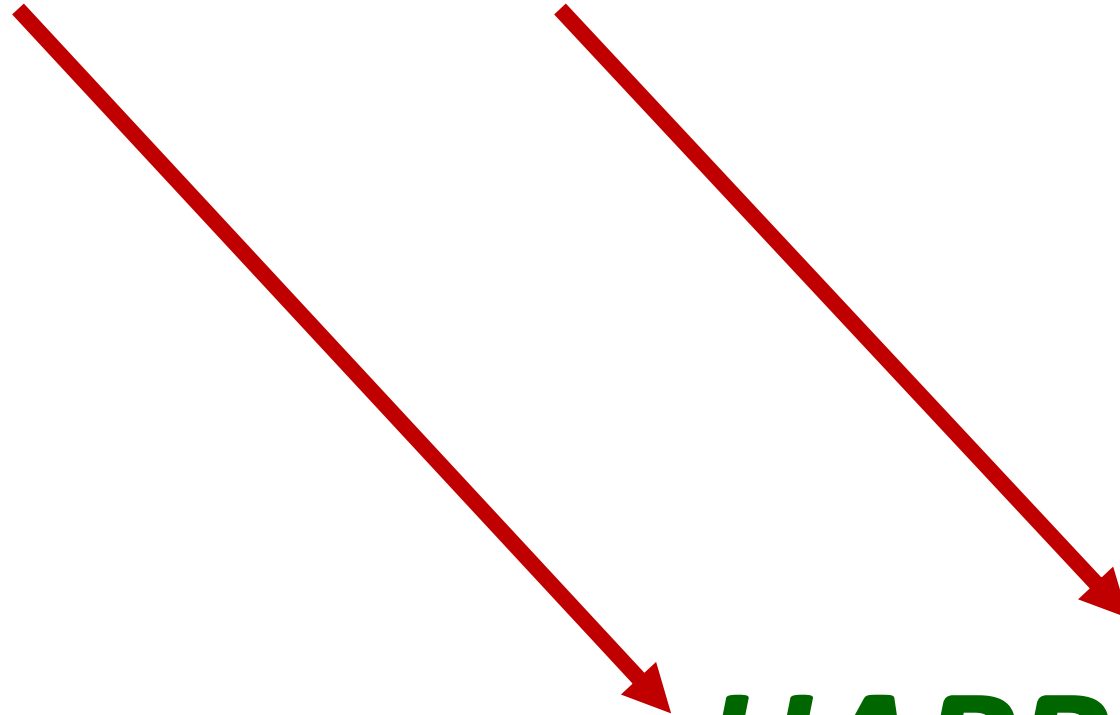


***WEALTH***





# *SAVINGS*



# *HAPPINESS*



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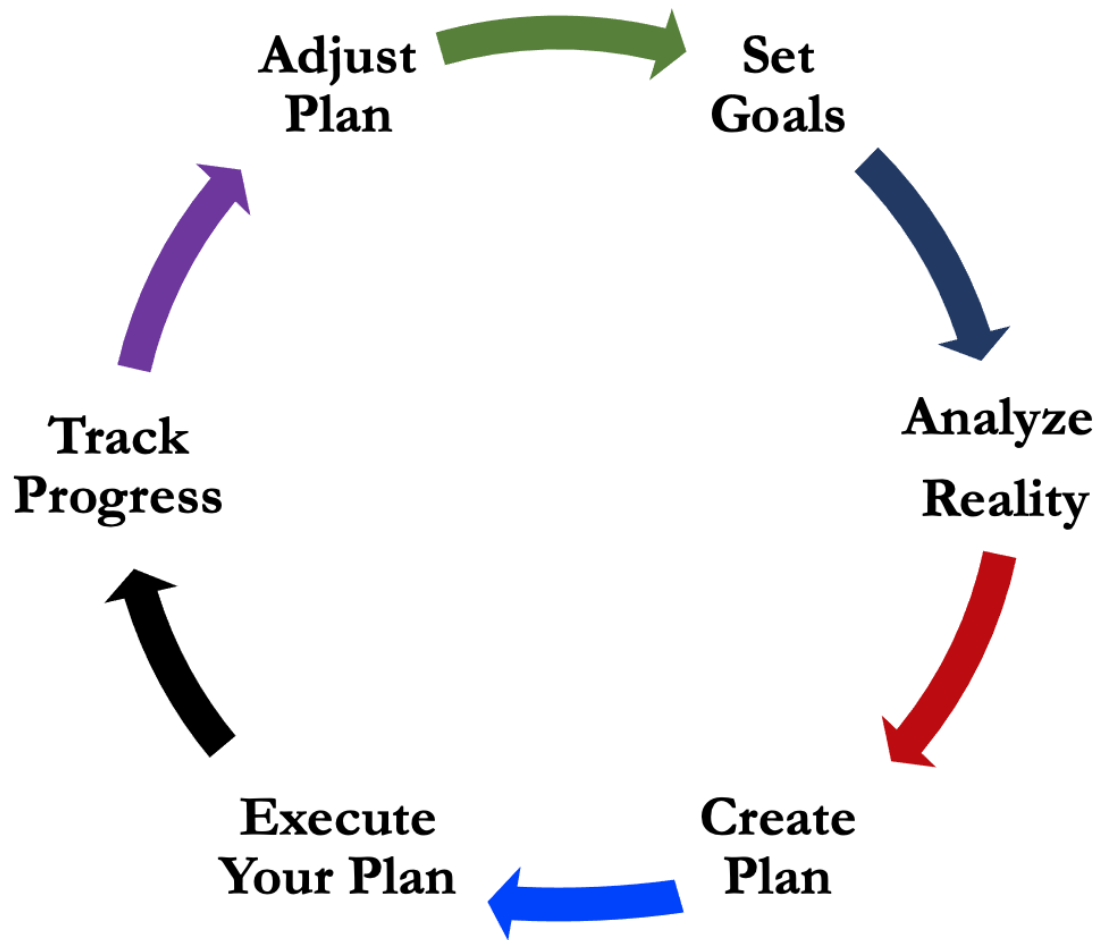


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1. **Set your goals.** What do you want to achieve in life? What financial goals will make this happen?
2. **Analyze your reality.** What is your situation? What is your income? What are your expenses? When can you achieve your goals?
3. **Create your plan.** Focus on the short-term – the next 3-6 months – and the long-term – the next 1, 2, 5 and 10 years.
4. **Execute your plan.** Work to decrease your expenses. and to pay off debt. Work to increase your income and your savings.
5. **Track your progress.** How are you doing? Are you ahead of your goals? Are you behind your goals?
6. **Adjust your plan** to reflect your progress, your new reality and any new goals.
7. **Repeat. Revise. Enjoy.**

# Financial Wellness

*A goal without a plan is just a dream.*

*Wealth is largely the result of habit.*

*The most difficult thing is the decision to act; the rest is mere tenacity.*

*It takes as much energy to plan as it does to wish.*

*You cannot escape the responsibility of tomorrow by avoiding it today.*



# Financial Wellness

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*Wealth is largely the result of habit.*

*The most difficult thing is the decision to act; the rest is mere tenacity.*

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3:00PM \*\*\***

**FINANCIAL PLANNING  
WHEN RETIREMENT IS  
GETTING CLOSE  
(5-7 YEARS OUT)**

**JULY 19, 2023  
3:00PM \*\*\***

**THE FINANCIAL ASPECTS  
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\*\*\* SESSIONS ON JULY 18 & 19 ARE FROM 3:00-4:00PM.**

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