UNIVERSITY OF LOUISIANA SYSTEM
2023 BRIDGING THE DIVIDE SUMMER SERIES

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MONEY MATTERS SESSION #5:
FINANCIAL PLANNING: MAKING FINANCES WORK FOR THE WHOLE FAMILY

FINANCIAL PLANNING FOR THE WHOLE FAMILY

1. Identify values, dreams & goals for the entire family
    - Then identify specific values, dreams & goals for EACH family member.
2. Understand the financial & family situation of the entire family.
    - Understand any unique needs, circumstances or priorities that need attention.
    - Understand the financial situation of EACH member of the family.
3. Create financial plans for the entire family and for each member of the family.
    - **INSURANCE – What do you need today? What will you need in the future?**
    - **BUDGETING – Create – and analyze – budgets for the entire family and for each individual.**
        - Identify NON-DISCRETIONARY family expenses (rent, mortgage, insurance, utilities, phones, food…) and DISCRETIONARY family expenses (clothing?, food?, entertainment, travel…).
        - Analyze these analyses to figure out how you are going to achieve your goals – and to understand which goals may not be possible.
    - **INVESTING – What are you investing for?**
        - Set up 529 or Coverdell Education Savings Accounts for each child as soon as they have a SSN.
        - Set up retirement accounts for each family member.
        - Make investment decisions a family affair; – letting your kids each buy stock in companies they like can help them learn about financial planning.
    - **DEBT MANAGEMENT – Teach your children how to manage debt as early as possible.**
    - Co-signing on a credit card can help children establish a credit history – and for you to teach responsibility.
    - Involve children in all student loan applications and decisions.

4 Frequently Asked Questions

1. **When should we begin talking to our children about money & finances?**

   As soon or early as you are comfortable.
   - Young children observe and think about everything. They notice all of your financial behavior.
   - The sooner you talk to them about your financial situation – not necessarily with numbers – the more they will think of these goals and dreams as a partnership, and not just your job.
   - They can begin mentally budgeting for their goals and dreams. They can begin thinking about what THEY need to do to make these goals and dreams a reality.

2. **When should we open bank and other accounts for our children?**

   As soon as they have a social security number.
   - This creates options, independence and agency.
   - You do not have to put a lot of money into any account, but having it open allows you – or them – to work towards their dreams and goals when appropriate.

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June 23, 2023

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4 Frequently Asked Questions

3. **Should we file taxes as Married Filing Jointly or Separately?**

   It depends. It will be different for each family & for each year.
   - Both spouses are NOT allowed to take the same deductions & credits on their own returns.
   - You want to be strategic and do the math to see where your combined tax liability is lowest.
   - Perhaps you file separately and the higher-income spouse claims all of the deductions & credits to reduce their income the most. Do the math – each year – and figure out which is best for you.

4. **Speaking of taxes, what are some tax benefits for families?**

   There are lots – each family can probably identify 3-10 benefits for them.
   - The 2017 tax cuts eliminated the ability to claim a deduction for each dependent…but there are still credits and deductions available.
   - The child tax credit, the dependent care credit, the adoption credit, the earned-income tax credit, possibly medical expenses for having a baby and lots of possible education credits & deductions.
   - As your family grows, your benefits grow…so talk to Human Resources an reduce your tax withholding.

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8 Financial Challenges for the Whole Family

1. For 4 or 5 months each year, track every penny you spend. Every single penny.
    - And do this old school – with a pen and paper (or not-so-old school with Excel). Do not use financial software like Quicken or Quickbooks and do not rely on your bank debit or credit card statement.
    - Identify your non-discretionary and discretionary expenses.
    - Are you spending more or less than you want? Where are the pain points? Do you notice any trends. Do you notice any emotion-driven purchases? Are all expenses aligned with your goals?
2. As soon as you get each paycheck, or on the 1st day of each month, explicitly save a certain amount. Maybe it's 20% or maybe it's $25. You pick the amount – just save for yourself and your family members.
    - If possible, allocate savings amounts to different accounts and different goals.
    - The goal is to get in the habit of paying yourself first and investing in your children's future first. The behavior is the key. Prioritizing the habit will lead to success.
3. Make saving a game.
    - After saving 20% or $25 on the first day of the month, set a goal to save 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 it to treat yourself.
    - Align your savings with your goals: If I buy anything over $200 – except food or rent – I immediately set aside ½ 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.
4. Check your credit score. And study your credit report.
    - You can get a credit report for free from TransUnion, Equifax or Experian. Make sure what's on the credit report belongs to you. Challenge anything that is wrong.
5. Cancel (at least) one subscription this year. Have each child cancel (at least) one subscription this year.
    - We all have subscriptions we are not using – or are not getting our money's worth out of.
    - The monthly savings may seem minor - $10 or $20 per subscription. But these amounts will add up – over 12 months, over 2-5 children, over years, across multiple subscriptions.
6. For 1 month each year, empty your pantry and empty your freezer.
    - Only buy perishable groceries during that month (and be sure to eat all of your perishable food).
    - Throwing out food can be the biggest waste in many budgets. Don't do it. It's financially wasteful…but it's also a bad habit that can flow over into other behaviors that do not help you achieve your goals
7. For 1 month each year, do not dine out. Nothing.
    - Maybe 1 whole month is too ambitious. Maybe you start with a week. Or weekend. Or maybe you stop dining out on Fridays only. Or maybe you eliminate or reduce just one family habit…Sunday brunch, coffee, fast food, alcohol. Identify a habit that you know is not aligned with your personal or financial goals…and then take some baby steps to improve it.
8. Set 5 financial goals for the next year, the next 3 years and the next 5 years.
    - Set goals for you and for each child.
    - 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.
    - Your children will connect goals with money and with behaviors. And, by you having your children go through this work, you will improve your agency over your own financial planning.

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.**