MONEY MATTERS 2023:
UL SYSTEM FINANCIAL WELLNESS SERIES

Session #9:

Building Savings Accounts & Emergency Funds

July 14, 2023

University of Louisiana System
For your future. For our future.
BRIDGING THE DIVIDE
Summer Series
MONEY MATTERS

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UNIVERSITY of LOUISIANA LAFAYETTE

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 JUNE 23, 2023
FAMILY FINANCIAL PLANNING: SENDING YOUR LOVED-ONES OFF TO COLLEGE JUNE 27, 2023	FAMILY FINANCIAL PLANNING: CARING FOR ADULT DEPENDENTS JUNE 28, 2023	CHANGING CAREERS: THE FINANCIAL & PERSONAL ISSUES JULY 13, 2023	BUILDING SAVINGS ACCOUNTS & EMERGENCY FUNDS JULY 14, 2023	FINANCIAL PLANNING FOR VETERANS JULY 18, 2023 ***
FINANCIAL PLANNING WHEN RETIREMENT IS GETTING CLOSE (5-7 YEARS OUT) JULY 19, 2023 ***	THE FINANCIAL ASPECTS OF YOUR SIDE-HUSTLE #2 – TAXES, PROFITABILITY, EXPANSION, SUCCESS JULY 25, 2023	FINANCIAL PLANNING FOR THE FUN STUFF: VACATIONS, HOME IMPROVEMENTS, NEW VEHICLES JUNE 26, 2023	INVESTING 101 AUGUST 1, 2023	NAVIGATING THE IMPACTS OF INFLATION & TURBULENT ECONOMIC TIMES AUGUST 2, 2023

BUILDING SAVINGS ACCOUNTS & EMERGENCY FUNDS

July 14, 2023

MOST SESSIONS ARE FROM 12:00-1:00PM
*** SESSIONS ON JULY 18, 19 ARE FROM 3:00-4:00PM.

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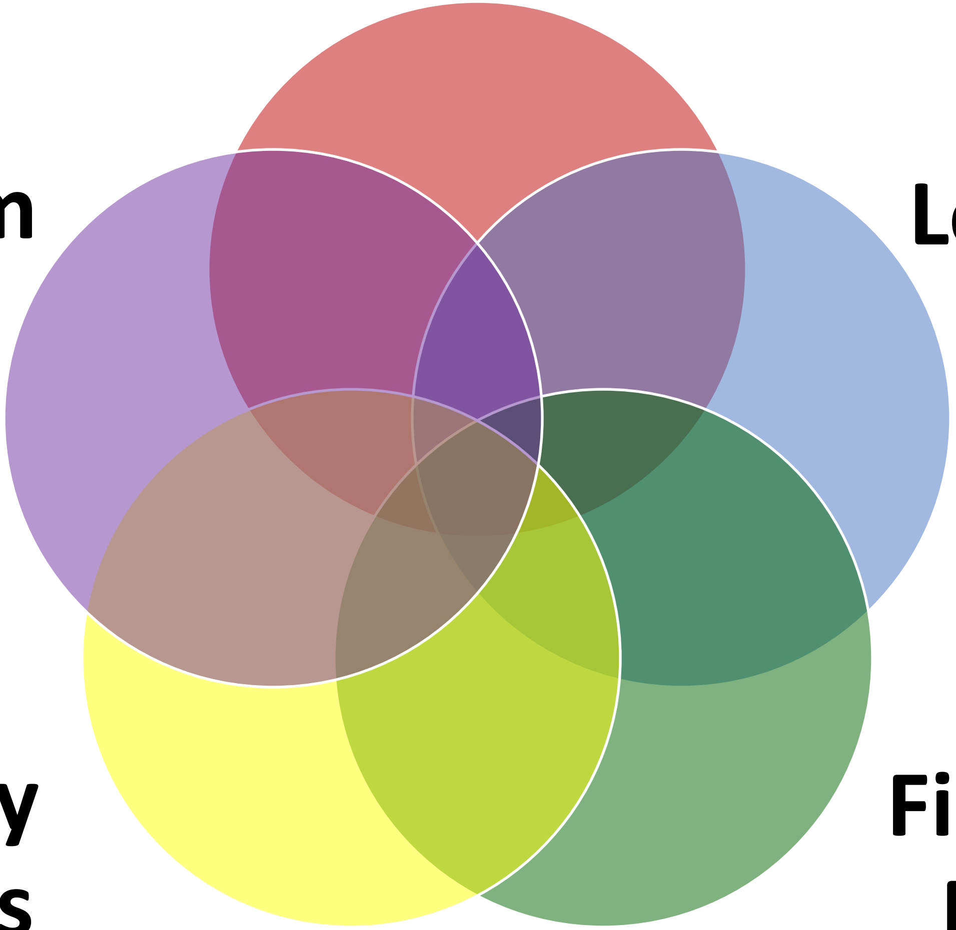
Happiness



Short-Term Goals

Long-Term Goals

Family Needs

Financial Needs

Personal Finance is…personal.

It's about you and not about anyone else.

You have to make it about you and your goals.

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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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.

THE 3 FINANCIAL PLANNING PRIORITIES

PRIORITY 1	PRIORITY 2	PRIORITY 3
Risk Management of Personal, Property & Liability Risks	**Short-Term Savings & Investments and Debt Management**	**Long-Term Savings & Investment**
Evaluate the need for and quality of personal insurance.	*Evaluate the adequacy of:*	*Evaluate the adequacy of progress towards:*
1. Life Insurance 2. Health insurance 3. Disability insurance 4. Long-Term Care insurance 5. Property Insurance ➢ Homeowner's Insurance ➢ Auto Insurance ➢ Other property insurance 6. Liability insurance	1. Your emergency fund. 2. The proportion of income spent on housing 3. The proportion of income spent on housing and other-than-housing debts	1. Your retirement goals. ➢ Your savings rate ➢ Investment assets 2. Your education funding goals for Jack, Jill & Jane 3. Any large puchase goals 4. Any legacy goals

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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 -	-	
TOTAL EXPENSES	**$ 1,189.97**	

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	
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Clothing & Shoes	-	
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Gym, Yoga, Fitness	-	
Charity	-	
Tax Planning	-	
Other -	-	
TOTAL EXPENSES	**$ 1,189.97**	**$ 1,050.00**

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Insurance - Health	-	
Food - Grocery	200.00	
Food - Restaurants	50.00	Discretionary
Coffee	25.00	Discretionary
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Tax Planning	-	
Other -	-	
TOTAL EXPENSES	**$ 1,189.97**	**$ 139.97**

SAVINGS GOALS

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Tax Planning	-	
Other -	-	
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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?

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Rent or Housing	400.00	
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Savings Goals

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Charity	-	
Tax Planning	-	
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TOTAL EXPENSES	**$ 1,189.97**	**$ 1,050.00**

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?

Building An Emergency Fund

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
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Tax Planning	-	
Other -	-	
TOTAL EXPENSES	$ 1,189.97	$ 1,050.00

What happens if your AC dies?
What happens if your car dies?
What happens if you lose your job?

Ideally, your EMERGENCY FUND would be a savings account with 3-6 months of non-discretionary expenses saved up to cover emergencies.

$1,050 x 3 = $3,150
$1,050 x 6 = $6,300

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Frequently Asked Question

Ideally how much of your income should you expect to go into paying off various loans (car, house, school, etc.)?

There are 2 ways to address this:

(1) From a lender's perspective.

(2) From your own, personal perspective.

Frequently Asked Question

Ideally how much of your income should you expect to go into paying off various loans (car, house, school, etc.)?

The lender's perspective:

28% of your gross income should go to housing payments (at most)
(including rent, mortgage, taxes, insurance…but not maintenance or utilities)

36% of your gross income should go to all debt payments (at most)

(including housing, credit cards, student loans, auto loans…)

FREQUENTLY ASKED QUESTION

Ideally how much of your income should you expect to go into paying off various loans (car, house, school, etc.)?

28% of your gross income should go to housing payments (at most)
(including rent, mortgage, taxes, insurance…but not maintenance or utilities)

36% of your gross income should go to all debt payments (at most)

(including housing, credit cards, student loans, auto loans…)

Be very careful: These ratios are based on payments, not borrowed amounts or loan balances. Lenders may encourage you to extend your loan repayment term, which may lower your monthly or annual payment….but doing this will usually increase the total amount that you have to repay over the life of the loan.

FREQUENTLY ASKED QUESTION

Ideally how much of your income should you expect to go into paying off various loans (car, house, school, etc.)?

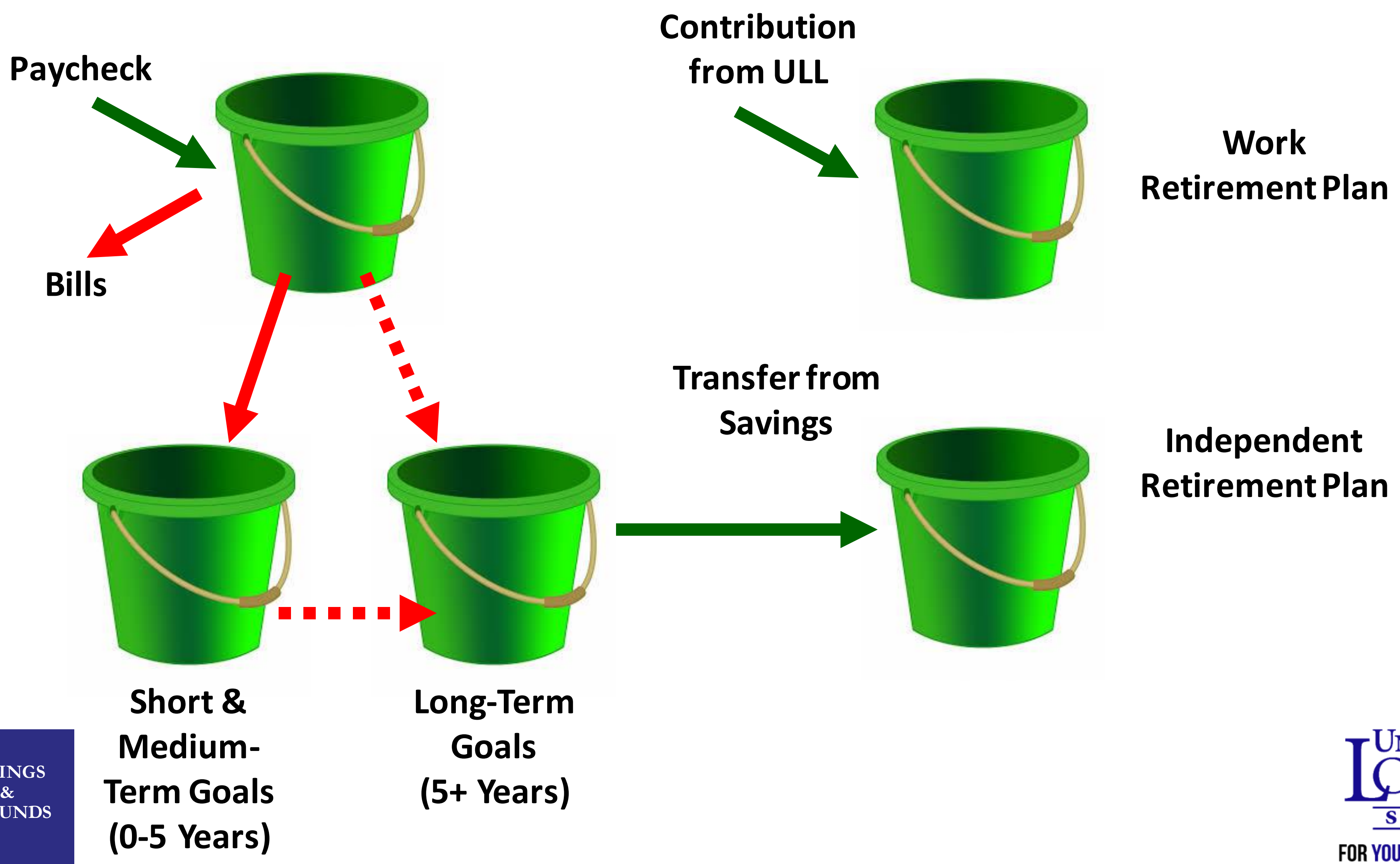
From a personal perspective, it will all depend on your other goals and investments and your specific situation.

- *If you buy a home, you will increase your debt.*
- *If you have children, you may increase your debt as you save for their education or incur other expenses.*
- *You can offset this by having a lower auto loan or reducing your student loans.*
- *Always, always, always pay off your credit card balances as soon as you are able.*

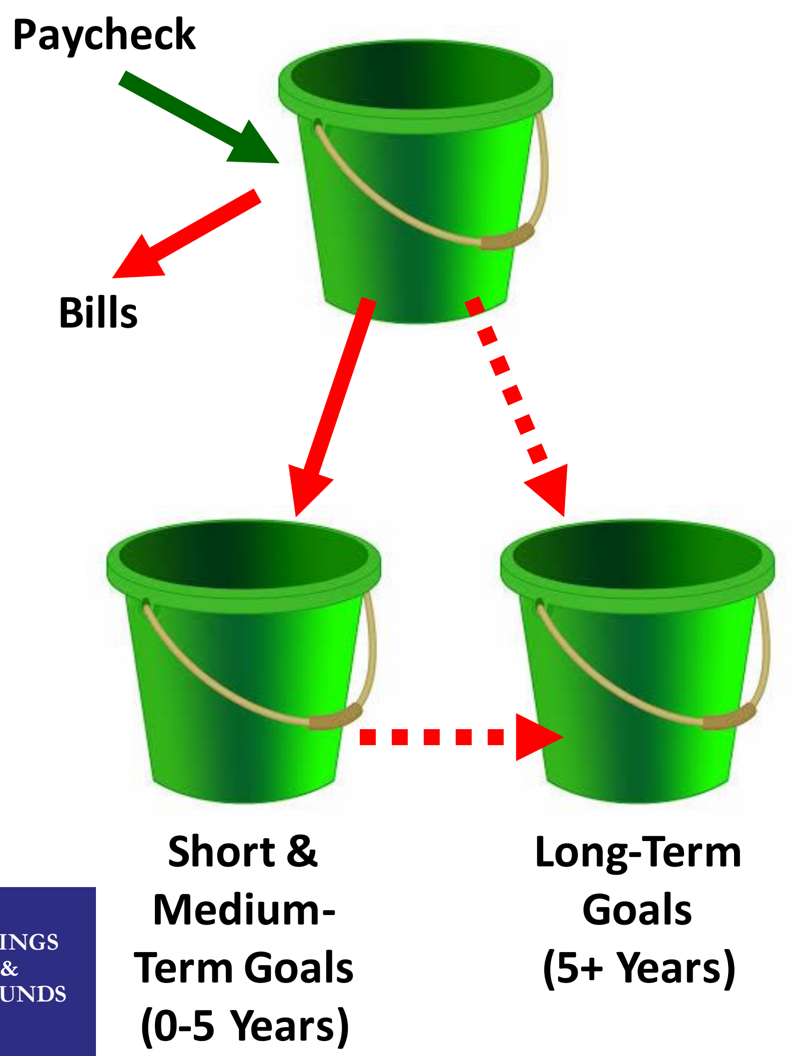
GOAL: Set up separate savings accounts for each savings goal. And add to each.

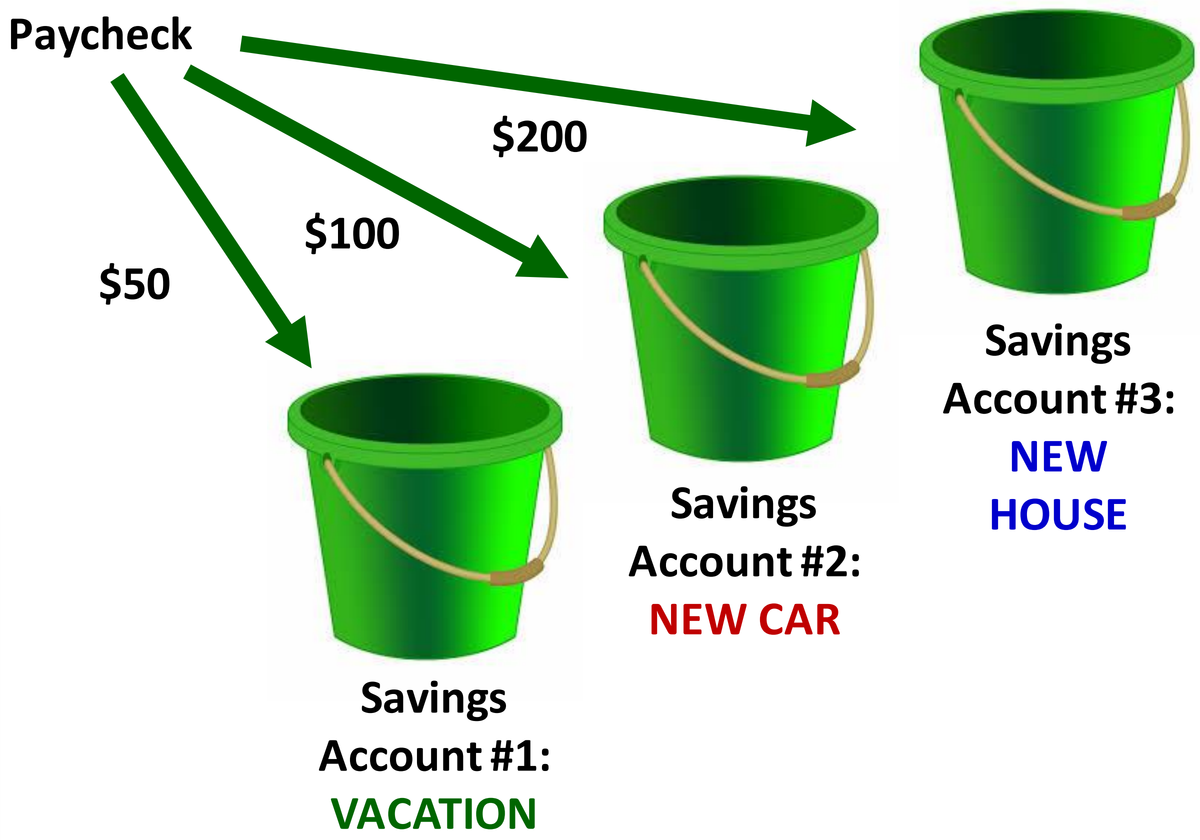
- Our minds are wacky.
- We engage in a behavior economists call "mental budgeting."
- Having $10,000 in one account *feels* different than having $2,000 in five different accounts.
  - If each account has a purpose or goal, there's a little governor in our brain that regulates our desire to use money 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





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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.

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.

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.***

A Few Opening Morals

SAVINGS

INVESTING

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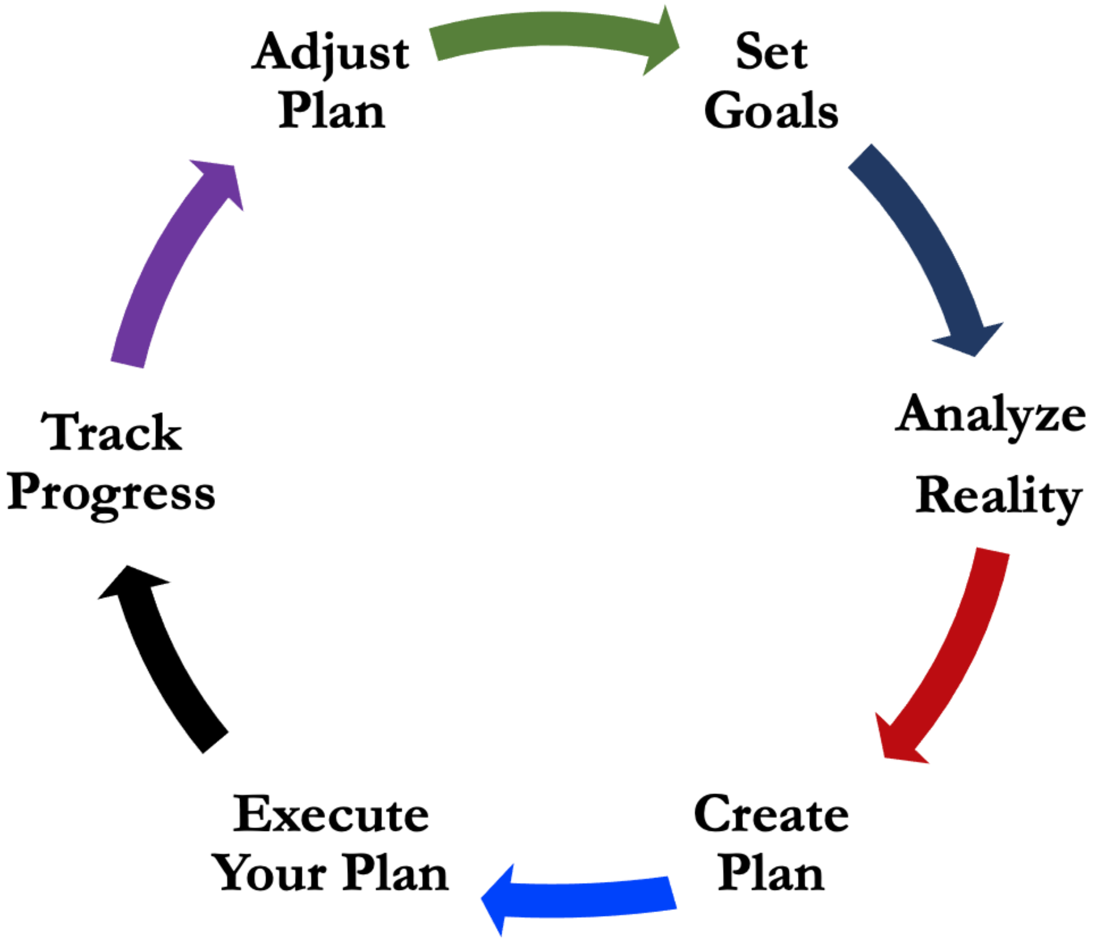
WEALTH



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.

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

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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 June 23, 2023
Family Financial Planning: Sending Your Loved-Ones Off to College June 27, 2023	Family Financial Planning: Caring for Adult Dependents June 28, 2023	Changing Careers: The Financial & Personal Issues July 13, 2023	Building Savings Accounts & Emergency Funds July 14, 2023	Financial Planning for Veterans July 18, 2023 3:00pm ***
Financial Planning When Retirement is Getting Close (5-7 years out) July 19, 2023 3:00pm ***	The Financial Aspects of Your Side-Hustle #2 – Taxes, Profitability, Expansion, Success July 25, 2023	Financial Planning for the Fun Stuff: Vacations, Home Improvements, New Vehicles June 26, 2023	Investing 101 August 1, 2023	Navigating the Impacts of Inflation & Turbulent Economic Times August 2, 2023

BUILDING SAVINGS ACCOUNTS & EMERGENCY FUNDS

July 14, 2023

Most sessions are from 12:00-1:00pm
*** Sessions on July 18 & 19 are from 3:00-4:00pm.

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