



A consistent and compassionate source of wisdom and peace in a fast paced changing financial world.

Financial Planning for Young Adults—May 24, 2017

Net Worth = Assets Minus Debt

The key to financial wellbeing is to increase net worth. To increase your net worth, you can:

- ⇒ Increase assets that have the potential to appreciate (raise in value)

- ⇒ Decrease your debt

Questions to Ask Yourself

Decisions you make now will affect your financial future. Before making any major decisions, such as starting a relationship or buying a new car, ask yourself a few questions.

- ⇒ **Life partners = financial partners.** Before entering into a new relationship, ask yourself: *Would I want to go into business with this person?*

- ⇒ **You = your best friend.** Before making a big decision, ask yourself: *Would I advise my best friend to make this decision? Would (buying this car/taking out this loan/upgrading this computer, etc.) leave my best friend better off or hurting? Always be good to your best friend.*

Debt

- ⇒ Who are the parties?

- ⇒ Who benefits financially from debt?

- ⇒ Does tax deductible interest paid on debt ever come back to you at 100%?

- ⇒ If you borrow the money to buy a car, who owns the car?

Loans

Four important components to negotiate on a loan:

- ⇒ Amount borrowed
- ⇒ How many months to pay off the loan
- ⇒ Interest rate
- ⇒ The monthly payment

Always ask for and verify the total interest you will be paying on a loan over the entire life of the loan. When negotiating the terms of a loan, use the debt repayment calculator from www.CreditKarma.com to create and analyze different scenarios.

Buyer beware: if it seems too good to be true, it is. Walk away.

Predatory lending is any lending practice that imposes unfair or abusive loan terms on a borrower and/or convinces a borrower to accept unfair terms through coercive, deceptive, exploitative, or unscrupulous actions for a loan that a borrower doesn't need, doesn't want, or can't afford (e.g., timeshare high pressure sales). To see predatory lending in action, watch the movie *The Big Short*.

Credit Scores

See where you stand at www.NerdWallet.com

- ⇒ Excellent = 750 or above
- ⇒ Good = 690-750
- ⇒ Fair or average = 630-689
- ⇒ Poor = less than 630

Budgeting

Your greatest potential asset is you—your earning capacity. For budgeting help, check out:

- ⇒ EveryDollar.com
- ⇒ GoodBudget.com
- ⇒ Mint.com

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