

# Financial Wellness Workbook

Manage Your Money, Manage Your Stress



# What is Financial Wellness?

Financial wellness is a holistic approach to your personal finances. It's about gaining the knowledge and skills necessary to manage your money and making smart financial decisions in your everyday life. True financial wellness encompasses everything from saving enough for retirement to knowing how much life insurance you need.

## The Link Between Finances and Stress

Money and finances are the #1 source of stress in America today.<sup>1</sup> High stress levels can lead to poor financial decision making and a lack of long-term planning that can have lasting financial consequences. At the root of most financial stress is uncertainty. Reducing some of your financial uncertainty can help reduce your stress.

## How to Use this Workbook

This workbook is designed to break down your overall financial picture into **5 key areas of focus**, and guide you to think in-depth about those areas. The goal is for you to identify and make a plan for addressing gaps in your finances and/or your financial knowledge.

**The purpose of this workbook is to get you to think differently about your finances.** Instead of an overwhelming jumble of tasks and questions to follow-up on, you will create a concrete list of goals and action items you can move forward with.

Each page of this workbook focuses on a different topic and has a slightly different approach - some have check boxes some have fill in the blank areas, or just important information to help you understand your options. Items may or may not apply to your current financial situation, it's up to you to identify what applies to you.

This workbook should take about an hour to complete. Try to find an uninterrupted time to read through this workbook and have a computer handy so you can access some of the reference materials provided. As you review each page, identify areas where you would like to make some changes and add them to the "Goals" page at the end of the workbook.



<sup>1</sup>American Psychological Association, *Stress In America: Paying with Our Health*, February 4, 2015

# Emergency Funds

A good rule of thumb for savings is to keep 3-6 months worth of your household's expenses in cash or other liquid form in case you need the money for an unexpected emergency. Everyone is different though, and you may feel more comfortable with more (or less) emergency savings.

Think about a "worst-case scenario" for your household and try to calculate what you might need. What would happen if you lost your job, your car broke down and you had a major medical expense all in the same month?

Monthly Household Expenses:

Single Income Household



Multiply expenses by 6:

Multiple Income Streams



Multiply expenses by 3:

## Insurance Deductibles

You might have all the insurance you need, but do you have the cash to cover the deductibles if you need to?

Health Insurance:

Auto Insurance:

Homeowners Insurance:

Renters Insurance:

Current savings:

Shortfall or surplus:

**Under-funded emergency fund:** If you don't have enough saved, visit the "lifestyle" section of this workbook to identify ways to increase your savings.

**Over-funded emergency Fund:** You might want to consider increasing your retirement savings or funding an investment account. Inflation causes cash to slowly lose its value over time, making it a poor choice for long-term saving.



Visit [www.vlpfa.com/financial-wellness](http://www.vlpfa.com/financial-wellness) to access more information about emergency savings and the effects of inflation on savings.

# Lifestyle Spending

## - Budgeting -

**Spending less than you earn:** It's easy to grow your spending when your income increases, but that may not be the wisest decision when it comes to your long term finances.

- Automate your saving:** send a portion of your paycheck to a savings account, avoiding the temptation to spend before you save.
- Avoid Lifestyle creep** - increase your saving when your income increases. If you get a raise your savings should get a raise as well.
- Track your spending:** if you have trouble saving, you need to identify how you are spending your money Use a system to track your spending and then identify areas where you can cut back. There are all kinds of methods for tracking your spending from smart-phone apps to spreadsheets.



Visit [www.vlpfa.com/financial-wellness](http://www.vlpfa.com/financial-wellness) to access a **Spending Tracking Spreadsheet** as well as videos about lifestyle spending.

## - Debt Management -

### Is debt good or bad?

**“Good” debt** - Provides lasting future value for the borrower.

*Mortgages and student loan debt (long repayment, tax benefits, lower rates)*

**“Bad” debt** - Provides no lasting future value for the borrower.

*Credit cards and payday loans (shorter repayment, no tax benefits and higher rates)*

- Understand the trade offs between paying off debt vs. investing:** there is a trade off to be made when you decide to pay off debt instead of investing. A good financial calculator can give you some insight on the numbers, but you may also want to factor in your own stress level - if having debt keeps you up at night, you might want to focus on reducing your debt.



Visit [www.vlpfa.com/financial-wellness](http://www.vlpfa.com/financial-wellness) to access a **Paying off debt Vs Investing Calculator**.

- Create a debt repayment plan** - creating a plan can help your focus and help you pay off debts faster
  1. Make a list of your debts
  2. Rank your debts
  3. Find extra money to pay your debts
  4. Focus on one debt at a time
  5. Move on to the next debt on your list
  6. Strengthen your savings

# Family Funding

Family obligations can be financial obligations. Everything from funding your children's college education to helping provide care for your aging parents. While it may be difficult to calculate exactly how much support some family members might need, it is important to identify how much you can help without jeopardizing your financial future.

## - Elder Care -

- Medicare:** It's important to know what Medicare does and does not cover, and when you might need to provide support.



Visit [www.vlpfa.com/financial-wellness](http://www.vlpfa.com/financial-wellness) to access a document titled "**Facing the Complexities of Medicare**" to find out more information on this complex topic.

- Being a caregiver:** Many caregivers struggle with the stress of balancing work and caregiving responsibilities. But there are ways to manage stress and keep it from overwhelming you.



Visit [www.vlpfa.com/financial-wellness](http://www.vlpfa.com/financial-wellness) to access a document titled "**Being a Caregiver**" that can help you recognize and avoid burnout.

- Home care options:** Many people would prefer to age at home, but housing decisions are rarely simple. If your relative decides to remain at home, many options for assistance may be available.



Visit [www.vlpfa.com/financial-wellness](http://www.vlpfa.com/financial-wellness) to access a document titled "**Home Care for Aging Relatives**" that provides a list of services available to assist your loved one as well as other considerations for home health care.

## - College Funding -

- Calculate the cost:** No matter what age your children are now, it's not too early to start saving. The first step is to estimate the cost and then calculate how much you need to save.



Visit [www.vlpfa.com/financial-wellness](http://www.vlpfa.com/financial-wellness) to access an online calculator that will allow you to estimate the cost of college for your children.

- Understand financial aid options:** Do you know what financial educational aid your child qualifies for?



Visit [www.vlpfa.com/financial-wellness](http://www.vlpfa.com/financial-wellness) to access a video titled "How to Qualify for Student Financial Aid"  
Visit <https://studentaid.ed.gov> to find out more about federal student aid programs.

- College savings accounts (529 Plans):** 529 Plans are a tax-advantaged investment vehicle designed to encourage saving for future higher education expenses of a designated beneficiary.

- **Pre-paid tuition:** purchase tuition credits at today's rates to be used in the future.
- **College savings:** save and invest for your child's future college expenses. Growth is tax free if used for qualified expenses



Visit [Virginia529.com](http://Virginia529.com) to find out more about 529 plan rules, regulations and tax advantages in Virginia.

# Estate Planning\*

Estate Planning may seem complex, but an estate plan provides your loved ones the answers to the two important questions:

## What happens to your stuff (including your dependents) when you die?

- Last Will & Testament:** legal document that disperses assets that are not dispersed of by other means
  - May be very detailed or may provide only general guidelines
  - Can nominate guardians for minor children
  - May create a trust (see below) to control assets for family members if they are unable to do so themselves



*Visit your county's probate office or circuit court web-page to find out what constitutes a valid will where you live.*

- Beneficiary Designations:** choose who you want your assets to go to (overrides what is written in your Will). Beneficiary designations can be used on the following:
  - Retirement accounts (IRA, 401(k) etc.)
  - Life insurance proceeds

- Other Forms of Ownership**
  - **Payable on death (POD)** - Bank accounts that are payable to the named party upon your death.
  - **Transfer on death (TOD)** - Investment accounts that transfer ownership to the named transferee upon your death.

- Trusts:** a trust is a legal document that is essentially a contract between you (the grantor), whoever you want to oversee the trust (trustee), and your chosen beneficiary(ies)
  - Spells out the rules you want followed
  - You can dictate how you want the assets managed
  - Bypasses probate when you die (private!)
  - May provide tax benefits
  - There are many different types of trusts that accomplish different objectives

- Insurance:** make sure you have enough insurance to protect your family
  - Life Insurance
  - Long Term Care
  - Disability
  - Umbrella Insurance



*Visit [www.vlpfa.com/financial-wellness](http://www.vlpfa.com/financial-wellness) to access a Life Insurance Assessment Calculator to make sure your family is covered.*

## Who makes decisions for you, when you can no longer make them for yourself?

- Power of Attorney (POA):** allows you to dictate who you want to manage your assets and make decisions for you when you are unable to. There are 4 main types of POA's:
  - **Limited:** gives someone the power to act on your behalf for a specific purpose
  - **General:** gives someone all the powers and rights that you have
  - **Durable:** in effect both before and after you become incapacitated
  - **Springing:** becomes effective when if you become incapacitated

- Do Not Resuscitate Order:** You can choose if you want to have CPR performed on you.

- Living Will:** Do you want to be kept on life support - for how long?

- HIPAA Authorization:** Allow someone access to your medical information (available for free online)

# Retirement

Saving for retirement does not have to be complex - you can use the resources below to identify areas where you may be falling short.

Current total retirement savings:

Current annual Social Security Benefit:



Access your free Social Security statement online at [www.ssa.gov](http://www.ssa.gov)

**Calculate your retirement income needs** - do you know if you have enough saved and are you currently saving enough?



Use the calculator available at [www.vlpfa.com/financial-wellness](http://www.vlpfa.com/financial-wellness) to see where you stand.

## Self Employed

Do you have a retirement plan? There are many options for establishing and funding a retirement account, many of which offer tax advantages.

## Employee

Does your employer offer a retirement plan?

NO - consider funding an IRA

YES - How much are you contributing annually? \$ \_\_\_\_\_

Does that retirement plan offer matching?

NO - see contribution limits below

YES - How much? \_\_\_\_\_ try to contribute at least enough to get the full match, most people need to contribute more than the match to be prepared for retirement.

## Retirement Savings Contribution limits for 2019

- 401(k), 403(b), 457, SARSEP, and TSP limits: \$19,000 (\$25,000 age 50+)
- IRA: \$6,000 (\$7,000 age 50+)
- Defined Contribution Plan (employee + employer): \$56,000
- SIMPLE: \$13,000 (\$16,000 age 50+)

Everyones needs for retirement are different. If you need guidance when it comes to saving for retirement; you may want to consider working with a financial advisor to develop a financial plan.

Simply put; a financial plan is an evaluation of your current and future financial state. Your plan will use known variables such as current account balances, cash flows, and savings rates to predict future asset values and withdrawal plans.

Financial planning plays an important role in helping you get the most out of your money. Careful planning can help you set priorities and work steadily towards long-term goals. It may also provide protection against the unanticipated, by helping you prepare for things, such as, unexpected illness or loss of income.

Together, you and your advisor will create a financial plan designed to help you protect what is most important to you and help achieve your goals.



Visit [www.vlpfa.com/retirement-planning](http://www.vlpfa.com/retirement-planning) to find out more about retirement and financial planning.

# My Financial Goals

Goal #1:	
	Action 1:
	Action 2:
	Action 3:

Goal #2:	
	Action 1:
	Action 2:
	Action 3:

Goal #3:	
	Action 1:
	Action 2:
	Action 3:

Goal #4:	
	Action 1:
	Action 2:
	Action 3:

Goal #5:	
	Action 1:
	Action 2:
	Action 3:



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