




Life Plans: Creating a Vision and Achieving Financial Independence

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Winning the
lottery, marrying
rich or getting a
big inheritance???

What Does Financial Independence Mean to You?





Today's Agenda

- ▶ Creating your financial vision
- ▶ Credit development and repair
- ▶ Creating a Personal Spending Plan
- ▶ Priorities & understand your spending habits
- ▶ Investing to support your goals
- ▶ Making your goals SMART
- ▶ Realizing your vision
- ▶ Tips for success

Create a Vision for your Future

- ▶ Put your dreams and aspirations in writing!
- ▶ Make it your wallpaper, home screen, put it on the fridge and act on them!
 - ▶ Turn these into goals then take actionable steps to make them a reality
- ▶ Life Plan Example:
 - ▶ **By 25:** Reach a 775-credit score
 - ▶ **By 30:** Buy a house, boat or travel camper
 - ▶ **By 33:** Buy my 2nd reliable car
 - ▶ **By 35:** Start a college fund for my kids
 - ▶ **By 40:** Visit 7 new countries, states or islands
 - ▶ **By 45:** Start a Custodial Roth IRA for my kids
 - ▶ **By 50:** Reach a net worth of \$1,000,000
 - ▶ **By 55:** Pay off my home & invest the “new” \$\$
 - ▶ **By 65:** Retire and continue to enjoy life



Will this car purchase support my goals?

- ▶ **What other questions do you need to ask yourself before getting started?**
 - ▶ What does a new car mean to me?
 - ▶ A newfound freedom, a necessity or a status symbol?
 - ▶ What can I truly afford, have I been saving money, and do I truly need one?
 - ▶ What is my credit score, debt-to-income ratio and will I need a cosigner?
 - ▶ How do I get the best financing?
 - ▶ New, used or lease?
 - ▶ How much will maintenance, insurance, parking and gas be?
 - ▶ How long will I own it and depreciation?
 - ▶ How reliable is the car?
 - ▶ Will I pay cash or use financing?
 - ▶ **Will this purchase leave me with money to achieve my “Life Plan” goals?**



Your Goal Setting Time

▶ Your Homework: Brainstorming!

▶ See goalsetting worksheet

▶ What are your long-term goals?

▶ Happiness and Independence

- ▶ Move to a warmer (or cooler) climate
- ▶ Not live a life with financial stress
- ▶ Visit Europe, Africa, South America...
- ▶ Become financially independent
- ▶ Better my physical and mental health

▶ Family

- ▶ Get married, start a family or adopt
- ▶ Do more for my children than my parents could do for me
- ▶ Fund my children's college educations
- ▶ Show my children how I turned my finances around

▶ Career

- ▶ Get an additional degree
- ▶ Achieve a director, dean or V.P. position
- ▶ Relocate to where your dollar is stronger



Your Goal Setting Time

A blue pen with a silver tip is positioned diagonally across the right side of the slide. The background features a light blue bar chart with several bars of varying heights, set against a white grid. The overall aesthetic is clean and professional, with a focus on financial planning and goal setting.

▶ Finances

- ▶ Get out of credit card debt and stay CC debt free
- ▶ Participate in the 401k match then open a Roth IRA
- ▶ Get educated about investing and get started
- ▶ Have 6 months of expenses in an emergency fund/my savings account
- ▶ Reach a net worth of \$1,000,000
- ▶ Map out my retirement funding and investing plan
- ▶ Understand real-world finance & terminology
- ▶ Achieve and maintain a great credit score

▶ Giving back

- ▶ Create a website to support “_____”/a cause that I believe in
- ▶ Create or run a non-profit organization that supports “_____”
- ▶ Make enough to give back to the community

What is Credit?

- ▶ Insurance for your future!
 - ▶ Officially: “The trust someone has in you to pay them back”
- ▶ www.annualcreditreport.com
- ▶ Two main types
 - ▶ **Installment debt:** Regular fixed payments
 - ▶ Mortgage, student loans, cars
 - ▶ **Revolving debt:** Monthly payments and debt that can vary but they are capped at a max amount (your credit limit)
 - ▶ Credit cards are the most common



What can HELP your score?

- ▶ A continuous personal finance education
- ▶ Maintaining good creditor relationships
- ▶ Avoiding hard inquiries into your credit
- ▶ No 30+ day delinquencies
- ▶ A long credit history
- ▶ Monitoring your credit report
- ▶ Carrying less than 25% of your credit limit
- ▶ Paying off the “right” debts first
- ▶ Not closing open credit cards



Credit Cards

- ▶ *They are not the devil!*
 - ▶ Every transaction is a loan
 - ▶ Can help develop credit, if used wisely
 - ▶ You can ask for interest rate reductions
 - ▶ You can get paid to pay your bills
 - ▶ You can add your children as an authorized user to help them develop credit



Credit Repair

▶ How it Works:

- ▶ There is no magic wand to make bad habits go away
- ▶ You pay a company to do work you could learn how to do
- ▶ They can help fix errors on your report or for debt settlement

▶ Costs can Include

- ▶ Monthly payment for the service
- ▶ Fee per transaction fixed

▶ Check with Community Based Non-Profit Orgs first

- ▶ Most can provide credit repair guidance & more
- ▶ UM HR invites [Consolidated Credit](#) on campus for staff

▶ [How to Fix Your Credit Yourself - Experian](#)



Financial Priorities:

“Don't tell me what your priorities are. Show me where you spend your money, and I will show you what they are.”

▶ Author: James W. Frick

Why they should

- ✓ Helps you do what you want, with a focus and with less stress
- ✓ Ignoring your finances can be very dangerous for the future and may worsen hard times
- ✓ You can never learn too much about money
- ✓ You are never too young (or too old) to learn more about money
- ✓ This is why we are here!

Avoid these traps. They can waste years of your life!

Why people don't create a personal spending plan/budget

- ▶ ~~They think it will stop them from doing what they want~~
- ▶ ~~They don't want to find out they are doing something wrong and just choose to ignore it~~
- ▶ ~~They think they are already pros at money management~~
- ▶ ~~They have an "I am too young for that" mentality~~
- ▶ ~~They do not understand the importance of it~~

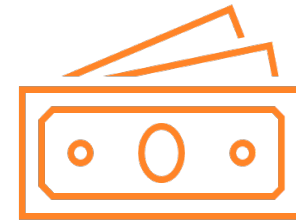
Personal Spending Plan Strategies



Before you begin:

Track your spending:

- The 8 Best Budgeting Apps in 2024
- Your banking app can help!
- Make an excel spreadsheet
- Divide a budget into 3 major sections (wants, essential needs, and goals)
- At the end of each month, check what percentage of your income is in each section and adjust next month's plan



The **30/50/20** Rule:

30% toward **wants**:

- Fun, dining, hobbies

50% toward **essential needs**:

- Rent, food, utilities, insurance, car

20% toward **goals**:

- Investing, savings, college

30% of your income may be devoted to wants



- ▶ Things and activities that are not essential, but you would like to have or do
 - ▶ Dining out, going to the movies, travelling, going out, Netflix, shopping
 - ▶ **The emotional spending zone**
- ▶ This is ideally what you can cut spending if you need to in times of hardship or if you want to work towards a financial goal
 - ▶ Self negotiate for what is most important to you, your family and your future!



Stop trying to keep up with the Joneses

- ▶ Just because your friends, colleagues and neighbors have a nicer car, an Iphone 40, toys and designer clothes, does not mean that you **MUST HAVE** the same.
 - ▶ **Think: “What is making me act this way?”**
 - ▶ Media hype is very detrimental!
 - ▶ Showing them up vs affording it
- ▶ What affect is this “competition” having on my future financial goals?
 - ▶ **Do you really know the Joneses?**
 - ▶ Many may just have misdirected priorities
- ▶ **Focus on yourself and, outside of relationships, avoid emotional decision making!**



Needs (50%)

- ▶ Necessities, things you must have to survive or maintain a minimum level of comfort
 - ▶ **Housing (rent/mortgage/TCO)**
 - ▶ Food & Utilities
 - ▶ Gas/car maintenance/ transportation
 - ▶ **Insurance (car and home)**
 - ▶ Debt repayment
- ▶ Should make up a **max of 50%** of your monthly income
 - ▶ 30% max should go toward rent/mortgage
 - ▶ **Welcome to Miami!**
 - ▶ 20% max toward other living expenses (food, utilities home ownership costs...)
 - ▶ 15% max toward car expenses
 - ▶ 10% toward payment and 5% other



Future and Long-Term Plans (20%)

- ▶ 20% of your income
 - ▶ Never plan for less in this area!
- ▶ 5 -10% toward an **Emergency Fund**
 - ▶ Save 3 to 6 months of living expenses
 - ▶ Why?: “*Because LIFE HAPPENS!*”
 - ▶ Weddings, speeding tickets, unemployment, car accidents, medical bills...
 - ▶ Once you have achieved this, increase percentages in other areas
- ▶ 5 - 10%+ toward your retirement
 - ▶ What’s your longevity????
- ▶ 5% toward Life Insurance, other investments, college funds



Retirement Planning

- ▶ Many different account types
 - ▶ Roth IRAs, Traditional IRAs, 401Ks, 403Bs, 457 plans
 - ▶ Be aware of contribution limits
- ▶ Most are employer offered and have the potential for matching funds
 - ▶ Always try to maximize contributions and let compounding do the work!
- ▶ Most plans use pretax earnings and withdrawals are taxed at retirement
- ▶ Roth IRA
 - ▶ Uses after tax dollars now and withdrawals are not taxed at retirement
 - ▶ Ideal if you expect your tax rate to be higher at retirement than now



What/when to invest

- ▶ Do your savings exceed expenses?
- ▶ Have you started saving for an emergency?
- ▶ Have you contributed up to the 401k... match?
- ▶ **Discretionary income:**
 - ▶ Money leftover after all expenses
 - ▶ **This is for investing!**
- ▶ We do not have to wait until we are completely debt free or have a fully funded Emergency Fund to get started.
 - ▶ Understanding the concept of:
 - ▶ ***“Paying yourself first”***

Paying yourself first:

Investing vs. car loan repayment: The long-term costs

- *“I have \$3000 in discretionary savings. Should I pay off the \$3,000 balance of my car loan or invest the money for my future?”*
 - Both could be good options, but which could result in the greatest long-term benefit?
- **What happens if I pay it off:**
 - Potential credit score boost
 - Save about \$1000 in interest (depending on the rate)
 - Could cost you a lot of money due to delayed investing
- **What if I invest the \$3,000 for retirement and just pay the loan over its normal repayment period?**
 - You will pay an estimated \$1,000 in interest yet have the potential to make tens of thousands.
 - **EX 1: \$3000 put into a ROTH IRA at age 30 could result in over \$39,689 by retirement with a 7% annual rate of return.**
 - \$3000 at age 25 = \$56,000
 - \$3000 at age 35 = \$27,000
- **Hint: Pay yourself first and start young!**

Investing resources:

- ***“Continuing your education.”***
 - [Nerdwallet’s 12 Best Investments for Any Age or Income](#)
 - [NerdWallet: Buying stocks](#)
 - [NerdWallet: How to open a Roth IRA](#)
 - [CNBC: What to look out for when researching stocks](#)
 - [FTC: Understanding Crypto investing](#)

SMART Life & Personal Spending Goals

Specific

- ▶ Know what you are planning/budgeting for

Measurable

- ▶ Be able to keep track of your spending

Action oriented

- ▶ Understand that you need to take the right steps to make your Life Plans happen

Realistic

- ▶ Do not set your sights too high
- ▶ Negotiating with yourself (Iphone vs Galaxy, 5 beds vs 3, Mercedes vs. Honda, Cruise to Greece vs. a Bahamas trip, 5 kids vs 2...)

Timely

- ▶ 1 month, 2, 3, a year...

Achieving the dream

Turning “Life Plans” into a reality:

- ▶ For each of your goals, create a multi-step and age specific plan to accomplish them
- ▶ Think of it as an end of the year project that will give you a huge raise if you are successful
- ▶ Look at the age you want to accomplish it and map out what needs to be done, leading back to today
- ▶ This will help you put structure to the plan and increase your chances of accomplishing your goals
- ▶ It will also help you determine if the goal is realistically achievable for you





Life Plan Outcomes

- ▶ A focus on your future and a pathway to success
- ▶ A more secure future, piece of mind & less stress
- ▶ A better credit score, resulting in major savings
- ▶ Money for emergencies, investing and travels
- ▶ A more comfortable or early retirement
- ▶ More money to spend on your kids
- ▶ A nicer car or house
- ▶ Financial independence

Remember:



"Making money does not make you financially successful.

Knowing with to do with it

before you start making it, and acting on the knowledge you gain, is the true key to your ability to achieve long-term financial success!"

- Chris Magnan



Tips for Success

- ▶ Continue your personal finance education
- ▶ Pay yourself first by investing as young and as much as possible
- ▶ Have a written Life Plan and plan your spending to support your goals
- ▶ Maintain your emergency fund
- ▶ Develop and maintain a great credit score
- ▶ Do not take on unnecessary debt/debt that does not support your ability to achieve your Life Plan
- ▶ **Avoid emotional spending and investing!!**
- ▶ Be willing to negotiate with yourself
- ▶ Never pass up a 401k/403b employer match
- ▶ Modify your Life Plan and budget as your life changes
- ▶ Choose the investments that support your future goals
- ▶ Enjoy your life now and not only in retirement
 - ▶ **Take advantage of living in a postcard!**



Thank You!

Survey: Choose "Life Plans"





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