

Unit 2: Planning & Record Keeping

Read Chapter 2 in the text.

Read Chapters 1-4 of The Financial Checkup booklet (found in the back of the textbook if you have a paperback version).

Why did you get up this morning? Why are you enrolled in this class? What things are important to you? Take a few minutes and think about the things that are most important to you.

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VALUES

Values are:

- Motivators
- A fundamental belief about what is important, desirable, or worthwhile
- Important to you but may not be important to someone else

Why should we discuss values in a Family Finance class? Values drive our actions. They determine how we act, including how we spend and save money. I want you to think about what is really important to you. If your financial planning does not go along with your values you will have turmoil in your life and it will be difficult to achieve your goals. I think of the financial process looking like the following diagram:



Your values motivate your goals. Your goals help you establish your financial planning. Your financial planning determines your financial success. Each one is an important part of the process. We will spend the most time on financial planning in this class.

As I mentioned in the first unit, you need to decide what it means to you to be financially successful. It will be different for you than for other people. Think of your values as you are thinking about becoming successful.

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GOALS

Are goals important to becoming financially successful? Read the following quote and decide.

"In 1953 the graduating class of Yale University was surveyed, and it turned out that only 3% of the graduates had formulated financial goals for their lives and written detailed plans to achieve those goals. In 1973, twenty years later, those same people were found and re-surveyed. It turned out that the 3% who left college with goals and plans to reach those goals, were worth more financially than the other 97% of their classmates COMBINED!"

Goals are what can lead you to your financial success. They should be based on your values. In The Financial Checkup assignment, you will complete your goals after you have completed a good evaluation of your financial situation. Sometimes they can be done before, but I like to have you know where you are before you decide where you want to go. Sometimes we are not aware of problems that need to be addressed by a goal until we have evaluated our situation. When you write your goals for the checkup, make sure they are financial goals. Learning to play the piano may be a good goal, but is not a financial goal. Paying for lessons or buying a piano is a financial goal.

Read the information at the following website:

<http://www.topachievement.com/goalsetting.html>

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FINANCIAL PLANNING

The next step in the financial process is financial planning. Once you have made goals (based on your values), you need plans to accomplish those goals. Remember the Yale University quote, the 3% had goals AND plans to achieve those goals. We need to have plans for three areas:

1. Spending - bills, living expenses, etc.
2. Risk Management - insurance and emergency savings
3. Capital Accumulation - for retirement, purchases, and security

Read the information at the following website:

<http://ianrpubs.unl.edu/homemgt/g1162.htm>

There are three options for making financial plans:

Option	Advantages	Disadvantages
1) Do Nothing	easy	can ruin you financially
2) Hire a Financial Planner	their experience and knowledge	-you pay them -they usually don't help with plans for spending -some may not have your best interests at heart
3) Do it Yourself	-costs less -you have your best interests at heart	-lack of knowledge and experience -you need some professionals (to buy insurance)

Now decide which of these methods you are going to choose.

Do Nothing

I strongly recommend against this option. Some people go with this method simply because they have not chosen one of the other two because of time, fear, or lack of knowledge. Take the time, be more afraid of NOT doing anything, and take advantage of the knowledge you will gain in this class.

Hire a Financial Planner

Some people like to hire someone to help them make their financial decisions and follow through with the plans. It is very important that you find someone who wants what is best for you. Read the information at the following website:

<http://ianrwww.unl.edu/Pubs/homemgt/g1163.htm>

Do it Yourself

If you choose this option you need to acquire knowledge. This class is a great first step but it is certainly not the only step. There are many good seminars, magazines, classes, books, websites, etc. Be careful of the sources of each of these. Some people will try to educate you in a way that will encourage you to buy something from them.

Whichever way you choose to handle your financial planning, make sure you have plans for each of the three areas. If you hire a financial planner and they don't cover plans for spending, you will need to do this on your own.

exactly where things need to go and where they are when you need to find them. Creating a file is one of the options for completing the "You Pick" assignment. Follow the directions in the syllabus.

It is also good to have a home inventory for insurance purposes. You can take pictures of the major items that you own and write down information on the back of the picture such as model number. Possibly the easiest way to accomplish an inventory is to use a video camera and scan each room in the house as well as the garage or outside of your home. Creating a home inventory is also an option for the "You Pick" assignment. Follow the directions in the syllabus. As the syllabus states, don't do this assignment if you have very few possessions to inventory.

Read the information at the following website:

<http://www.urbanext.uiuc.edu/thriftyliving/tl-famrecords.html>

When you write down your financial goals be sure to keep your values in mind. Also think about what it means to you to be financially successful. After you have done that, it is time to make plans to reach those goals in order to be a financial success!

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Financial Statements

Part of financial planning is completing financial statements. They are an indication of the financial condition of an individual. They will help you see where you are now. The two that we will focus on for this class are the Net Worth Statement and the Income and Expense Statement. The book uses the term Balance Sheet instead of Net Worth Statement. They are very similar (the balance sheet has one more line to balance the sheet). I prefer to use Net Worth Statement.

Read the chapters in The Financial Checkup on the Net Worth and Income and Expense Statements. You can complete the Net Worth Statement at any time. The Income and Expense Statement will need to be done after you track your expenses for one month. They are both part of the checkup assignment.

Financial Ratios

Once you have completed a Net Worth and Income and Expense Statement, you can calculate your financial ratios. Ratios really help you evaluate your financial situation. They can tell you if your debt is too high or your savings are too low. Read the chapter in The Financial Checkup on Ratios. The ratio worksheet is also part of the checkup assignment.

Recordkeeping

Have you ever needed to find a paper relating to your finances and you couldn't? Recordkeeping is also an important part of your financial planning. You may need to have records for taxes, to know your current situation, to avoid fees, or to sell something. Start with a financial file. You can create one for very little cost. With a file you know exactly where things need to go and where they are when

you need to find them. Creating a file is one of the options for completing the "You Pick" assignment. Follow the directions in the syllabus.

It is also good to have a home inventory for insurance purposes. You can take pictures of the major items that you own and write down information on the back of the picture such as model number. Possibly the easiest way to accomplish an inventory is to use a video camera and scan each room in the house as well as the garage or outside of your home. Creating a home inventory is also an option for the "You Pick" assignment. Follow the directions in the syllabus. As the syllabus states, don't do this assignment if you have very few possessions to inventory.

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