

Taking Control of Your Financial Health

Household Finances



*A practical guide to understanding best practices
in managing household finances*



Institute of Gerontology



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Healthier Black Elders Center

GOALS

By the end of this session you will:

- Understand your money values
- Understand net worth and how to calculate yours
- Be better prepared to set financial goals and stick to them
- Better understand your spending habits
- Be able to create your own personal Cost of Living Plan

VALUES ABOUT MONEY

Values are people's opinions about what is right and good. Values come from family, friends, church, school community organizations and society. People's values are reflected in what they think is important in life, and help them decide what to do with their money.

For example:

Carla grew up in a community where everyone has debt. She continued to live in the same community throughout her adult life. Carla never saved for retirement and currently only has Social Security income to cover her living expenses.

What are some of the things you have learned about money throughout your life?

How do you think this may have affected your values about money?

My Money Values

Read the list of items below. If you spend money on activities or items not on the list, add them to the spaces marked "other." Cross out the ways of spending on the list that are not important to you.

Next, notice there are two columns next to the list. In the first column prioritize your current spending habits. For example, write a "1" next to the most important spending item, a "2" next to the second most important and so on until the entire list is numbered.

Finally, look over the way you prioritized the list and determine if you would like to make any changes in your spending habits. If so, use the second column to prioritize the way you would like to spend your money.

Remember there is no wrong or right way for the list to be arranged

Automobile or other transportation	_____	_____
Bills paid on time	_____	_____
Groceries	_____	_____
Housing	_____	_____
Church contributions	_____	_____
Saving for emergencies	_____	_____
Television or radio	_____	_____
Clothing and shoes	_____	_____
Family or religious celebrations	_____	_____
Paying off debt	_____	_____
Comfortable furniture	_____	_____
Medications	_____	_____
Vacation	_____	_____
Gifts for family	_____	_____
Life insurance	_____	_____
Eating at restaurants	_____	_____
Household appliances	_____	_____
Entertainment	_____	_____
Other _____	_____	_____
Other _____	_____	_____

NET WORTH

Where you stand financially is called your ***net worth***. Net worth is the value of your ***assets*** (what you own), minus the total of all of your ***liabilities*** (what you owe).

$$\textit{Total Assets} - \textit{Total Liabilities} = \textit{Net Worth}$$

Assets

Assets are anything you own that can be sold or “cashed in.” Examples range from retirement accounts to personal belongings. It is a good idea to:

- Keep a record of your assets.
- Keep receipts of what you buy.
- Keep appraisals of valuable assets.
- Take pictures of valuable assets.
- Know which are depreciating (going down in value) and which are appreciating (going up in value).

Debts/Liabilities

Debts or liabilities are any money that you owe. Examples range from mortgage payments to unpaid utilities.

- If you need records of the debt, contact the company.
- Whenever you speak to a customer service representative, write down their name and ID number.
- Always keep financial information, even if you cannot pay the bills now.

Asset Tracker Worksheet

Asset	Value	Ownership
(Example) House	\$95,000	<input checked="" type="radio"/> Joint <input type="radio"/> Individual
		<input type="radio"/> Joint <input type="radio"/> Individual
		<input type="radio"/> Joint <input type="radio"/> Individual
		<input type="radio"/> Joint <input type="radio"/> Individual
		<input type="radio"/> Joint <input type="radio"/> Individual
		<input type="radio"/> Joint <input type="radio"/> Individual
		<input type="radio"/> Joint <input type="radio"/> Individual
		<input type="radio"/> Joint <input type="radio"/> Individual
		<input type="radio"/> Joint <input type="radio"/> Individual
Total Assets Value		

Debt Tracker Worksheet

Fill out the chart below, listing the balances with the highest interest rates first and the lowest interest rates last. If you don't know all of your bills, you can fill them in as you get the information.

Company	Interest Rate	Total Amount	Minimum Monthly Payment	Amount You Can Pay	Ownership
					<input type="radio"/> Joint <input type="radio"/> Individual <input type="radio"/> Authorized User
					<input type="radio"/> Joint <input type="radio"/> Individual <input type="radio"/> Authorized User
					<input type="radio"/> Joint <input type="radio"/> Individual <input type="radio"/> Authorized User
					<input type="radio"/> Joint <input type="radio"/> Individual <input type="radio"/> Authorized User
					<input type="radio"/> Joint <input type="radio"/> Individual <input type="radio"/> Authorized User
					<input type="radio"/> Joint <input type="radio"/> Individual <input type="radio"/> Authorized User
					<input type="radio"/> Joint <input type="radio"/> Individual <input type="radio"/> Authorized User

Why do we list the debts with the highest interest rates first? Depending on the interest rate, a debt with a low principle amount and higher interest rate could end up costing you more than a debt with a higher principle amount and lower interest rate.

Net Worth Calculation Sheet

Available Electronically online at www.FoundationForFinancialPlanning.org

ASSETS	
Checking Account	\$
Savings Account (1)	\$
Savings Account (2)	\$
Emergency Fund	\$
Cash Value of Life Insurance	\$
Thrift Savings Plan (TSP)	\$
Retirement Account (1)	\$
Retirement Account (2)	\$
Retirement Account (3)	\$
Investment Account (1)	\$
Investment Account (2)	\$
Value of Home	\$
Value of Car	\$
Other Assets	\$
Other Assets	\$
TOTAL ASSETS	\$

LIABILITIES/DEBTS	
Amount Owed on Mortgage	\$
Amount Owed on Car(s)	\$
Credit Card Balances	\$
Other Bank Loans	\$
Finance Company Loans	\$
Taxes Owed	\$
Family Loans	\$
Other Debts	\$
Other Debts	\$
Other Debts	\$
TOTAL LIABILITES	\$

NET WORTH CALCULATION	
<i>Value of Assets</i>	\$
<i>Subtract Value of Liabilities</i>	\$
NET WORTH	\$

SETTING FINANCIAL GOALS

In all life stages, individuals are more than likely to have some short- and long-term financial goals. Setting tangible and realistic goals, following them and tracking your progress is the key to being successful in achieving your goals.

Short-Term Goals - A short-term goal is one you plan to achieve in one or two years.

Mid-Term Goals - Mid-term goals are priorities that can be accomplished in two to five years.

Long-Term Goals – Long-term financial goals are priorities that may take more than five years to accomplish.

SMART Goals

Specific
 Measurable
 Attainable
 Realistic
 Timely

1. Make your goal **SPECIFIC** and write it down.

Write a sentence that states your goal in very specific terms.

2. Define your **MEASURES**.

Determine the tangible measures for your goal. This includes details of monthly or weekly amounts and how you will know when your goal will be achieved.

3. Make sure your goal is **ATTAINABLE**.

It must be possible for you to achieve your goal. Ask yourself:

- Is it possible for me to achieve this goal?
- Am I in control of achieving this goal?

4. Ensure your goal is **REALISTIC**.

Your goal should be stretching and motivating, but not so big or complex that you will lose motivation to achieve it.

5. Define your **TIMING**

The goal should have a deadline.

Examples of SMART Goals?

Statement: I want to pay off my credit cards.

Smart Goal: Over the next 12 months, I will pay \$200 towards credit card debt in order to pay off the balances on my credit cards.

Statement: I want to take a vacation.

Smart Goal: I will save \$100 a month over the next 12 months and use the money for a trip to Mexico.

Statement: I need a new car.

Smart Goal: Over the next 12 months I plan to assess my credit situation and save \$150 a month for a down payment on a new vehicle.

Goal Setting Worksheet

Short-Term Goals	Amount Needed	When Needed	# of Months to Save	\$ Per Month Needed to Meet Goal

Mid-Term Goals	Amount Needed	When Needed	# of Months to Save	\$ Per Month Needed to Meet Goal

Long-Term Goal	Amount Needed	When Needed	# of Months to Save	\$ Per Month Needed to Meet Goal

Savings Goal Worksheet

Current Date	Goal	Cost	Target Date	Months	Monthly Savings	Weekly Savings	Daily Savings
6/1/15	Florida Vacation	\$1500	6/1/17	24	\$62.50	\$15.63	\$2.23
Total Monthly Savings							

Creating a Monthly Spending Plan

Money Planning Definitions

It is impossible to reach any goal without the proper planning. This is true of financial goals as well. Below are some terms and definitions associated with money planning:

Monthly Spending Plan (Budget)

A detailed plan of how you spend money throughout the month. Can be adapted to be weekly, yearly or monthly.

Income

Any money you have coming into your home. Salary (formal or informal), disability, Social Security, etc.

Designated Income

Monies designated to pay for a specific expense. Food Stamps, Section 8 Voucher, etc.

Expense

Anything that costs you money.

Planned Expense

Any expense you plan for. Included in your cost of living plan.

Fixed Monthly Expense

Any expense that is the same every month. Rent, Car Note, etc.

Changing Monthly Expense

Any expense you pay monthly, but the amount changes. Food, utilities, etc.

Occasional Expense

Expenses that do not occur every month (sometimes difficult to plan for). Car repairs, birthdays, holidays, etc.

Money Leaks

A reoccurring expense that is not included in your Cost of Living Plan. An expense you do not plan. Fast food habits, cigarettes, coffee, etc.

Money Leaks Exercise

Sometimes money seems to evaporate into thin air right from our pockets. I left the house with \$20 this morning. I did not do any shopping or significant spending. When I returned home I only had \$7.56. Thinking back, I bought coffee, a bagel and a pack of cigarettes this morning. Then, I purchased a salad at lunch. These types of expenses are examples of Money Leaks. Identifying Money Leaks helps with your Cost of Living Plan because you can identify where your spending is taking place and add it to the plan or cut expenses that may be hindering you in reaching your financial goals. The activity below will help you identify your Money Leaks and turn them into planned expenses.

Money Leak	Cost/Time	Weekly Cost	Monthly Cost
Starbucks Coffee	\$4.00	$\$4.00 \times 5 = \20.00	$\$20.00 \times 4 = \80.00
Starbucks once a week	\$4.00	$\$4.00 \times 1 = \4.00	$\$4.00 \times 4 = \16.00
		Planned Expense	Monthly Savings
		\$16.00	$\$80 - \$16 = \$64.00$

Money Leak	Cost/Time	Weekly Cost	Monthly Cost
		Planned Expense	Monthly Savings

Money Leak	Cost/Time	Weekly Cost	Monthly Cost
		Planned Expense	Monthly Savings

Cost of Living Plan

Now that we have determined your net worth, thought about your financial goals and identified your unplanned spending, it is time to complete the Cost of Living Plan. This will be one of the most important documents in helping you take charge of your household finances.

The first thing you will have to do is calculate your total monthly income. Please remember to include all sources of income, formal and informal, designated, etc.

Monthly Income (After Taxes and Deductions)	
Monthly Wages/Salary	
Government Benefits (Social Security, SSI, TANF, etc)	
Government Food Benefits (SNAP)	
Child Support/Alimony	
Support from Family or Friends	
Other:	
Other:	
Other:	
Monthly Income Total	

Expenses

Expenses			
Housing and Utilities		Prescription Medicines	
Rent/Mortgage		Other Medical Bills	
Electric		Gym/Health Club	
Gas		Grooming (hair, nails, etc)	
Home Maintenance		Personal Hygiene Products	
Phone (cell and/or landline)		Food, Clothing and Entertainment	
Cable		Groceries	
Internet		Meals Out	
Water		Tobacco/Alcohol	
Renters or Home Insurance		Clothing	
Property Taxes		Shoes	
Other:		Sporting Events	
Transportation		Going Out	
Car Payment		Movies	
Auto Insurance		Books/Music	
Gas		Hobbies	
Maintenance		Clubs	
Public Transportation		Laundry and Dry Cleaning	
Other:		Other:	
Loans and Credit Cards		Other:	
Credit Card 1		Miscellaneous	
Credit Card 2		Charities	
Credit Card 3		Gifts	
Personal Loan Payments		Vacation	
Student Loan Payments		Travel	
Other:		Life Insurance	
Savings and Investing		Disability Insurance	
Emergency Savings		Educational Expenses	
Retirement Accounts		Other:	
Other Investment Accounts		Other:	
Other:		Other:	
Other:		Other:	
Health and Grooming		Other:	
Health Insurance (monthly)			
Medical Visits (copays)		Total Monthly Expenses	

Net Income

Now that you have an estimated Cost of Living Plan, you can get a more realistic idea of your monthly household financial situation. The next step is to figure your net income, the amount of income you have left over after you meet your monthly expenses.

	-	=
Monthly Income	Monthly Expenses	Net Income

If your monthly expenses exceed your income, you may need to look for ways to cut your expenses or supplement your income. One way to supplement your income may be getting a part-time job. See the activity below on reverse budgeting to help understand how to calculate the amount you must earn at a part-time job to cover all your monthly expenses.

Reverse Budgeting Exercise

Mary is a widow living on a fixed income. She receives a monthly pension check for her deceased husband John in the amount of **\$636** and her own Social Security check monthly in the amount of **\$250**. Mary's son Joshua also provides Mary with **\$150** each month to cover her expenses. However, Mary is noticing that there never seems to be enough money each month to cover all of her expenses, and she always feels behind. Mary has estimated her monthly expenses at **\$1700**, while her monthly income is only **\$1036** currently. Although she identified places she could cut back, Mary could only get her expenses down to **\$1500** even with making necessary cuts to her Cost of Living Plan. Mary has decided to get a part-time job to earn the remaining **\$464** she needs to cover her expenses every month. She would like to get a better idea of how many hours she needs to work and how much she needs to earn per hour to cover her expenses. Mary has found a reverse budgeting technique that will help her to determine just that.

Step 1: Determine monthly expenses

\$1500

Step 2: Subtract any consistent income

\$1500 - \$1036 = \$434

Step 3: Multiply to estimate taxes and other deductions. This would include benefits payments deducted directly by the employer. This percentage may be smaller if you have other benefits and will not be participating in health care, retirement or other programs offered by the employer. In Mary's case, we will estimate this at 20%.

\$434 X .20 = \$86.80

\$434 + \$86.80 = \$520.80

Step 4: Determine the annual income. Multiply monthly income by 12.

520.80 X 12 = \$6249.60

Step 5: Determine weekly income. Divide annual income total by 52.

\$6249.60 ÷ 52 = \$120.18

Step 6: Determine how many hours you could work each week.

15

Step 7: Determine the hourly wage needed. Divide the weekly income by the number of hours available to work each week.

\$120.18 ÷ 15 = 8.01

Using this formula, Mary has determined she should be looking for a position paying at least **\$8.00** per hour and offering a minimum of **15** hours per week to make the additional funds she needs to cover her monthly expenses.

Also please remember if you receive Social Security or other government benefits, there may be some restrictions on how much you can work before your benefits are affected. Check with the agency administering the benefits to learn about these restrictions.

To increase income:

- Find a part-time job, if possible.
- Be sure to maximize your use of public benefits.
- Start a small business out of your hobby.
- Sell excess items or those you are not using anymore.
- Rent out an extra room in your home.

To reduce expenses:

- Think about moving to a more affordable home.
- Check if there are any family and friends you could live with to share living expenses.
- See if refinancing higher interest debt is possible.
- Look at your food costs and see if there are areas you can cut back.
- Look for ways to cut back on energy costs.

Additional ideas for increasing income and decreasing expenses:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____

RETIREMENT SPENDING PLANS

Ready to retire?? You have planned, saved the money and made good investments, now it's time to spend it. One of the best ways to ensure you spend wisely and have enough money to last you throughout your retirement is to compose a retirement spending plan.

Step One: Complete your Cost of Living Plan. It is important to complete this step to know what your projected expenses will be during retirement. There may be areas where you will be able to adjust expenses once you retire. For example, downsizing your home, transportation costs, work related clothing, contributions to retirement accounts, etc. And there may be areas you would like to add more funds, such as hobbies, travel, etc.

Step Two: Calculate all of your Fixed Monthly Income streams. For example, Social Security, employer pension payments, annuity monthly payouts, etc. This will help you determine if you need to use your retirement portfolio income sources, and if so, how much you would need to draw from these accounts annually to meet your retirement living expenses.

Step Three: Create an inventory of your portfolio income sources, investments, 401K accounts, IRAs, etc. During this step it is best to sit down with a Financial Advisor. An advisor can help you understand what the average rates of return are, how much you can afford to draw from the fund each year, and how long your retirement portfolio will last if you stick to the plan.

RESOURCES

Educational Resources

Wayne County Community College District (WCCCD)

Citizens who are residents of the WCCC college district and 60 years of age or older may receive a WCCCD tuition-free waiver.

Main Campus

801 West Fort Street

Detroit, MI 48226

313-496-2600

Employment Resources

Detroit Area Agency on Aging

Mature Workers Employment & Training Programs

1333 Brewery Park Blvd, Suite 200

Detroit MI 48207

313-446-4444 ext. 5296

Foster Grand Parent Program

517-373-8230

This program offers low-income men and women age 55 and older the opportunity to provide companionship and guidance to children with special and exceptional needs. Volunteers serve on average 20 hours per week and in return, receive a modest tax-free stipend.

Operation ABLE

Whether currently unemployed or looking to develop skills necessary for maintaining future employability, Operation ABLE's services are aimed at helping mature job seekers.

4850 Woodward, Suite 201

Detroit MI 48201

313-832-0922

Seniors Helping Seniors

<http://seniorshelpingseniors.com/Want-to-Help.html>

Seniors Helping Seniors is always looking for loving, giving, caring, compassionate people to work with seniors. Each helper works as many hours a week as he or she wants. Most of the people who work there were looking for volunteer jobs, seeking activities that would add meaning to their lives. Working as a senior helping other seniors means you will be making an important contribution. It also provides you with an hourly wage that can help cover the extras.

Clinton Township
37040 Garfield Rd., Suite C-3
Clinton Twp, MI 48036
586-286-5820

Oakland and Northwest Wayne County
25128 Toddy Lane
Farmington Hills, MI 48335
248-224-2477

Volunteer – Senior Companion Program (SCP)

This program offers you volunteer opportunities to provide community service activities serving seniors with physical, mental, or emotional impairments. Services may include short-term care assistance, non-medical personal care, and social or recreational activities. If you volunteer, you may receive a stipend and other benefits. Must be over 55.

SCP of Wayne County
9851 Hamilton
Detroit, MI 48202
Phone: (313) 883-2362

Oakland County SCP
18310 W 12th Mile Road
Southfield, MI 48076
Phone: (248) 559-1147 ext. 3424

Food Resources

Meals on Wheels

Dearborn Heights	Detroit	Grosse Pointe	Macomb County	Oakland County
313-791-3550	313-446-4444	313-882-9600	586-469-5228	800-317-0532

Government Benefits

Economic Check Up

National Council on Aging
www.benefitscheckup.org/

Answers some questions to find benefit programs that can help you pay for medications, health care, food, utilities and more.

Michigan DHS Food Assistance Program

Temporary food assistance for eligible low-income families and individuals is available from the U.S. Department of Agriculture. Use MI Bridges to apply for assistance, check your eligibility status and manage your account online.

<https://www.mibridges.michigan.gov/access/>

1-855-275-6424

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Healthier Black Elders Center



Institute of Gerontology



For more information contact the Institute of Gerontology at 313-664-2600