

JAMES W. RICKARD

FOURTEEN STEPS TO FINANCIAL FREEDOM

1. Give God a chance first.
2. Learn to save money.
Put \$100 per month into savings. If you average a 7 ½ per cent over 40 years, you will have \$302,382 at age 65.
3. Learn to spend less than you earn.
4. Don't finance pleasure items.
5. Have cash in an emergency fund.
6. Control your credit cards.
7. Have adequate life insurance to protect your family.
(\$400,000 - \$750,000)
8. Be self-insured for life insurance by age 65 or retirement.
9. Have retirement plan in progress by age 40.
10. Own your home by age 65 or retirement.
11. Have a workable budget - key **discipline and control**.
12. There is a difference between **debt and obligations**.
13. Understand the **TAX** law as it applies to you.
14. Have an estate plan that includes a **will** and/or living trust.

Use these principles to develop a financial plan for your life.

CREDIT CARD STATISTICS

Over 200 million used every day

2001 - \$670 billion charged on credit cards

2008 - \$2 trillion charged on credit cards

Presently over \$800 billion owed on credit cards

17% average interest rate

\$373 million per day of interest income

9 average number of credit cards per household

60% carry unpaid balances from month to month

\$800 in debt on credit card – have you for life

\$5,000 Credit card Debt

17% Interest

\$100/Month Payment

It will take 19 years to pay off

You will pay \$18,000 in interest

What is a Credit Score?

A Report that shows your credit history.

Everybody has one.

Goes from 300 to 850

720 or Higher is the best rating and results in lowest interest.

What is the Big Deal?

A person with a 720 score verses a person with a 520 score on a \$100,000 mortgage/30year amortization:

Will save \$85,000 in interest over life of loan

Monthly payment - \$235 less

What impacts the Credit Score?

1. Late payments can have the biggest impact on your credit score.
2. Don't use more than 1/3 of your available credit.
3. Consolidating loans and cancelling credit cards can be a negative.
4. Look for mistakes on your credit report.
annualcreditreport.com
 - A. Late when you weren't late
 - B. Loans that are not yours.

TREAT YOUR CREDIT AS A VALUABLE ASSET.

PROJECTING YOUR RETIREMENT INCOME

1. Annual income needed in retirement @ 80% of take home pay (if no home then 100% of your current take home pay).					\$40,000
2. Expected social security benefit (for a projection of your benefit call the Social Security Administration at 800-772-1213 and ask for Form SSA-7004.)					21,600
3. Expected pension benefit from other work sources - for example from your spouse's work.					-0-
4. Expected income from retirement benefits (line 2 plus line 3)					21,600
5. Annual retirement income needed from savings and investments (line 1 minus line 4)					18,400
6. Amount you must save by retirement in today's dollars. Divide line 5 by .05 =					368,000
7. Amount you have saved already:					
a. IRAs	b. Employer plans	c. Other investments (include all CDs, mutual funds, bonds, stocks, investment real estate and any other assets available for retirement.	d. (Optional) if you wish to count a portion of your home's value as savings, enter its present value minus the anticipated cost of a home in retirement.	e. Total retirement savings (add a through d)	
a. 20,000	b. 20,000	c. 20,000	d. -0-	e. 60,000	
8. Amount of retirement capital still needed (line 6 minus line 7e)					308,000

<p>Amount of contributions per year into a retirement account. Example - assume you invest \$2,000 per year into a tax-sheltered plan until age 65:</p> <p style="text-align: center;">8% Annual Return</p> <p>Start at age 40 – at age 65 you will have - \$169,000/1,127-mo/13,524-yr</p> <p>Start at Age 50 – at age 65 you will have - \$ 60,986/403-mo/4,878-yr</p>
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BUDGETING

The exercise of preparing a budget is more important than attempting to control that Budget.

The process of preparing the budget defines who you are and what's important.

The control aspect is mechanical

When the Budget becomes inflexible, it is a taskmaster. When it is a guideline to be followed, it is a friend.

FOUR REASONS TO LIVE ON A BUDGET

1. Helps Control Debt

No Budget makes you vulnerable to overspending.

2. Earn Cheaper Interest Rates

Helps you avoid late payment penalties which improves your credit score.

3. Saving for the Future

Live within your means and Budget saving money

4. Improve your Relationship with your Spouse

85% of divorces start with money problems.

V. PUTTING YOUR STEWARDSHIP TO WORK

The endless stories of get-rich-quick schemes, glib guides to easy profits in the stock market, real estate and other investment avenues can occasionally leave you wondering whether you're missing out. That sort of confusion can be dangerous if it causes you to leap into something without doing a lot of homework.

Good organization, planning, and record-keeping are important keys to financial stewardship because they help you make the right decisions.

Questions to ask yourself:

- ♦ Is there too much money left at the end of the month?
- ♦ Is your house payment too high for your salary?
- ♦ Do you buy more clothes than you wear?
- ♦ Are you paying too much for insurance?
- ♦ Do you cash checks or raid the cash machine every couple of days without knowing why?

A. THE BUDGET PROCESS

The budget plan shouldn't take more than 4 hours initially to set up and 30 minutes a week to maintain. It will take 7-9 months for the budget plan to work efficiently.

Common budgeting errors:

Don't use it.

Make it so difficult you can't live with it.

People should fix a maximum level of spending and not just keep re-adjusting for income increases.

General Guidelines for your Budget

BUDGET ITEMS	SUGGESTED PERCENTAGE	BUDGET ITEMS INCLUDE
Giving	11%	
Housing	36-40%	Utilities, taxes, insurance, mortgage payment, & repairs
Food	14-16%	
Auto	13-16%	Insurance, gas, maintenance, payments
Insurance	2-4%	Life insurance (health insurance-fringe)
Entertainment	2-5%	Put the money in an envelope and don't mix it with other funds
Clothing	5%	
Medical/Dental	5%	
Savings	5%	Also unexpected emergencies
Household/Misc.	4-8%	Haircuts, cosmetics, gifts, piano lessons, etc.

*All percentages are from take-home pay except giving, which is based on gross income.

BUYING AUTOMOBILES THE 2-4 JUNK WAY

Purchase a 2-year-old car for \$14,000 with \$4,000 down and financed at 8% for 3 years. Maximum mileage 25,000 with 2 year or 24,000 mile warranty.

First Time - First Year	
Total payment - Down Payment	\$ 4,000
Finance at \$313.36/month times 36 months	11,280
TOTAL	\$ 15,280
Pay 4th year into savings - \$300.00 x 12	\$ 3,600
Interest	100
Sell the automobile at end of the 4th year	6,300
TOTAL CASH AVAILABLE	\$ 10,000

Second Time - Fifth Year	
Purchase 2-year-old car for	\$ 16,000
Less - Down Payment	10,000
Amount to finance	\$ 6,000
Finance \$6,000 for 1 1/2 years = \$396.00/month	
NOW	
Save \$300/mo for 2 1/2 years - 30 mo x \$300 =	\$ 9,000
Interest	250
Sell the automobile at the end of the 4th year	7,200
TOTAL CASH AVAILABLE	\$ 16,450

Third Time - Ninth Year	
Purchase 2-year-old car for \$16,450 CASH	
Continue to save at \$300/month	

The point here is when you make that last payment on your car loan continue to put that payment into a savings account for a future purchase.

PRACTICAL TIPS

1. Have a Budget Prov. 24:3, 4

Stewardship says I know where my money goes.

Living by a Budget is absolutely necessary if you want to progress financially.

2. Get out of Debt Prov 22:7

3. Control Credit Card Use Prov. 22:7

Great tool or terrible master

\$373 million per day - interest income to credit card industry.

4. Are you 50 with little retirement set aside? Prov. 13:16

Get your head out of the sand.

5. Do you have an up-to-date Will and Living Trust?

