

Workplace Education Series



Budgeting, Debt Management

2/25/15

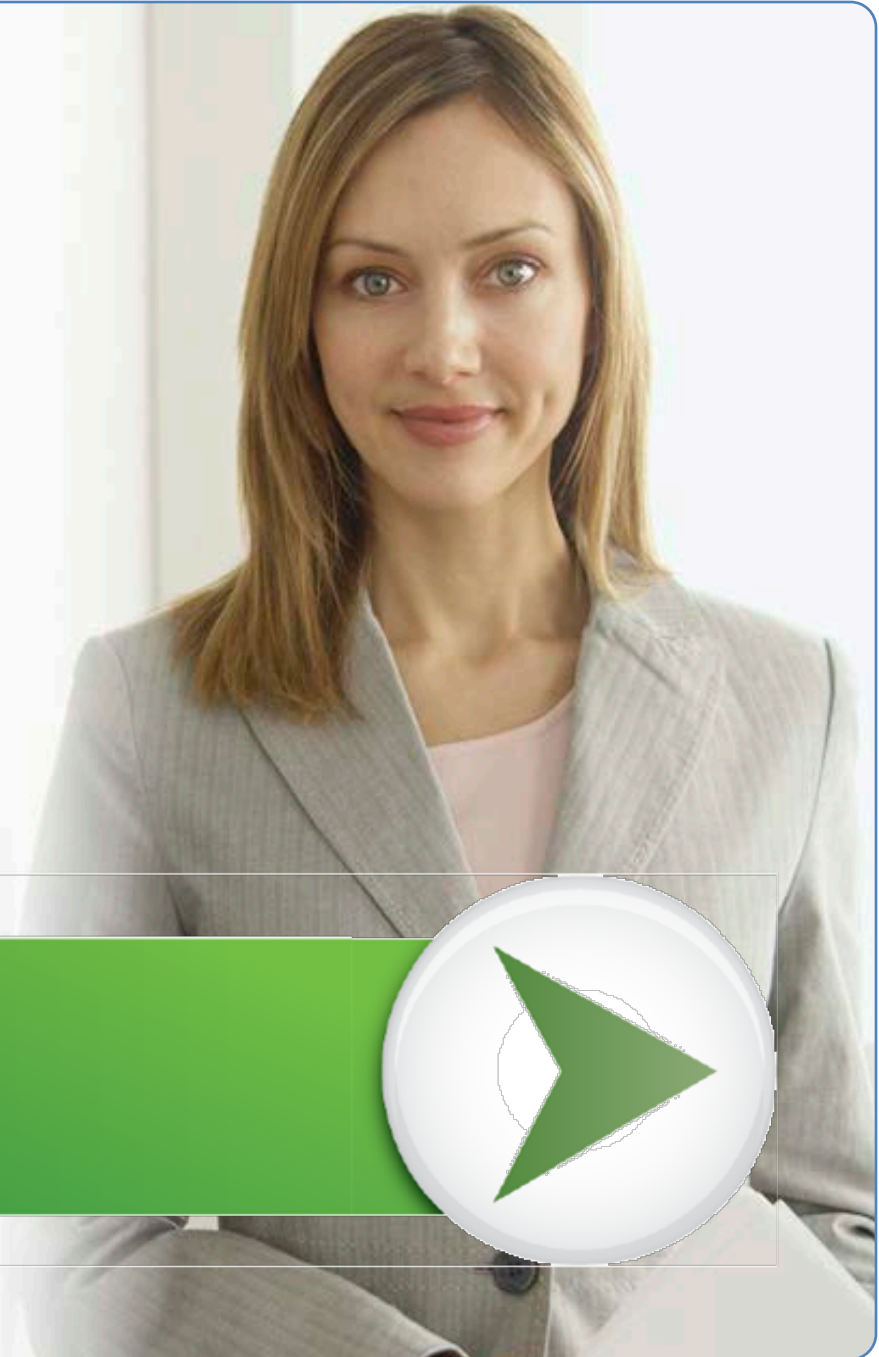
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Commonsense budgeting and debt

Let's explore:

- Important budget factors
- Creative ways to reduce spending
- The importance of saving for retirement





Make the right moves with your money

- Track monthly expenses
- Categorize and budget for your expenses
- Look for creative ways to reduce spending
- Monitor your spending behavior

▶ **Some Tools to Help:** Use our **Retirement Income Planner** to conduct an income and expense analysis. Or use the **Budgeting Worksheet**.



What do you spend your money on?

Essential expenses

Things you know you absolutely need

- Mortgage
- Food
- Health care

Discretionary expenses

Things you don't need, but would like to have

- Hobbies
- Other

Budgeting Worksheet

The worksheet below will help give you a clear understanding of your expenses. Fill out the worksheet indicating your essential expenses (things you need to have) and your discretionary expenses (things you would like to have) and your sources of income.

MONTHLY EXPENSES		
	Essential (need to have)	Discretionary (nice to have)
Housing		
Mortgage	\$ _____	\$ _____
Rent/Condo Fees	\$ _____	\$ _____
Property Tax	\$ _____	\$ _____
Homeowner's Insurance	\$ _____	\$ _____
Household Improvement and Maintenance	\$ _____	\$ _____
Utilities	\$ _____	\$ _____
Electric	\$ _____	\$ _____
Water/Sewer	\$ _____	\$ _____
Oil/Gas	\$ _____	\$ _____
Telephone/Cable/Internet Fees	\$ _____	\$ _____
Other	\$ _____	\$ _____
Subtotal—Housing	\$ _____	\$ _____
Personal		
Groceries	\$ _____	\$ _____
Personal Care (health and beauty aids)	\$ _____	\$ _____
Clothing	\$ _____	\$ _____
Laundry/Dry Cleaning	\$ _____	\$ _____
Other	\$ _____	\$ _____
Subtotal—Personal	\$ _____	\$ _____
Health Care and Insurance		
Health Insurance Premiums	\$ _____	\$ _____
Medicare Part B Premiums	\$ _____	\$ _____
Medicare Supplemental/Medigap Premium	\$ _____	\$ _____
Prescriptions	\$ _____	\$ _____
Dental and Vision Care	\$ _____	\$ _____
Other (copayments, deductibles, etc.)	\$ _____	\$ _____
Insurance	\$ _____	\$ _____
Long-Term Care Insurance Premiums	\$ _____	\$ _____
Life Insurance Premiums	\$ _____	\$ _____
Disability Insurance	\$ _____	\$ _____
Subtotal—Health Care and Insurance	\$ _____	\$ _____

Fidelity suggests: Consider at least the shaded portions on this list, which represent some of the most common essential expenses.

To help you complete this section, you may want to review your checkbook ledger and credit card statements to get expense estimates.

▶ **Tip:** The goal of successful budgeting is learning to live within the bounds of your discretionary income.



Look for creative ways to reduce spending

It can help free up cash for other goals

- Shop around for low cost providers
- Car pool a couple days a week
- Ponder luxury items
- Clean out that garage



When creating a budget just isn't enough

Other steps to consider

- Home equity loan
- Debt consolidation – *goes on your credit report*
- Debt settlement and bankruptcy – *on your credit report for up to 10 years*



Your retirement plan is hard to beat – Broad 401(k)

- Ease and convenience
- Investment choice
- Potentially lowers taxable income
- Tax-deferred growth
- Compounded growth potential

▶ **Some Tools to Help:** Use our **Contribution Calculator** to try some “what-if” planning—and the **Take-Home Pay Calculator** to see what a bargain it can be to save in your plan.

Make paying down high interest debt a priority

Let's explore:

- Consumer spending trends
- Debt to income ratio
- Ways to reduce “bad debt”





We are spending more than we are saving

- 39% of Americans carry a credit card balance*
- \$8,220 is the average balance per credit card
- 8% make only the minimum payment
- 12.94% is the average APR on credit cards**

*As of March 2012. www.creditcards.com

** Federal Reserve's G.19 report on consumer credit, released February 2014 as posted on <http://www.federalreserve.gov/releases/g19/current/>



Debt-to-income ratio should not exceed 36%**

Monthly long-term debt includes:

- Mortgage
- Credit card payments
- Loan payments
- Other expenses



Paying down high-interest debt

- Use extra savings to pay down the balance
- Work with account that has the highest interest rate first
- Make minimum required payments on the other cards to avoid penalties

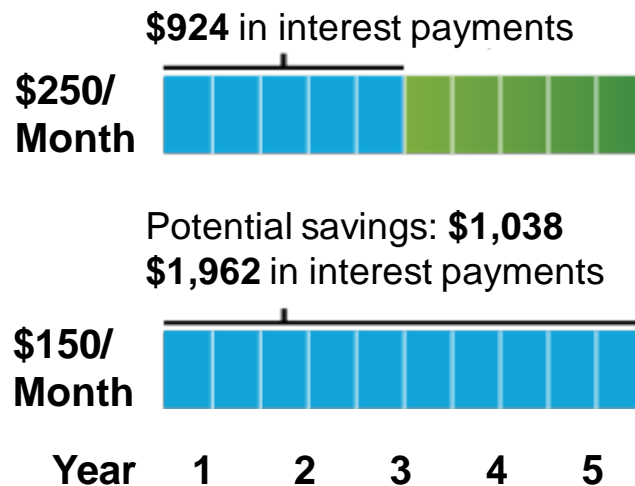
 **Tip:** Don't let your retirement savings slip.



Pick highest interest rate card and attack

The facts

- Starting credit card balance of \$5,150
- 14.99% interest rate
- Two payoff scenarios – \$150 and \$250 a month



**Paying \$100
more a month
saves over
\$1,000 in interest**

For illustrative purposes only.



How much debt costs you

Let's take a look at an example:

\$10,000

18%

Min 2%

Payoff =

7+ years

Total \$18,622



A safety net for your financial plans

Everyone needs an emergency savings fund:

- At least three to six months' worth of living expenses
- Safe and easily accessible – bank account, money market fund

Understand, monitor, and protect your credit

Let's explore:

- How to review your credit report
- How credit scores are calculated
- Tips to keeping good credit





Check your credit reports regularly

Early detection is key to minimizing damage

- Credit bureaus
- Credit report
- Credit score

▶ **A Tool to Help:** You're entitled to one free credit report a year from each of the three nationwide consumer credit reporting agencies. You can request them at **AnnualCreditReport.com**.



The role of a credit bureau

To gather consumer credit information from different sources to be used for a variety of purposes

- Determining credit worthiness
- Determining interest rates
- Determining ability to repay loans
- Employment consideration
- Apartment leasing consideration



How to review your credit report

They are divided into four main parts

- Personal profile
- Credit history
 - Itemized list of account types (revolving and installment)
- Public records
- Inquiry section



How credit scores are calculated

Your credit score will be a three digit number that ranges from 300 to 850. Calculation is divided into five categories.

- Amount owed (30%)
- Payment history (35%)
- New credit inquiries (10%)
- Credit history length (15%)
- Credit type (10%).

 **Tip:** Request your credit score from one of the these credit bureaus.

- Equifax® : www.equifax.com
- Experian® : www.experian.com
- TransUnion® : www.transunion.com



Tips to keeping good credit

- Stay under 20% of available credit on your credit cards
- Don't spend money you don't have
- Don't open and close credit card accounts often
- Notify creditors of any changes
- Use caution when transferring balances

<http://whatcreditmonitoring.com/credit-score/>

<http://www.money-zine.com/Financial-Planning/Debt-Consolidation/National-Average-Credit-Score>

One-on-One Guidance: ***Call or email Paul Gunning***

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Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.

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