

## FINANCIAL FITNESS RESOURCE PACKET

Do you feel in control of your money? Do you frequently feel stressed out because of financial concerns? Are you often out of money by payday? There's no better time than the present to sit down and plan the upcoming year in terms of your finances. If you don't have a budget, this information will help you get started. If you do have a budget, this information will help you refine and utilize it more effectively. When you're in control of your finances, you feel more in control of your life in general.

### FINANCIAL FITNESS QUIZ

Test your financial knowledge with the following quiz. Answers are on the next page.

- 1. You're a homeowner who's charged up to the limit on three credit cards. You see no end in sight to paying off your debt, especially since your credit cards carry double-digit interest rates. What should you do?**
  - a. Apply for another credit card with a low introductory rate, transfer your debts to that card and make a budget that allows you to start paying off your total debt.
  - b. Consolidate your debt by taking out a home-equity loan.
  - c. Stop paying your bills and declare bankruptcy before you throw any more money down the drain.
- 2. What is the maximum percentage of your take-home pay that should be taken up by regular monthly expenses, such as food, utilities, car payments and rent or mortgage?**
  - a. 80%
  - b. 65%
  - c. 36%
- 3. What is considered a deductible expense by the IRS?**
  - a. Credit card interest payments
  - b. Private school tuition
  - c. Telephone and taxi expenses incurred while performing charitable work
- 4. What is the biggest mistake people make when it comes to 401(k)s offered by their employers?**
  - a. Failing to invest any money in their 401(k)
  - b. Opting to hold all of their 401(k) investments in company stock
  - c. Being too conservative an investor in their 401(k)
- 5. Which investment has proved to be the best weapon against inflation over time?**
  - a. Stocks
  - b. Bonds
  - c. Gold

Source: <http://cgi.usaweekend.com>

Claremont distributes this information to provide employees with general behavioral health information. If you have concerns about these or other behavioral health issues, you can call Claremont to arrange for assistance. You will be directed to an appropriate, experienced professional who can offer guidance in a variety of work and personal matters.  
**For confidential help, call: 800-834-3773 or visit [www.claremonteap.com](http://www.claremonteap.com)**

## FINANCIAL FITNESS QUIZ: ANSWER KEY

1. A. Transfer your credit card debt to a lower-interest credit card and then stick to a budget that will allow you to pay off the debt. That way, you avoid the risk of losing your home if you are not able to keep up payments on a home equity loan.
2. B. Regular monthly expenses equal to 65% of your take-home pay is the maximum. Another 20% would go for occasional expenses such as clothing, repairs and recreation. Ten percent should be earmarked for necessary expenses such as insurance premiums and property taxes. That leaves at least 5% for savings and investments.
3. C. Expenses incurred while performing charity work are deductible. Be sure to record all your expenses while working for your favorite charity -- telephone calls, postage, copying costs, taxis and mileage on your car are all allowable deductions.
4. A. The biggest mistake people make when it comes to 401(k)s is failing to invest. Many people don't want to spare anything out of their paycheck to invest in a 401(k), one of the best vehicles for retirement savings around. A 401(k) not only offers tax advantages, but many employers match their workers' contributions.
5. A. According to the investment software consulting firm Ibbotson Associates in Chicago, stocks have returned an average of 11% per year since 1926, vs. 5.2% for long-term government bonds and 3.8% for cash, such as money-market funds and certificates of deposit. Bonds -- long-term IOUs that pay a fixed rate of interest -- have just barely beat inflation, which has averaged 3.1% a year since 1926.

## WHEN MONEY WORRIES BOOST STRESS

It's hard to feel in control of your life when you have money worries, and that leads to increased stress in any situation. The key to decreasing money-related stress is to take steps to get in charge of your finances.

**Know Your Financial Picture:** For starters, make a list of your basic monthly expenses, including food, utilities, house payments, insurance, car expenses, clothing, taxes, debt payment and entertainment. Balance this against your income. Now you have some hard figures about the gap between what you have and what you need. Just setting a realistic budget and sticking to it can avert sometimes money problems. You'll certainly be in more control of your finances than someone who knows only that more money goes out than comes in.

**Help Is Available:** If your expenses seem hopelessly out of balance with your income, get outside help. Call your EAP for a free financial consultation and free credit report: 800-834-3773.

Another useful resource available to people facing financial trouble is Consumer Credit Counseling Services, a national nonprofit organization that provides free or low-cost advice to people who want to improve their financial situation. To find out more, visit [www.cccsintl.org](http://www.cccsintl.org). Your bank or credit union may also be able to provide financial counseling. You can also try community service organizations such as family service agencies and religious service agencies.

**Take Action to Reduce Stress:** Taking action toward getting in control of your finances can provide enormous relief all by itself. Other ways to control stress are to learn and practice proven stress reduction practices such as deep breathing, meditation, eating a healthy diet and exercising regularly. Regardless of the seriousness of your financial problems, you'll be in better shape to deal with them if you're in good mental and physical condition.

## MAKING A BUDGET

- 1. Budgets are a necessary evil.** They're the only practical way to get a grip on your spending so you can make sure your money is used the way you want it.
- 2. Creating a budget generally requires three steps.** They are: 1) identify how you spend money now, 2) evaluate that spending and set goals that take into account your financial objectives, and 3) track your spending to make sure it stays within those guidelines.
- 3. Use software to save grief.** If you use a personal-finance program such as Quicken or Microsoft Money, the built-in budget-making tools can create your budget for you.
- 4. Don't drive yourself nuts.** One drawback of monitoring your spending by computer is that it encourages overzealous attention to detail. Once you determine which categories of spending can and should be cut (or expanded), concentrate on those categories and worry less about other aspects of your spending.
- 5. Watch out for cash leakage.** If withdrawals from the ATM machine evaporate from your pocket without apparent explanation, it's time to keep better records. In general, any time cash expenses exceed 5 percent of your total spending, they need to be checked.
- 6. Spending beyond your limits is dangerous.** If so, you've got plenty of company. Government figures show that many households with total income of \$50,000 or less are spending more than they bring in. This doesn't make you an automatic candidate for bankruptcy—but it's definitely a sign you need to make some serious spending cuts.
- 7. Beware of luxuries dressed as necessities.** If your income doesn't cover your costs, then some of your spending is probably for luxuries—even if you consider them to fill a real need.
- 8. Tithe yourself.** Aim to spend no more than 90 percent of your income. That way, you'll have the other 10 percent left to save for your big-picture items.
- 9. Don't count on windfalls.** When projecting the amount of money you can live on, don't include dollars that you can't be sure you'll receive, such as year-end bonuses, tax refunds or investment gains.
- 10. Beware of spending creep.** As your annual income climbs from raises, promotions and smart investing, don't start spending for luxuries until you're sure that you're staying ahead of inflation.

Source: CNN Money

### Remember, your EAP benefits includes:

- \* One free credit report every year.
- \* Financial consultations on the telephone covering a range of topics such as budgeting, retirement planning, debt consolidation, financial planning, stock option plans, auto and real estate purchasing and more.

**For confidential assistance, call: 800-834-3773 or visit [www.claremonteap.com](http://www.claremonteap.com)**

## 10 WAYS TO LIVE MORE CHEAPLY

This page contains 10 ideas to live more cheaply, as posted by CNN Money. Using just a few can make for significant savings (without compromising real pleasures or cutting out too many conveniences).

1. **Shop sparingly:** Ever go to a mall thinking you'll buy one thing then just browse and see what else you need? Welcome to the crowd, said Vicki Robin, coauthor of *Your Money or Your Life*. Much of the shopping we do is what she characterizes as frivolous shopping. It's better to keep a running list of what you need, and shop only when the tally is long enough to justify the trip.
2. **Get groceries for the long haul:** The most expensive thing you can do is shop for food you need this week, since you're likely to pay premium prices. Except for food that spoils easily, shop for foods and staples when they're on sale and buy enough for several weeks' worth. For emergency short-term savings, skip shopping altogether until you have used up all the food in your cupboards.
3. **Use cash to pay for food:** Hunt also recommends paying for food with cash. "You're a smarter shopper when you go into the store with \$30 in your pocket," Hunt said. Debit cards, which draw money directly from your bank account, are a bad idea, she said, since they make more money available to you than you need and encourage impulse purchases.
4. **Clip (some) coupons:** Coupons are great when they're for products you regularly use and when they make those products less costly than the generic brands, Horowitz said. But buying something you don't need just because you have a coupon is a waste of money. So clip judiciously.
5. **Curb long-distance bills:** Cancel your long-distance service and get a prepaid phone card instead from one of the wholesale price clubs, such as Sam's Club or Costco, Hunt suggests. You'll save on fees, cap how much you spend on long-distance calls and get some of the lowest per-minute rates—often with fewer restrictions than those imposed by calling plans.
6. **Turn clothes to cash:** Clothes you don't like, furniture and appliances you never use and that Star Wars memorabilia even you've grown tired of—all probably have cash potential, despite the mean things your spouse says about them. Try any of the following: Donate them and get a tax-deduction; post them to online auction sites; sell them to consignment shops; or have a garage sale.
7. **Drive a car you can afford:** Contrary to public opinion, you are *not* what you drive. You may need a car, but you probably don't need the hippest, priciest model. Consider this, Robin said: There are 2,000 work hours in a year, assuming an eight-hour day and 50 weeks of work. If you buy a \$20,000 car, you'll spend \$5 of your net wages every hour for two years to pay for that car, not including interest payments. If you do hit the showroom, be sure to bargain.
8. **Let your credit card pay you:** If you pay your credit card bills in full and on time every month, be sure to have a card that rewards you for your purchases, Horowitz said. Some, for instance, offer frequent flyer miles or cash back.
9. **Share and share alike:** Look for ways to share common expenses with others, Robin and Horowitz said. For instance, if you have young kids, consider trading babysitting services with other parents in your neighborhood, or carpool to work.
10. **Forgo some "optionals:"** Lattes in the morning and lunches out. Getting your nails done. All are enjoyable indulgences when you're flush with cash. But during tough times, the little luxuries may need to go. Hunt recommends looking at the money side of your life like a business. Temporary belt-tightening may be required but don't get discouraged, Hunt said. "It doesn't have to be forever."