Financial Follies
Trends to Avoid

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Overview

Current Trends & Strategies:
• Savings
• Debt
• Insurance
• Retirement
Emergency fund-less:

- A $500 unexpected expense causes 57% to borrow, sell or use credit card. ¹
- 69% have less than $1K in savings.²
- National savings rate of 5.7%.³
- Nearly half of Americans living paycheck to paycheck.⁴

¹ Bankrate MoneyPulse survey, January 2017
² Fortune.com. GoBankingRates survey 9/9/16
³ Bureau of Economic Analysis, June 2017
⁴ Center for Financial Services Innovation
Savings Strategies

- Recognize life happens
- Establish appropriate account
- Make it automatic (allotment, transfer, round up)
- Start small and build to at least 3-6 months of expenses
- Segregate & earmark
Debt Trends

• In July 2017, Federal Reserve reported credit card debt topped a trillion dollars\(^1\)
• Average household carrying balance owes over $16K\(^2\)
• Average new car loan amount and length—over $30K and nearly 69 months\(^3\)
• In April 2017, average FICO credit score-700\(^4\)

1-Federal Reserve, G.19, July, 2017
2-USAtoday.com, April 4, 2017
3-Experian, State of Automotive Finance Market, Q1 2017
4-Fico.com, July 10 2017
Debt Strategies

- Credit Card Debt: Assess, Attack, Avoid
- Car purchases:
  - 5-year loan rule
  - 10%-15% of gross on transportation
  - Used, CPO vs. new
- Credit scores:
  - Know where you stand
  - Understand factors and myths
  - Work it
• Over 60% of Americans have no life insurance or just basic group policy\(^1\)
• Only 41% of renters had renters insurance\(^2\)
• Low state mandatory liability limits:
  - Texas (30/60/25)
  - Missouri (25/50/10)
• Homeowners insurance misunderstood

1-BestLifeRates.org, May 2017
2-Information Information Institute, 2016 III Poll
• Rule #1: Ensure insurance coverage keeps pace with life changes
• Use calculators or calculations for life insurance need (LIFE)
• Assess liability coverage – see Rule #1
• Dig into the details of homeowners coverage and investigate flood coverage
Retirement Trends

- Responsibility shifts to employees
  - Disappearance of pensions
  - Changes to military retirement
  - Social security & Medicare changes
- Only 1 of 3 millennials investing in stock market\(^3\)
- 401(k) loans drop to lowest level in seven years\(^1\)
- 47% report less than $25K in retirement savings\(^2\)

1-Fidelity Investments, Fidelity Retirement Analysis 2/2/17
2-Employee Benefit Research Institute, 2017 Retirement Confidence Survey
3-Bankrate, MoneyPulse 7/6/16
• Be the exception: Have a plan
• Take advantage of opportunities
• Leverage pay increases/future income
• Tax diversification
• Start early (now)—leverage power of compound returns
• Market risk isn’t the only risk
Questions