



# Charting Your Course to Home Ownership

## Managing Your Family Finances: Organize and Set Goals

Most families spend more time planning a yearly vacation than they spend planning their financial future! They may know where they are going this summer, but they don't know where they are going in life!

Your future, however, does not have to be uncertain. Let's use the simple analogy of a family vacation to understand the importance of financial planning. If you **are** planning a trip, you begin with the end – your destination – in mind. You decide where you want to go then ... you plan the best route to get you there.

- Financial planning is much the same. You plan goals...then you plan the most logical steps that will help you achieve your goals.

To achieve goals, it takes planning. Many people today, however, live in the fast lane. They never stop long enough to see where they are now ... much less plan for the future. It's no wonder they feel lost. It's hard to get anywhere when you don't know where you are now...or where you are going!

### Financial Management to Stay on Course

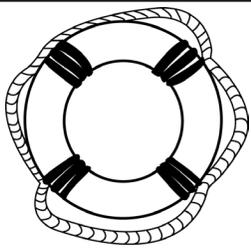
Identifying goals is often the easy part! But making these goals a reality can be difficult without a plan. To “Chart the Course” for your family's financial future, follow these four key compass points:

- Decide where you want to go – set SMART financial goals.
- Find out where you've been – track your cash flow. Find out exactly where your money has been going. Collect income and expense records to track your past spending.
- Find out where you are now – determine your net worth. A net worth statement is a “snapshot” of where you are now on your financial journey. It's a statement of how much you own and how much you owe.
- “Chart the Course” for your future – prepare a family budget. Preparing a family budget is the plan to help you achieve your goals.

To accomplish any of these points – track your cash flow, determine a net worth, or prepare a budget— the first step is to organize your financial records.

### Organizing Financial Records

An organized system of record-keeping can make managing family financial matters much easier. If you don't already have one, organize a specific place in your home to use as your home office or financial center. You will need an area



### **Life Saver:**

*Why use a portable filing system? For emergencies—whether evacuating for a hurricane, fire or tornado or caring for a loved one during an extended hospital stay, we all face emergencies that may take us away from home on short notice or for an extended stay. If your financial records are in a portable filing system, leaving home suddenly is not a problem. You will be prepared and you will have far less stress!*

*However, if you do choose to keep your current records in a permanent file or desk drawer, keep an empty portable file box on hand. This way, you can quickly transfer files to a portable container and you're "out the door" in an emergency.*

large enough to work, as well as to organize your files and keep your supplies (checks, calculator, pens, pencils, stamps, file folders and envelopes).

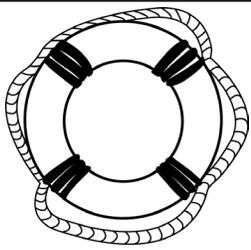
Your financial center may be elaborate or simple. The type of system doesn't matter as long as you have one! Most people prefer to file their documents in file folders. You may, however, use envelopes, pocket pages or zippered freezer bags. Files may be stored in a filing cabinet, a desk drawer, a cardboard box, an accordion folder or a large binder.

Whatever type of storage system you use, divide your files into two main areas -- current financial records and inactive financial records. It is strongly recommended that you keep current records -- those used this year -- in a **portable** filing system. Inactive files may be stored in a more permanent place such as a filing cabinet.

## **Current Records**

In setting up your files for current records, what categories should you use? Folders will vary for each family, but generally, you will want to make a file folder for:

- **Bills to be paid.** Put all incoming bills in this folder. Also, include a list of when each bill is due or develop a bill payment calendar, designating in the numerical squares of the calendar when each bill is due. When bills are paid, mark the payment stub with the date, amount paid and check number; then move the payment stub to the appropriate creditor folder. If you pay a bill in cash, attach the receipt to your bill stub and move to the appropriate creditor folder.
- **Papers to file.** Put all papers, except bills, into this file immediately upon receiving them. This will keep you from losing or misplacing them before you have time to permanently file them. Sort through this folder each month so that all filing is up to date.
- **Each creditor.** Anyone you owe money to is a "creditor." Some examples of creditors are your landlord, your mortgage company, your utility service companies (electricity, gas, water, sewer, cable TV, telephone, cell phone), your credit card companies, your installment loans and so forth.
- **Each insurance policy** (auto, health care, dental, home owners or renters).
- **Automobile maintenance.** Did you know that automobile manufactures are not obligated to warranty their products unless you can prove that you've properly maintained the vehicle? This means ... when you have the oil changed, save the receipt! If you change the oil yourself, save the receipt from the oil purchase.
- **Bank statements** and/or canceled checks.
- **Savings account records.**
- **Paycheck stubs** for each working member of the family.
- **Other income records.** Other potential sources of income may be child support, Social Security benefits, unemployment, public assistance, bonus income checks and so on.
- **Current income tax working files.** Include documents or notes to verify deductible items. Include receipts from charitable donations.



### **Life Saver**

*Financial records are a vital part of your life. A “system” for organizing your financial records can save hours of anxious searching, can help preserve peace and harmony in your home and make it easier to cope with emergency situations.*

- **Receipts for personal purchases.** To keep your cash flow statement up to date, you need to know how much money you have spent and where you have spent it. Receipts for personal purchases such as clothing, groceries, household items and gifts are all helpful tools for documentation.
- **Cash flow work sheet.**
- **Net worth statement.**
- **Family budget.**

One final tip — you should sort through and clean out your files once a year. You don’t have to keep everything forever! When a year has passed, you may want to throw away old phone bills, utility records and so forth. Bank statements, paycheck stubs and tax records can be moved to your inactive file.

### **Inactive Records**

What categories should you use to set up your files for inactive records? A detailed list of financial records is available in the LSU AgCenter Publication No. 1842, “Organize Your Important Papers – What to Keep and Where.” However, a good rule to follow is to keep the item at home unless it is a legal document or is difficult to replace or duplicate. These basic tips should help.

#### **Keep these records seven years:**

- Bank statements
- Canceled checks that support tax returns.
- Tax returns and records

#### **Keep these records permanently unless otherwise stated:**

- Insurance policies. In addition to the policies, keep a list of the dates and amounts of premiums paid for as long as you own the policy.
- Housing records. Keep a copy of the lease as long as you rent a property. If you buy a house, keep an updated record of the total investment in the property. Checks or receipts for property improvements (those that have added to the value of your property) should be kept as long as you own the property.
- Charge accounts. Keep a list of account numbers and the phone numbers to call if one or more cards are lost or stolen. Additionally, you should keep all statements and payment records until you have paid them down to a zero balance.
- Medical records.
- Educational records such as transcripts and diplomas.
- Photocopy of your will and instructions to the executor(s).
- Warranties and operating instructions for appliances, receipts for major purchases and service contracts should be kept as long as you own the items.
- Employment records, such as letters of recommendation, awards or achievements, resumes and fringe benefit information.
- Legal papers pertaining to properties formerly owned.
- Reports from any trusts.

- Records of family corporations, articles of incorporation, annual meeting minutes and other documents relating to the corporation.
- Household inventory. Write down the value of the personal possessions you buy or receive as gifts during the year. Transfer this information once a year to a complete household inventory kept in a safe deposit box.
- Keys to your safe deposit box and a list of the items in the box. This should be a running record of items you put in and take out.

***Keep these important hard-to-replace records in a safe deposit box at a bank (or at the very least, in a fireproof box at home):***

- Birth certificates, Social Security cards, marriage certificate and military service records.
- Originals of your will, living will and power of attorney documents.
- Deeds to real estate currently owned and investments.

**Identify Your Destination: Set Goals**

To get where you want to go in life, it is important to decide in advance how you will get there. Goals point you in the direction you need to take. Financial goals help us organize and direct our financial lives. By keeping your goals in view, you can direct your energies toward achieving your goals.

There are a number of factors to consider when setting a goal. The best goals are SMART:

- **SPECIFIC**—determine dollar amounts, dates and resources to be used
- **MEASURABLE**—determine regular amounts to set aside weekly or monthly to accomplish the goal
- **ATTAINABLE**—doable within your financial situation
- **REALISTIC**—do you have the **RESOURCES** to achieve the goal?
- **TIME-BOUND**—specific timeline for accomplishment of the goal

For wise financial planning, it's often best to break your goals into three categories:

- **Short-term goals** include the things you want to do this year. Short-term goals may be really small such as buying your daughter a new prom dress, or they may be somewhat larger such as planning a family vacation.
- **Mid-term or intermediate goals** are things you want to do in the next two to five years. An intermediate goal may be to purchase a new car or to save the down payment you'll need to purchase a home.
- **Long-term goals** are those goals that will take five or more years to accomplish. Long-term goals may be paying off a mortgage, putting your children through college or funding your retirement account.

Next, plan action steps to meet your goals. For example, think through all of the things you want to accomplish this year. These are your short-term goals. Then add the costs of these goals and divide by 12 (months) or the number of paychecks you receive (26 if you are paid every two weeks). This is the amount you need to save (budget) from every paycheck to accomplish your short term goals. These examples may help get you started:

## Short-term Goal Work Sheet

	Example	My Goal
<b>S</b> pecific	I want to take my family to the beach for summer vacation.	
<b>M</b> easurable	 I'll need \$1,200.	
<b>A</b> ttainable	I will avoid the vending machine at work by bringing healthy snacks from home.	
<b>R</b> ealistic	 I'll save \$100 a month for 12 months.	
<b>T</b> ime bound	I want to save all the money by July 1 <sup>st</sup> , _____ (year).	

## Mid-term Goal Work Sheet

	Example	My Goal
<b>S</b> pecific	 I want to save the down payment and closing costs for a new family home.	
<b>M</b> easurable	I'll need a down payment of \$3,600 to cover all costs.	
<b>A</b> ttainable	I will be able to save the money I need by paying off my credit cards and taking my lunch to work.	
<b>R</b> ealistic	 I'll save \$100 a month for 36 months.	
<b>T</b> ime bound	I want to save all the money by by July 1 <sup>st</sup> _____ (year).	

## Long-term Goal Work Sheet

	Example	My Goal
<b>S</b> pecific	 <p>I want to help my child with his/her college education.</p>	
<b>M</b> easurable	<p>I'll need \$12,000 to assist my child with living expenses.</p>	
<b>A</b> ttainable	 <p>I will start now (my child is an infant) by establishing a college fund and making regular contributions.</p>	
<b>R</b> ealistic	<p>I'll save \$50 a month for the next 18 years. With interest earned, I'll exceed my goal of \$12,000.</p>	
<b>T</b> ime bound	<p>I want to save all the money by by May 1, _____(year).</p>	

**These key thoughts may help you stay motivated:**

- **Know your course!** Goal setting gives us direction and keeps us from getting lost in life.
- **Stay on course!** Write **SMART** (Specific, Manageable, Attainable, Realistic and Time-bound) goals to help you stay on course. You are more likely to achieve goals that are written.
- **Keep your eyes on the horizon!** Planning long-term goals makes your dreams a reality!

<p>Adapted from: Reichel, C. (1998). <i>Your Path to Home Ownership</i>. Baton Rouge, La.: LSU AgCenter.</p>	
<p>Additional References:</p> <ul style="list-style-type: none"><li>• Federal Deposit Insurance Corporation. (2008). "Money Matters." <i>Money Smart</i>. Retrieved April 18, 2008 from <a href="http://69.0.254.19/www/MS/english/main.htm">http://69.0.254.19/www/MS/english/main.htm</a></li><li>• National Endowment for Financial Education. (2006). <i>High School Financial Planning Program: Student Guide</i>. Greenwood Village, Colorado. National Endowment for Financial Education.</li><li>• O'Neill, B. &amp; Ensle, K. (2006). <i>Small Steps to Health and Wealth</i>. Ithaca, NY. Natural Resource, Agriculture and Engineering Service Cooperative Extension.</li><li>• O'Neill, B., Brennan, P., Christenbury, J., Fox, L., Kratzer, C., Leech, I., Philipp, K., Porter, N. Schuchardt, J. &amp; Witter, J. (2002). <i>Investing for your Future</i>. Ithaca, NY. Natural Resource, Agriculture and Engineering Service Cooperative Extension.</li><li>• Tucker, J. (2007). <i>Organize Your Important Papers: What to keep and Where</i>. Baton Rouge, La.. LSU AgCenter Pub. 1842. Retrieved on April 13 from <a href="http://www.lsuagcenter.com/NR/rdonlyres/75630ADE-84D8-4700-8FD9-ID43520E6634/38066/pub1842importantpapersHIGHRES1.pdf">http://www.lsuagcenter.com/NR/rdonlyres/75630ADE-84D8-4700-8FD9-ID43520E6634/38066/pub1842importantpapersHIGHRES1.pdf</a></li></ul>	
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