

How fit are your finances?

Christa E Holmes
Brandon Houk



Lose the negative self image.

- You have to have money to save money.
- Budgets are for people that can't manage their money.
- I don't spend a lot, so where did all my money go?
- Hey, I won't need insurance if I'm dead.
- My credit stinks. Why bother?
- I'll never be able to (buy a house, take a vacation, get a new car).

Leave these thoughts behind. Everyone can take steps to improve their finances. But the first step is taking a look at where you are.

Check out your "bucks" side in a mirror.

Look at six measures of your financial fitness.

Here's the first two...

<p>Net Worth What you own minus what you owe</p> <p>What's a good measure? Positive is good, the bigger the better.</p>	<p>Savings Rate % of income saved each month</p> <p>What's a good measure? 10%, but something is better than nothing.</p>
--	--

And four more...

<p>Debt-to-Income Ratio Monthly debts ÷ gross monthly income</p> <p>What's a good measure? Under 45%, but lower is better</p>	<p>Insurance Replace income and cover costs if catastrophe strikes</p> <p>What's a good measure? It depends. See a licensed agent.</p>
--	---

And two more...

Emergency Savings

Untouched balance in liquid savings accounts set aside, just in case.

What's a good measure?
Enough to cover 2 – 6 months worth of expenses.

Credit Score

A score used by lenders to determine credit offers and rates.

What's a good measure?
It depends on the lender. However, the higher the score, the better the rating.

So, how do you look?

4/11/2008

How Fit Are Your Finances?

5

Set goals and get motivated.

Set some goals based on your current fitness level.

Net Worth	<ul style="list-style-type: none"> Buy appreciating assets. Pay off debts one at a time. Start with high interest rate debts first.
Savings Rate	<ul style="list-style-type: none"> Start a monthly savings plan Increase monthly savings by X% per year Start saving for retirement
Debt-to-income ratio	<ul style="list-style-type: none"> Pay off or consolidate debts Increase income
Insurance	<ul style="list-style-type: none"> Meet with an insurance agent Review coverage and adjust if necessary
Emergency Savings	<ul style="list-style-type: none"> Build up to X months of expenses Start a systematic savings plans for emergencies
Credit Score	<ul style="list-style-type: none"> Review your credit score for accuracy. Improve it over time.

4/11/2008

How Fit Are Your Finances?

6

Need to tone and firm your finances? Start with a routine.

Build a spending plan (budget)

- Track your spending and record every purchase, no matter how small.
- Analyze your spending. Many of your major payments are probably fixed, but you'll be amazed to see how fast small purchases add up to big money.
- Find ways to free up a little more money for other purposes, like saving or paying down debts.

Track your progress

- Tracking your progress is easier if important financial documents are easy to find (statements, bills, titles, etc).
- Set up a "Fit Finances" file cabinet and keep critical financial documents organized.

4/11/2008

How Fit Are Your Finances?

7

Example Spending Plan

My Spending Plan

	Jan		Feb		March	
	Target	Actual	Target	Actual	Target	Actual
INCOME						
Paychecks	\$ 800	\$ 813	\$ 800	\$ 863	\$ 800	\$ 799
Dividend Income	\$ -	\$ -	\$ -	\$ -	\$ 150	\$ 150
Gifts from Parents	\$ 650	\$ 650	\$ 450	\$ 450	\$ 450	\$ 450
Income totals	\$ 1,450	\$ 1,463	\$ 1,250	\$ 1,313	\$ 1,400	\$ 1,399
EXPENSES						
Rent	\$ 450	\$ 450	\$ 450	\$ 450	\$ 450	\$ 450
Utilities	\$ 50	\$ 52	\$ 50	\$ 44	\$ 50	\$ 39
Books	\$ 200	\$ 206	-	-	-	-
Grocery	\$ 70	\$ 77	\$ 70	\$ 65	\$ 70	\$ 87
Dining Out	\$ 50	\$ 47	\$ 50	\$ 53	\$ 50	\$ 46
Phone	\$ 55	\$ 55	\$ 55	\$ 55	\$ 55	\$ 55
Medical	\$ 10	\$ 22	\$ 10	\$ 10	\$ 10	\$ -
Pet Care	\$ 50	\$ 47	\$ 50	\$ 53	\$ 50	\$ 46
Insurance	\$ 70	\$ 69	\$ 70	\$ 68	\$ 70	\$ 72
Car	\$ 150	\$ 147	\$ 150	\$ 187	\$ 150	\$ 165
Clothes, Shoes, Jewelry	\$ 50	\$ 43	\$ 50	\$ 34	\$ 50	\$ 65
Dry Cleaning/Laundry	\$ 15	\$ 13	\$ 15	\$ 10	\$ 15	\$ 23
Hair/Manicure/Facial	\$ 50	\$ 54	\$ 50	\$ 43	\$ 50	\$ 37
Bank Fees	\$ -	\$ 3	\$ -	\$ 3	\$ -	\$ 3
Gifts	\$ -	\$ -	\$ -	\$ 50	\$ -	\$ -
ATM Cash Withdrawals	\$ 20	\$ 22	\$ 20	\$ -	\$ 20	\$ 22
Misc	\$ -	\$ 34	\$ -	\$ 34	\$ -	\$ 34
Total Expenses	\$ 1,290	\$ 1,457	\$ 1,090	\$ 1,199	\$ 1,090	\$ 1,110
Cash short/extra	\$ 160	\$ 6	\$ 160	\$ 114	\$ 310	\$ 279
Study Abroad Budget	\$ 42	\$ 6	\$ 78	\$ 78	\$ 42	\$ 42
Extra (Savings, Fun, Etc)	\$ 118	\$ -	\$ 82	\$ 76	\$ 268	\$ 237

4/11/2008

How Fit Are Your Finances?

8

Financial fitness resources

WaMu

- For more information about the products and services available to help you with your financial fitness, visit a store and talk to one of your friendly WaMuliens.
- Customer Service at 1-800-788-7000
- From www.wamu.com ; go to the Planning Center and look for Personal Finances 101. You can find information on credit scores, budgets and much more.

Credit Bureaus

- Equifax 1-800-525-6285
- Experian 1-888-EXPERIAN (397-3742)
- Trans Union 1-800-680-7289

Deposits at Washington Mutual are FDIC insured.

4/11/2008

How Fit Are Your Finances?

9

Appendix

How can WaMu help you flex your finances?

Free up some money by eliminating unnecessary fees	<ul style="list-style-type: none"> • Switch to a WaMu Free Checking account. It offers a host of freebies. Why pay fees if you don't have to?
Make saving easy	<ul style="list-style-type: none"> • Transfer money automatically from a WaMu checking account into savings each month. It's an easy way to start and continue the savings habit.
Build an emergency cushion	<ul style="list-style-type: none"> • Choose from three liquid savings accounts that earn interest to help build your emergency fund.
Avoid late fees and use that money for other parts of your plan	<ul style="list-style-type: none"> • If some of your money is spent on late fees, consider using free Personal Online Bill Pay to schedule recurring payments. Make sure you schedule payments at least four days before they are due.

4/11/2008

How Fit Are Your Finances?

10

Appendix

More ways to bulk up & trim down.

Systematically pay down debts	<ul style="list-style-type: none"> • Schedule bi-weekly payments with free Personal Online Bill Pay. Take a fixed monthly payment and divide it by two. Pay that amount every two weeks. In a year, you'll make 26 bi-weekly payments. It's like making one extra payment each year.
Buy assets	<ul style="list-style-type: none"> • WaMu can help you buy assets, like a home (subject to credit approval). If the asset appreciates, it can help build your net worth. • You can meet with a licensed WM Financial Services representative to discuss non-FDIC insured investment options.
Access to your credit score	<ul style="list-style-type: none"> • With the WaMu MasterCard credit card you get free access to your credit score online. You can monitor and track changes. • Use the credit card for emergencies if necessary.
Insurance coverage	<ul style="list-style-type: none"> • You can meet with a WaMu Insurance licensed agent to evaluate your needs and purchase coverage.

4/11/2008

How Fit Are Your Finances?

11