IMPROVE YOUR FINANCIAL KNOWLEDGE IN JUST 12 PAGES.

60 MINUTES *to* CHANGE

PETER DUNN
PETE *the* PLANNER

PERSONAL FINANCE

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The FOUR STAGES *of your* FINANCIAL LIFE

You must progress. But when it comes to money, progression is often mistaken for blind accumulation. Accumulation of things, money and experiences are often the aim. While I choose not to argue today for the value of accumulating money, accumulation can't be your financial guide. It can't be as simple as "you are progressing if you are accumulating money, and you're not progressing if you aren't accumulating money." There's much more to it. There are stages — four stages.

Your aim is to complete the tasks and markers within one classification, and then move on to the next. This will allow you to focus on the right things. This will allow you to progress consistently. And not to get all dramatic up in here, but progressing through these four stages will change your financial life.

SURVIVING

- ❍ Credit card debt free
- ❍ One month worth of household expenses saved
- ❍ Life insurance purchased for ten times your income
- ❍ Household budget maintained on a regular basis

DRIVING

- ❍ Three months worth of household expenses saved
- ❍ Student loan debt free
- ❍ Will or trust documentation completed
- ❍ Retirement account contributions being made "up to the match"

ARRIVING

- ❍ Maximum retirement account contributions
- ❍ Saving at least 20% of your take-home pay *(in addition to retirement fund contributions)*
- ❍ No car payment

THRIVING

- ❍ Charitable giving plan in place
- ❍ Home paid off
- ❍ Retirement plan in place, fully funded and ready to payout when necessary
- ❍ No need for earned income. Passive income pays the bills.

CREDIT REPORT

There is one document that will tell you more about your financial life than anything else available: your credit report. Many people want their credit report so that they can see their credit score. That is the wrong approach. Your credit report is important because it tells you how your creditors view you. It shows your strengths and your flaws. It shows your challenges and your opportunities. Learn how to read it, and you'll instantly improve your financial awareness.

GO TO ANNUALCREDITREPORT.COM.
IT IS FREE.

YOU CAN GO TO THIS SITE ONCE PER YEAR TO CHECK ON YOUR CREDIT REPORT. BE SURE TO PRINT OUT YOUR REPORT.
You can't re-access your report for one year.

NOTES ABOUT YOUR CREDIT REPORT

BE SURE TO LOOK FOR THE FOLLOWING ITEMS ON YOUR CREDIT REPORT:

- ❍ Total accounts
- ❍ Open accounts
- ❍ Closed accounts
- ❍ Delinquent items
- ❍ Derogatory items
- ❍ Balances
- ❍ Payments
- ❍ Public records
- ❍ Inquiries

DEBT

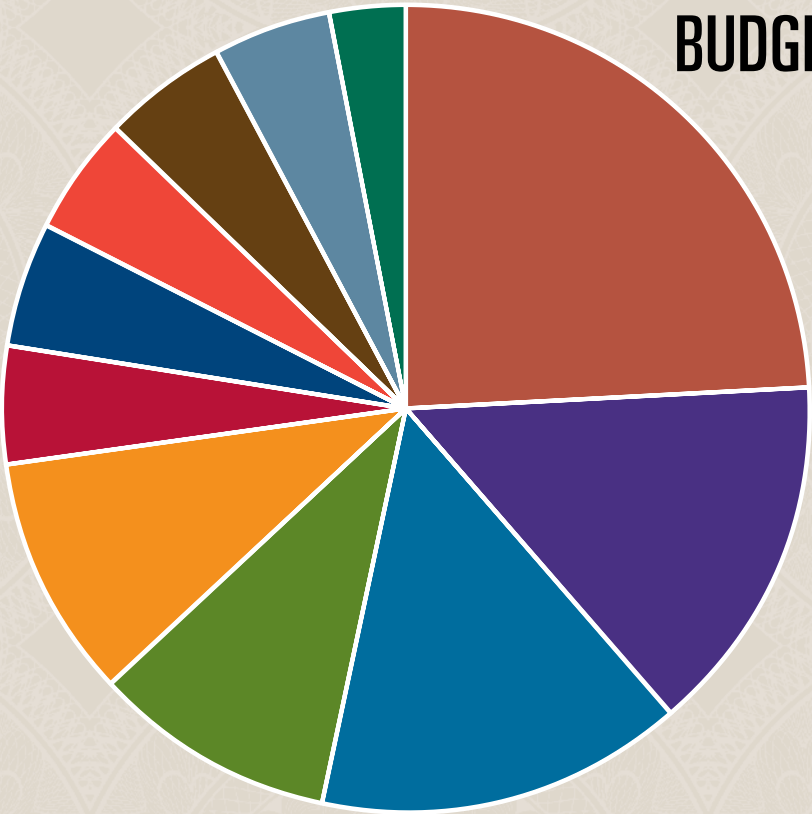
One of the primary causes of financial stress is debt. Whether you are dealing with car loans, credit cards or student loans, debt can be a burden that derails you financially for decades. You can change that.

In order to get out of debt, you will need a concentrated effort and plan. You bring the effort; here's the plan. List every single debt you have in the table below. List them from smallest balance to highest balance. Be sure to include all debts: credit cards, medical bills, student loans, car loans, mortgage, etc.

	DEBT	BALANCE	MINIMUM PAYMENT	NEW MONTHLY PAYMENT
TOTAL				

Here's how the plan works. After you've listed your debts from smallest balance to largest balance and the associated minimum payments, start paying minimum payments on every single debt that you have. Take all the extra money that you used to pay towards each individual debt and the money you have freed up through effective budgeting, and put all of that money towards the debt with the lowest balance. Do this every month until the debt with the lowest balance is paid off. Once it's paid off, then move to the next one. This is your plan. Now it's time for your concentrated effort.

The IDEAL BUDGET



25% HOUSING
$

10% UTILITIES & PHONE
$

5% HOLIDAYS/GIFTS
$

15% TRANSPORTATION
$

5% CHARITY
$

5% CLOTHING
$

12% GROCERIES/DINING
$

5% ENTERTAINMENT
$

3% MISC
$

10% SAVINGS
$

5% MEDICAL
$

YOUR MONTHLY HOUSEHOLD INCOME $

HOUSING		TRANSPORTATION	
Mortgage/Rent		Car Payment A	
Electric		Car Payment B	
Gas		Gasoline	
Phone		Maintenance	
Cell		Auto Insurance	
Cable		License Plates	
Internet		Total	
Water			
Waste		**FOOD**	
Lawncare		Groceries	
Homeowners Assoc.		Coffee	
Other		Work Lunch	
Total		Dining Out	
		Total	

BUDGET

PERSONAL CARE		EXISTING DEBT	
Clothing		(CREDIT CARDS, STUDENT LOANS) NOT CARS Debt Payment #1	
Cleaning/Laundry		Debt Payment #2	
Hair Care		Debt Payment #3	
Medical		Debt Payment #4	
Books/Subscriptions		Debt Payment #5	
Entertainment		Debt Payment #6	
Gifts		Debt Payment #7	
Pets		Debt Payment #8	
Total		Total	

SAVINGS AND INSURANCE	
Savings	
Life Insurance	
IRA/Roth IRA	
College Savings	
Total	

TOTAL

LIFE INSURANCE

You need life insurance. If you are married and have kids, then you probably need to consider life insurance. When you die, your income dies. This is a problem. You need to make sure that your income is replaced when you aren't here. You can do this by purchasing life insurance.

How much life insurance do you currently have?

Now, multiply your income by 10.

What's the difference between those two numbers?

That's how much life insurance you need to protect your family. It's that simple.

How much money do you have on hand right now in your emergency fund (checking account, savings account or money market accounts)?

How much?

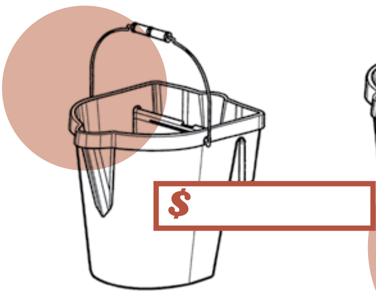
Things that you should not use your emergency fund for: vacation, down payments, holidays and gifts, a dress for an upcoming event, guilt jewelry, consumer electronics, Target clearance or landscaping.

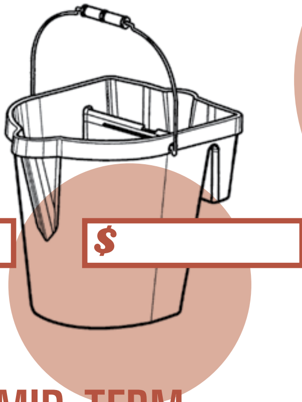
Things that you should use your emergency fund for: insurance deductibles, medical bills, necessary car repairs, pet medical costs, emergency appliance replacement, funding a stay-at-home parent on a temporary basis, job loss or staying out of collections.

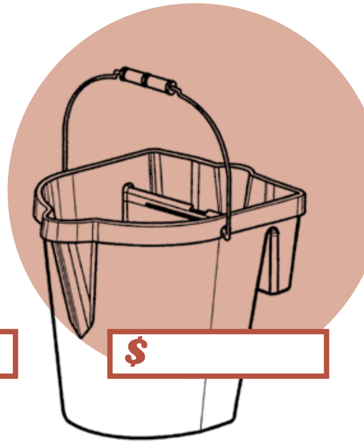
If you currently don't have an adequate emergency fund, then what exactly are you going to do if you have a financial emergency?

WHAT'S IN MY BUCKETS

You have three buckets of money. Well, you SHOULD have three buckets of money. It's okay if you don't — we'll help you with that. These buckets of money will be all you need to help you along your financial journey.







SHORT-TERM

Bucket #1 is your short-term savings. It consists of three months' worth of your household expenses. When this bucket has three months worth of expenses, stop putting money in it. If you need money for an emergency, then take the money from this bucket. It is your permanent emergency fund.

MID-TERM

Bucket #2 is your mid-term savings. This consists of down payment money, college funds and any other amount of money that isn't specifically dedicated to your emergency fund (Bucket #1) or retirement (Bucket #3). You may choose to simply save this money, or you may choose to invest this money. Whatever you choose, make sure you talk to a professional before you take undue risk.

LONG-TERM

Bucket #3 is your long-term savings. You commonly refer to this as your retirement money. Technically speaking, you can't touch this money until you are 59½ years old. Is that a ridiculously random age? Yes. Are you in trouble if you don't have any money in Bucket #3? Absolutely. You should start contributing to Bucket #3 as soon as you get a job. Contribute to your retirement account through your employer at least up to what the employer matches (if they have a match).

NET WORTH

One of the best ways to measure your financial progress is to monitor your net worth. While you may have assets, you may also have debts. In order to measure your net worth, you must simply subtract your debts from your total assets. What are your assets? Good question. Assets include your checking account, your savings account, money market accounts, investment accounts, retirement accounts and real estate. Be sure to include the FULL market value of your home in your assets. We will offset your mortgage in the debt section below.

WHAT'S YOUR ASSET TOTAL?

We calculated your total debt on page 3. Write that debt total below.

WHAT'S YOUR DEBT TOTAL?

Subtract the debt from the assets. This is your net worth. It may be positive. It may be negative. Your goal is to make it go in the right direction. You can do this by paying down debt. You can do this by saving money. Or you can do this by doing both. **Do both.**

NET WORTH

SET THE GOALS THAT WILL DRIVE GOOD BEHAVIOR

"IF YOU DON'T SET GOALS AND OBJECTIVES, YOU GET TO LIVE SOMEONE ELSE'S."

What happens if you have a bad dining out month, and you don't have goals to measure your mistake against? Nothing. That's right, nothing. You won't think twice about overspending if you don't have financial goals. And what's more, you need to set short, meaningful goals that drive you towards your goals for financial success.

As you write your goals, be sure to be very specific. For instance: "pay off a credit card" is a good goal, but it's not specific enough. Instead, you should write "pay off the last $600 of my Discover card." Get it?

What financial goals do you want to accomplish in the next 30 days? (e.g. hold budget meeting or save an extra $300)

1 ______________________________

2 ______________________________

3 ______________________________

What financial goals do you want to accomplish in the next 90 days?

1 ______________________________

2 ______________________________

3 ______________________________

These goals are your guide.

Keep them close, and look at them often.

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