

Financial Planning = Life Planning

Nick Kelly - April 27, 2024

About Me

Nearly two decades of corporate finance experience, particularly in financial planning & analysis roles, from individual contributor to head of department, for international businesses

Currently VP, Finance & Accounting at OtterBox

MBA in Finance from Brigham Young University

Have lived in Fort Collins since 2008, with 5 children and my lovely wife, Laurel



Presentation Materials

Want to follow along?

Scan QR code to the
right or email me at
nickkelly2@msn.com



Why Financial Planning?

3.6%

Current US savings rate (Feb '24)

60%

of Americans do not have enough money to cover a \$1,000 emergency expense

75%

Of Americans feel some level of financial stress with 25% experiencing extreme levels

8X

Your salary is how much you should have saved for retirement by age 60.

20-40%

of divorces are attributed to unreconcilable differences due to finances

“We encourage you wherever you may live in the world to prepare for adversity by looking to the condition of your finances. We urge you to be modest in your expenditures; discipline yourselves in your purchases to avoid debt. If you have paid your debts and have a financial reserve, even though it be small, you and **your family will feel more secure and enjoy greater peace in your hearts.**”

First Presidency - (All Is Safely Gathered In: Family Finances [2007]).



Where do I start?

“Personal Finance is 80%
behavior. It is only 20%
head knowledge.”

Dave Ramsey

“The Church follows the practices taught to its members of living within a budget, avoiding debt, and saving against a time of need.”

Jared B. Larson,
Church Auditing Department, Managing Director

Steps to Financial Security

Living within a Budget

- Evaluate current situation: income vs. expenses
- Set goals
- Track progress
- Have discipline and stick to it!

Avoiding Debt

- Do not carry a balance on credit cards
- A good rule of thumb is that any debt you enter into should only be done with the intention to grow long-term wealth (i.e. advanced education or certification, or a modest home)
- Get out of debt as quickly as possible

Saving for a Time of Need

- Every family should have an emergency fund of 3-6 months of expenses
- Invest for retirement early

Living within a Budget

Budgeting Principles

- **Constraints** or **Limited Resources**. Everyone has limited time & money. It should be a priority to optimize those resources based upon the greatest return or value gain. What matters most to you?
- **Opportunity Cost** is what you are unable to do because you have spent your resources on something else
- **Financial Planning** is the process of evaluating your goals and desires and planning your investments in such a way that helps to accomplish your goals.
- **Budgeting** and living within a budget is your financial plan in practice. This involves measuring your net income, classifying and tracking expenses, and setting aside funds for emergencies or other long-term goals.
- Live within your means and **Avoid Debt**

Budgeting

An iterative process

Measure: Track expenses and income and any variance to your plan.

Execute: Work the plan, be disciplined



Evaluate: Assess your current situation and where you want to be

Plan: Create a detailed action plan on how you are going to achieve those goals

“Measurement is the first step that leads to control and eventually to improvement. If you can't measure something, you can't understand it. If you can't understand it, you can't control it. If you can't control it, you can't improve it.”

Dr. H. James Harrington

Measure

- The first step is to establish a “baseline”.
- Determine your **Net income**. This is your monthly income, after taxes, that you have to spend. These should be consistent cash inflows from your job, social security, annuity payments, funds from retirement accounts, etc.
- Track your **detailed expenses** for a month. You need to understand where you currently are spending your money. Keep your receipts and put the details in a spreadsheet. Classify your expenses between necessities and wants. Be honest with yourself and gain outside perspective, this will help you in the next step in the budgeting process.
- Document all of your **debt** and all of your **savings** accounts. As you document your debt, take note of your monthly payment amount and your annual interest rate
- As you consider your expenses and income, you should understand the “seasonality” of your income or expenses (e.g. utility expenses or availability of work in certain industries could depending on weather)

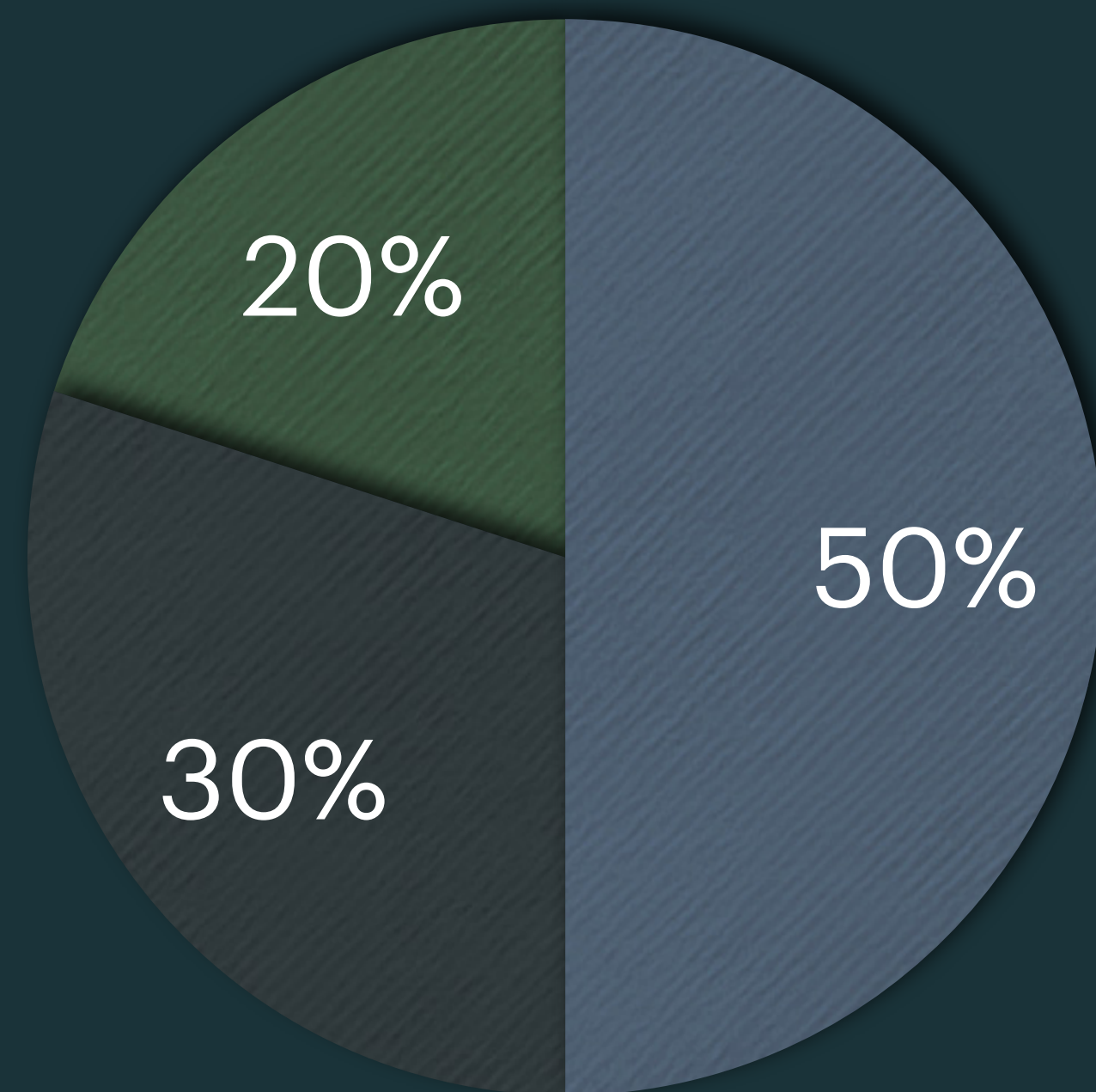
Evaluate

- Now that you have tracked your income and expenses, it is time to gain perspective on your financial situation
- Ask your self these questions regarding your current financial situation:
 - What is going well? What is not going well? What are you unsure about? What is missing?
 - If you need help, compare your financial situation to established benchmarks. A few examples include the 50/30/20 rule, 3-6 months of emergency savings, setting aside 15% of your income to retirement savings, etc.
- Where do you want to be in future and what will it take to get there?
 - For example: “I want to be debt free in 5 years”, “I want to pay for my child’s college education”, “I want to take a family vacation to Florida”, “We want to serve a mission”, etc.
 - What are you willing to sacrifice now to benefit in the future?

50-30-20 Budget Guidelines

$50+30+20 = 100$, in other words, live within your means

● **Necessities** ● **Wants** ● **Savings**



- **Necessities** - This should be no more than **50%** of your net income
 - Housing, Transportation, Food, Clothing, Insurance (Health & Care), Utilities
- **Wants** - **30%**
 - Items that are above the minimum need, vacations, unnecessary clothing expenses, upgrades to cell phones, newer cars, etc.
 - This is the first category that should flex when faced with hardship
- **Savings** - **20%** is a good starting point, but don't limit yourself to only this amount.
 - Includes building an emergency fund, retirement accounts (IRA, 401(k)), savings accounts, setting aside money for long-term real estate, debt payment acceleration plans



Plans are worthless, but
planning is everything...

Dwight Eisenhower

Plan

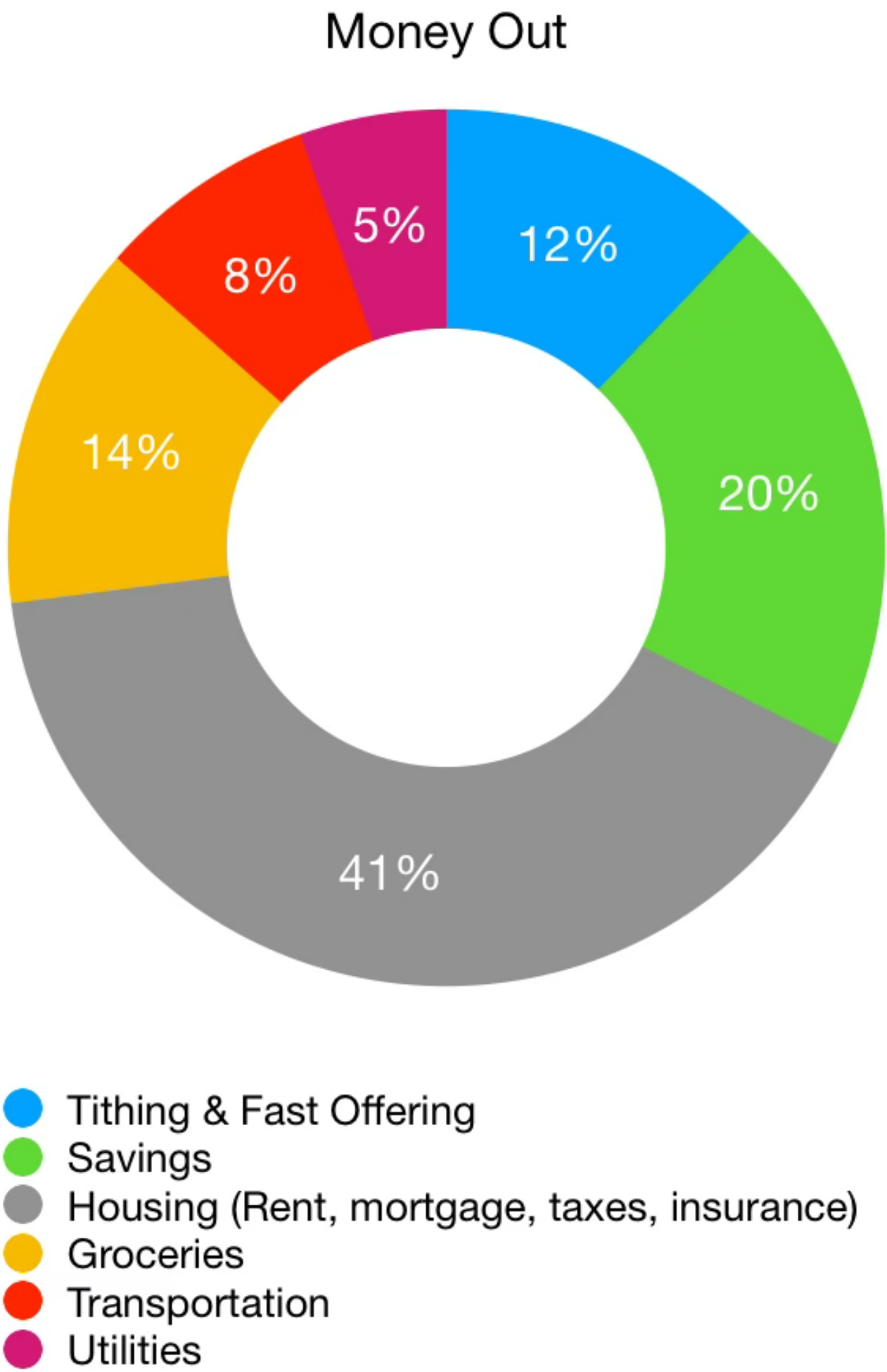
- The two great commandments of financial planning: **Pay the Lord first; pay yourself second**
 - Pay your tithing and a generous fast offering first and the Lord will bless you
 - Establish an aggressive savings goal. Many take the approach that they will save what is “left-over”, but find that there is little left. Who likes leftovers anyway?
- Determine how much you are going to spend on your necessities and your wants.
- If your income minus your expenses is a negative number, you need to revisit because you are not living within your means
- What are you willing to give up now to reach your goals (remember opportunity costs)?

Budget

Money In	
Paycheck	\$3,750
Additional income	\$0
Total income	\$3,750

Money Out	
Tithing & Fast Offering	\$450
Savings	\$750
Housing (Rent, mortgage, taxes, insurance)	\$1,500
Groceries	\$500
Transportation	\$300
Utilities	\$200
Dining, travel, entertainment	\$300
Total expenses	\$4,000

Money Left Over	
Income minus expenses	-\$250

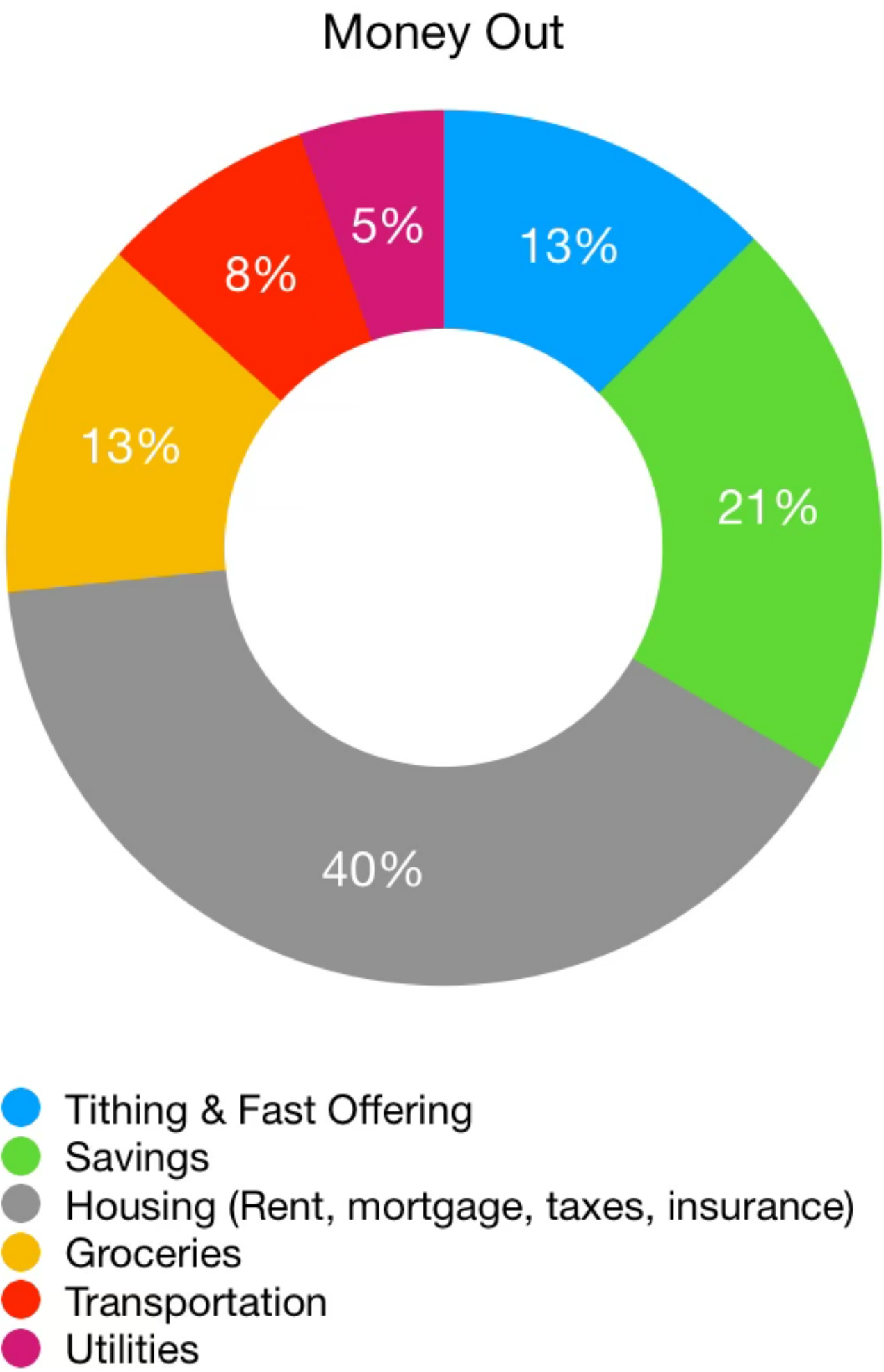


Budget

Money In	
Paycheck	\$3,750
Additional income	\$175
Total income	\$3,925

Money Out	
Tithing & Fast Offering	\$471
Savings	\$785
Housing (Rent, mortgage, taxes, insurance)	\$1,500
Groceries	\$500
Transportation	\$300
Utilities	\$200
Dining, travel, entertainment	\$150
Total expenses	\$3,906

Money Left Over	
Income minus expenses	\$19



Execute

- Now that you have established goals and created a plan, it is time to execute.
- Here are some tips to stick to the plan
 - Automate your savings: For example, If your employer offers direct deposit, automatically direct a certain percentage of your take home pay into a separate savings account
 - Envelope system: Use cash for your expenses, separated according to the various categories that you have established. For example, if you have \$200 a month for groceries, set that in cash in an envelope and use it to pay for your groceries. Don't spend more than you have in that envelope until it is replenished the next month.
- Continue to keep receipts and track your expenses

Measure...

Keep going

- Now that you have executed the plan, how did you do?
- Review your expenses and income for the month. Did you stick to the plan? Were there any variances?
- Did your debt go down and your savings go up?
- Keep going, financial security is not achieved overnight

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An iterative process

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Execute: Work the plan, be disciplined



Evaluate: Assess your current situation and where you want to be

Plan: Create a detailed action plan on how you are going to achieve those goals

Avoiding Debt

Debt and Financial Planning

Is there an acceptable amount of debt?

- “It is my will that you shall pay all your debts” (D&C 104:78)
- Once you are in debt, you find that interest has no mercy. It continues to accumulate, regardless of your situation—whether you are employed or jobless, healthy or sick. It never goes away until the debt is paid... If you do incur debt, such as a **reasonable amount in order to purchase a modest home or complete your education**, work to repay it as quickly as possible and free yourself from bondage.” - True to the Faith
- “I am suggesting that the time has come to get our houses in order...Self-reliance cannot obtain when there is serious debt hanging over a household. One has neither independence nor freedom from bondage when he is obligated to others.” - President Gordon B. Hinkley
- My personal take, is that the only acceptable debt is one that would improve your financial situation in the long-term.

Debt

Freeing yourself from bondage

- If you are in debt, here is a Debt vs. Savings priority list
 1. If your employer matches your retirement contributions, take advantage of those if possible
 2. Payoff credit card debt and other “toxic”, high-interest debt
 3. Establish basic emergency savings, then establishing a more significant savings balance after completing the next step (#4)
 4. Focus on paying off student loans or other personal loans, including car loans

Debt

Freeing yourself from bondage

- Debt Acceleration Plans
 - Cut back on wants and put toward debt, consider getting a second job and putting toward debt payments.
 - Consider selling non-retirement assets and putting toward debt.
 - Debt Snowball payments (put extra payments toward the smallest balance first)
 - Debt Avalanche (start with the highest interest rates first)

Saving for a Time of Need

Build Savings

Be prepared for the rainy day.

- Every family should have 3-6 months of expenses saved in a relatively liquid (accessible) place
 - Expenses that count are those that you would not be able to cut out in an emergency. Likely you could cut back on your “wants” if needed in an emergency
 - The same principles that are used to get out of debt (i.e. debt payment acceleration), can be used to more quickly build up emergency savings
- Investing for retirement early gives time for savings to accumulate and compound. Invest 15% of your income towards retirement to build financial security
- Once you have an emergency savings, you can take advantage of less liquid, higher return investments.
- Interest is your enemy when it comes to debt, but is your ally when it comes to savings (compounding)

Thank you!

Financial Calculators

Financial calculators that could help members become more financially secure:

How soon could I pay off all my debts?

How much should I save for emergencies?

Where is my money going?

Would spending a little less and saving a little more make a difference?

How long will it take to pay off my credit card?

When will my loan be paid off?

Other Helpful Things

- Rule of 72 (divide 72 by interest rate to see how many years it would take to double)
- Climbing out of Debt
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