



# TAKE CHARGE



PROTECT YOUR FAMILY'S  
FINANCIAL SECURITY  
IN TOUGH TIMES



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# TAKE CHARGE

**F**inancial security is the comfort of knowing your family's standard of living is secure even when a life-changing event occurs. It is also about having the means to achieve your most important goals, like owning a home or sending your children to college. Many of us are working hard to reach those goals. Some of us may have achieved them. But ongoing economic turmoil has been a rude wake-up call for all of us. We have seen events beyond our control decimate our savings and retirement accounts, knock down the value of our homes and diminish our job security.

In the face of this adversity, it's important to understand that we are not helpless. We each have the ability to build—or rebuild—a solid financial foundation using the same building blocks as before—a combination of savings, insurance and investments.

Granted, in today's tough economic times, it may take a little longer to get there. But that makes it all the more important to put a game plan in place, set priorities and begin moving in the right direction. If there's less to work with, you'll need to make the most of all your financial resources. But how do you do that? Where do you start?

Here are 10 principles to consider when putting together a long-term financial strategy for you and your family. These are simple steps anyone can take, and they apply whether you have just begun to think about these issues or you already have a detailed plan in place.

Knowing what to do with your money and whether you're making the right decisions need not be a huge source of stress. Start with a vision of your goal in mind and the determination to make it happen. Once you've done that, the steps outlined in this brochure will go a long way toward helping you achieve greater financial peace of mind.

How many of these issues have you thought about recently? If you're like most people, probably not enough of them.

- 1 **Protection first**
- 2 **Life insurance is a must**
- 3 **Save money regularly**
- 4 **Keep debt in check**
- 5 **A simple investment strategy often works best**
- 6 **Home ownership can still pay**
- 7 **Understand your employee benefits**
- 8 **Plan for your children's education**
- 9 **Make the tax laws work for you**
- 10 **Get help from a professional**



# 1

## PROTECTION FIRST

The first step in strengthening your family's financial future is to face some worst-case scenarios. What if you lose your job, or your salary and benefits are cut? What would happen if you or your spouse became sick or injured—or died? Everyone needs ready financial resources—emergency savings, life, health and disability insurance—to fall back on. If hard times have reduced your ready cash and emergency funds, the insurance component of your safety net becomes all the more important. These building blocks of financial security need to be in place before you begin to tackle savings issues like college and retirement.



## FINANCIAL SECURITY CHECK LIST

# 2

## LIFE INSURANCE IS A MUST

In times like these, life insurance may seem like a luxury, but it is anything but that. If someone will suffer financially when you die, life insurance becomes essential. If you are a breadwinner, life insurance will replace some or all of your income if you die. Even if you don't work outside the home, you still provide services that are expensive to replace, like childcare and household chores. Life insurance can also help cover funeral costs, wipe out debts, pay off your mortgage and fund longer-range needs like college or retirement.

If you're a business owner, a properly structured life insurance program can safeguard the finances of both your business and your family.

How much life insurance is enough? The nonprofit Life Happens' Life Insurance Needs Calculator at [www.lifehappens.org/howmuch](http://www.lifehappens.org/howmuch) can help you figure it out.

### Do you have good answers for all of these questions?

- ☐ How long could you be out of work before paying the monthly bills would be a problem?
- ☐ If you were to die tomorrow, would your family members have enough money to maintain their lifestyles or would they have to begin making financial sacrifices almost immediately?
- ☐ How much of your take-home pay is earmarked for savings?
- ☐ Do you feel like you're on track to save enough money for your kids' college education?
- ☐ When is the last time you reviewed the investments in your 401(k) plan?
- ☐ Is the balance on your credit card statement growing or shrinking?

## 3

**SAVE MONEY REGULARLY**

Savings are the key to help protect your family from the economic storms that blow in from time to time. The more you have saved, the more flexibility you will have to deal with any financial setbacks you encounter later on.

You don't have anything "extra" to save? There's rarely any extra. Saving means sacrificing something today so you'll have something to fall back on in the future. Get in the habit. Make savings part of your monthly budget. The power of compound interest can really add up. Just \$25 a week set aside over 15 years builds a nest egg of more than \$29,000, assuming an average 5% annual return.

There are many simple ways to save consistently. Your employer may offer a stock or retirement savings program funded by regular contributions from your paycheck. Many mutual funds allow you to invest in shares on a regular basis. This is called dollar-cost averaging, and it can be a good way to build long-term wealth.<sup>1</sup>

## 4

**KEEP DEBT IN CHECK**

Nothing saps the health of a savings program more than too much debt, especially credit card debt. Avoid it whenever possible. It's expensive! People with high levels of debt are often charged higher interest rates than others and they tend to pay higher fees as well. Make paying off your debts a top priority. If you need to reduce credit card debt, try consolidating it onto the lowest-rate card you can find. Consider a credit counselor if your bills have gotten out of hand, but choose carefully. Some charge excessive fees. Try negotiating with creditors yourself. Some may be willing to reduce what you owe rather than risk writing off the entire debt.

<sup>1</sup> Dollar-cost averaging does not guarantee a profit nor remove the risk of loss in a declining market.





# 5

## A SIMPLE INVESTMENT STRATEGY WORKS BEST

The plunge in stock and bond prices has made many people understandably gun-shy about investing in the markets. But it's important to earn a return on your savings that will outpace inflation, and stocks and bonds remain good vehicles for doing just that.

Investing doesn't have to be complicated or difficult to understand. In fact, the best strategy may be a simple one that is easy to implement and maintain. Remember the old adage, "Don't put all your eggs in one basket"? This is particularly important when it comes to investing. Diversifying your savings among different holdings—by buying a mutual fund, for example—is less risky than investing in a single security. Always take into account your tolerance for risk and your time horizon when investing. Consult with a financial professional for additional advice.



## HOME OWNERSHIP CAN STILL PAY

# 6

Despite the tumult in the real estate and mortgage markets, owning your home can still be an important part of a long-term financial strategy. You get a tax deduction for the interest you pay on your mortgage, and that reduces your annual income tax bill. As you pay down your loan over the years, your equity—the value of your investment—will likely grow.

A tip about homeowner's insurance: When insuring your home, the key is to cover its replacement cost, which is not necessarily the same as the price you paid or the amount of your mortgage loan.



## UNDERSTAND YOUR EMPLOYEE BENEFITS

7

Many companies provide valuable protection through employer-sponsored life, health and disability benefit plans. You should know what they cover and how they work. In some instances, you may have the option to increase the amount of a certain benefit—such as life or disability insurance—through an automatic payroll deduction. Other employers may not pay for certain types of insurance, but may give you the option to purchase coverage on a voluntary, employee-paid basis. This is an option worth looking into because, depending on your situation, you may be able to get a better outcome than if you were to shop for insurance outside of work. And take advantage of your company's 401(k) retirement savings plan. Many companies match employee contributions to these plans. That's like getting free money! Even if your employer offers no match—or has eliminated it—you still gain important tax advantages from investing in 401(k) plans.

## PLAN FOR YOUR CHILDREN'S EDUCATION

8

Don't miss the opportunity to invest in a Section 529 college savings plan. Contributions are tax deductible in many states, and money can later be withdrawn from the plan tax-free to pay for a wide variety of educational costs. Grandparents and other relatives also can contribute to the plan and, in some cases, get tax deductions of their own. Pre-paid tuition plans are another way to save. These plans offer the opportunity to lock in the cost of an in-state education at today's prices. Every state has at least one 529 plan. You aren't limited to your own state's offerings, so shop around. This is an area where an evening's research on the Internet can really pay off.







## 9 MAKE THE TAX LAWS WORK FOR YOU

Contributing to a 401(k) or a 529 college savings plan can help reduce your state and federal income taxes. Every dollar of taxes saved is another dollar you can put toward your savings. Learn more about these kinds of plans as well as other tax-advantaged opportunities, like Health Savings Accounts, health care and dependent care flexible spending accounts, and permanent life insurance.

## GET HELP FROM A PROFESSIONAL\*

# 10

Even a simple financial strategy can benefit from an extra set of eyes, especially if they belong to an insurance or financial professional. Find a professional to help you develop a strategy or evaluate what you already have in place. Ask a friend or relative you trust to recommend someone or get a referral from a trusted advisor like an attorney or accountant.

Making sound choices regarding your insurance coverage and investments is the most important thing you can do to help protect your family's financial security. Take charge now.

\* The information in this brochure is general in nature and is provided for informational purposes only. Please contact a professional for more investment, tax or insurance advice that is specific to your circumstances.



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