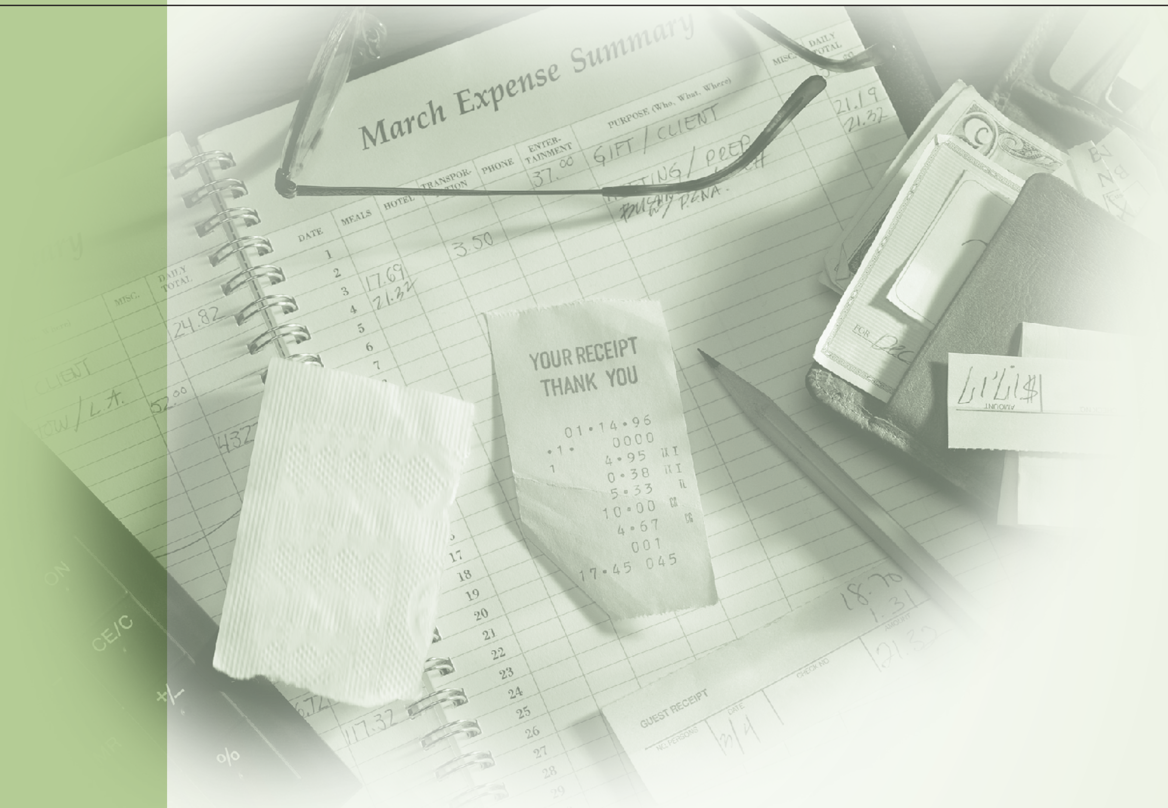
The Family Finance *Workshop*



Participant's Guide

LDS EMPLOYMENT RESOURCE SERVICES
EMPLOYMENT • EDUCATION • SELF-EMPLOYMENT

The Family Finance *Workshop*

Participant's Guide

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Contents

Introduction

About This Workshop

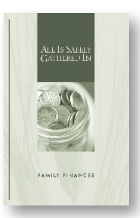
Mastering family financial literacy requires a systematic approach. It is not just about understanding important financial concepts; it is about applying them in a step-by-step, systematic order.

A systematic approach to finances could be likened to baking a cake. If you want your cake to taste good, you must:

- Have the proper ingredients.
- Have the right amount of ingredients (too much or too little will ruin the cake).
- Know how to add each ingredient in the right order (adding the egg after the cake is baked would not yield a very good-tasting cake).

Just as applying a systematic approach helps you successfully bake a cake, learning to apply a systematic approach to your finances will help you enjoy greater success as you:

1. Follow the counsel given by Church leaders, and
2. Rely on ageless foundational principles rather than on popularly accepted financial trends, products, or people.



To gain a better understanding of counsel given by Church leaders, review the pamphlet *All Is Safely Gathered In: Family Finances.* Your Family Finance Workshop facilitator can help you obtain a copy, or you may download a copy at providentliving.org.

Four Principles of Family Finance

This workshop will focus on the following four principles of family finance.

Principle 1: Spending Is Emotional

Money is more about the emotions that surround it than it is about the math. If money were simply a mathematical problem, making more money would solve financial problems. It is not about how much money you will make but how you manage it that counts.

Principle 2: When You Track Your Money, You Control It

Financially speaking, you can have anything you want—but not everything you want. This principle teaches how to discover what things in life you truly value, how to make proper financial choices, and then how to spend according to a plan.

Principle 3: Savings Is Actually "Delayed" Spending

There actually is no such thing as "savings" because every dollar earned is meant to be spent. What matters most is how it is spent. This principle teaches you how to "spend" money for the future by regularly paying yourself first.

Principle 4: Power Down Your Debt to Power Up Your Future

Most people do not understand the real cost of compounding interest. By applying this principle, you can avoid paying others interest and learn how to pay it to yourself instead.

1 Use a Budget

STEP 1 Verify Your Monthly Spendable Income

In order to verify your spendable income, begin by listing your current monthly gross income. If you are salaried, this is easily identified using pay stubs. If you have an irregular income, use your average monthly income based on the past 12 months.

Next, calculate your monthly net spendable income by subtracting income taxes currently being withheld from your paycheck. If you are salaried, this is easily identified using pay stubs. If you have an irregular income, subtract the average monthly tax withheld during the past 12 months.

Record your totals in the top section of the blank Spending Plan form found in appendix B. As needed, refer to the example below from Ruth and Elliot, a fictitious couple.

Ruth and Elliot

Spending Plan

A. SPENDABLE MONTHLY INCOME

	Current
Gross Monthly Income	3,750
Less Tax	526
Total Spendable Monthly Income	3,224

STEP 2 Calculate Your Average Expenditures

1. Once you have verified your monthly spendable income, it is important to review how you spent your money last year. Add up all of your expenditures for the past 12 months. This can be done by taking canceled checks, credit card or bank statements, receipts, and other spending records and spreading them out on a table or on the floor to organize them.

Note: If records of your last 12 months of expenditures are not available, use the last three months' totals or use your best guess. Then keep track of your spending for the next three months. Compare your guesses with your actual expenses and adjust as necessary.

2. Next, arrange your expenditures into spending categories. You will find that most expenditures naturally fall within 18–20 basic categories. Some purchases might span several categories. For example, when you buy groceries, you might also purchase postage stamps, medicines, or other non-grocery items.

Note: If this activity seems tedious, remember that the results of the exercise will pay you big dividends. You will likely find yourself saying, "Why did I buy that?" or, "I am going to do things differently from now on." You will feel some degree of "buyer's remorse" related to some of your purchases.

3. Now that you have calculated your expenses for the past 12 months, list your spending categories on the Spending Plan form and write the total amount for each spending category under the Last 12 Months Totals column.
4. Finally, divide each category by 12 and record your average monthly amount in the Last 12 Mo. Avg. Per Mo. column.

STEP 3

Balance Your Income and Expenditures

Now that you know what your average expenses were for the last 12 months per category, you will *forecast* what your average monthly expenses will be for the next 12 months. It is here that most people have the greatest difficulty, especially if they discover they have been overspending.

To be successful, this process requires families to set priorities. Your expenses cannot be greater than your net spendable income! The following activities can help you set priorities and balance your income and expenditures:

1. Define each spending category as either a fixed or variable expense.

   Fixed expenses are those that cannot be altered easily and that relate to items that you must legally pay (for example, house payment, car payment, insurance payments). Treat tithes and offerings as a fixed expense.

   Everything else is variable. While variable expenses are needed, some discretion is available with them (for example, clothing, food, entertainment). Adjusting these categories may bring you in balance with your spendable income. If not, continue on.

Note: If you are still unable to balance your income with your expenditures, reexamine expenses over which you have almost total control, such as recreation and entertainment. To balance spending, these expenditures must sometimes be abandoned now to free up more spending later.

You may also reexamine your fixed expenses. You might consider eliminating unnecessary utilities (such as telephone features, cable television, or Internet). Or you might try shopping for better rates or higher deductibles with insurance companies or other service providers. You could even work with certain lenders to find a less expensive loan or interest rate. Be cautious; the goal here is to reduce your fixed debt payments, not to add more debt.

2. In order to meet all of your expenses, you might find it necessary to increase your income. LDS Employment Resource Services offers the Career Workshop and the Self-Employment Workshop. These workshops can help you get a raise, find a second job, or even start a small business. However, these resources will not likely provide immediate solutions.

3. If you are in serious financial difficulty, you may have to sell something to bring expenses in line with your income. Perhaps you could sell a piece of land, a car or boat—or even downsize your home. If you have to sell an asset you love, not only will it bring you money to help with your finances, but it will likely give you the incentive to discipline yourself in your desire to be financially free.

Since the early days of the Church, the Lord's prophets have repeatedly warned against the bondage of debt. One of the great dangers of debt is the interest that accompanies it. On this topic, President J. Reuben Clark Jr. has said the following:

"Interest never sleeps nor sickens nor dies; it never goes to the hospital; it works on Sundays and holidays; it never takes a vacation; it never visits nor travels; it takes no pleasure; it is never laid off work nor discharged from employment; it never works on reduced hours. . . . Once in debt, interest is your companion every minute of the day and night; you cannot shun it or slip away from it; you cannot dismiss it; it yields neither to entreaties, demands, or orders; and whenever you get in its way or cross its course or fail to meet its demands, it crushes you" (in Conference Report, Apr. 1938, 103).

Ruth and Elliot

Spending Plan

A. SPENDABLE MONTHLY INCOME

	Current
Gross Monthly Income	3,750
Less Tax	526
Total Spendable Monthly Income	3,224

B. SPENDING CATEGORY EXPENSES

Spending Category	Last 12 Months Totals	Last 12 Mo. Avg Per Mo.	New Budget: Fixed Expense	New Budget: Variable Expense	New Budget: Next 12 Month Forecast
Payment to the Lord					
Tithes & Offerings	4,500	375	375		375
Payment to Self					
Savings	0	0		50	50
Payments to Others					
Auto—Gas & Repair	1,500	125		95	95
Cleaning & Laundry	240	20		10	10
Clothing	1,520	110		45	45
Debt Payment	25,836	1,740	1740		1740
Eating Out	780	65		25	25
Family Activities	300	25		30	30
Gifts	1,440	120		50	50
Groceries	4,200	350		275	275
Home Maintenance	300	25		25	25
Insurance	2,184	182	162		162
Medical, Dental	300	25		25	25
Miscellaneous	876	73		0	0
Property Tax—Car, Home	2,340	195	195		195
Recreation/Entertainment	600	50		25	25
Utilities	1,392	116		72	72
Vacation/Trips	600	50		25	25
Total Expenses	48,908	3,646	2472	752	3224

STEP 4

Record All Expenditures

Once you *forecast* where your money will be spent, you must *track* where it goes.

1. Start by transferring the spending categories from your Spending Plan form to your spending register (provided by your instructor). The cover page shown below will become an index for easy reference when tracking your monthly expenditures.

A-B

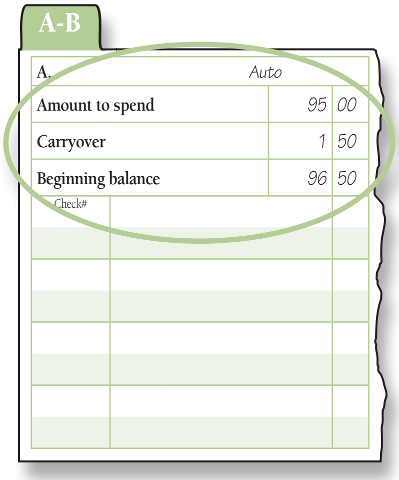
	SPENDING CATEGORY	AMOUNT
A.	*Auto—gas & repair*	95
B.		
C.	*Tithes & offerings*	375
D.	*Debt payments*	1,740
E.		
F.	*Eating out*	25
G.	*Groceries*	275
H.		
I.		
J.	*Home maintenance*	25
K.	*Insurance*	162
L.	*Cleaning & laundry*	10
M.	*Medical, dental*	25
N.	*Clothing*	45
O.	*Family activities*	30
P.	*Property tax*	195
Q.		
R.	*Recreation & entertainment*	25
S.	*Savings*	50
T.	*Gifts*	50
U.	*Utilities*	72
V.	*Vacation/trips*	25
W.		
X.		
Y.		
Z.		
	TOTALS	3,224

2. Next, transfer the monthly spending total into the spending section according to the index:

   a. Use the marked tabs to find the spending category.

   b. Record the category name at the top of the spending section.

   c. Enter the spending amount and any carryover amount (positive or negative amounts from the previous month).



3. Once spending totals have been transferred, record *all* monthly expenditures in your spending register.

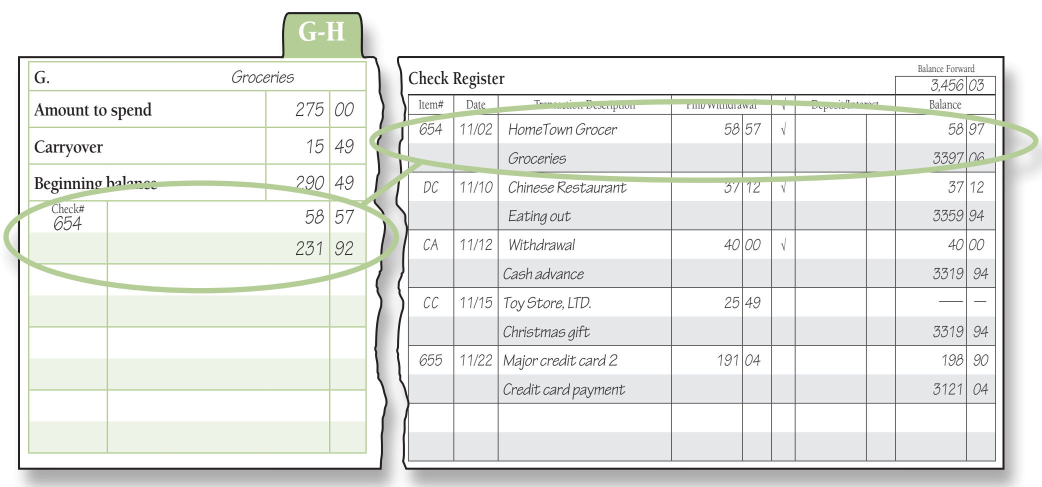
   It is important to record all expenditures made from month to month. Doing so will provide you with an accurate picture of the total amount of money spent in each category. By making this an ongoing activity, you will find ways to refine your spending plan even further.

   Whenever you make a purchase with a check, with a debit card, with cash, or on credit, record the expense in your spending register. Doing so will allow you to quickly see how much money you have available to spend in each spending category prior to making a purchase.

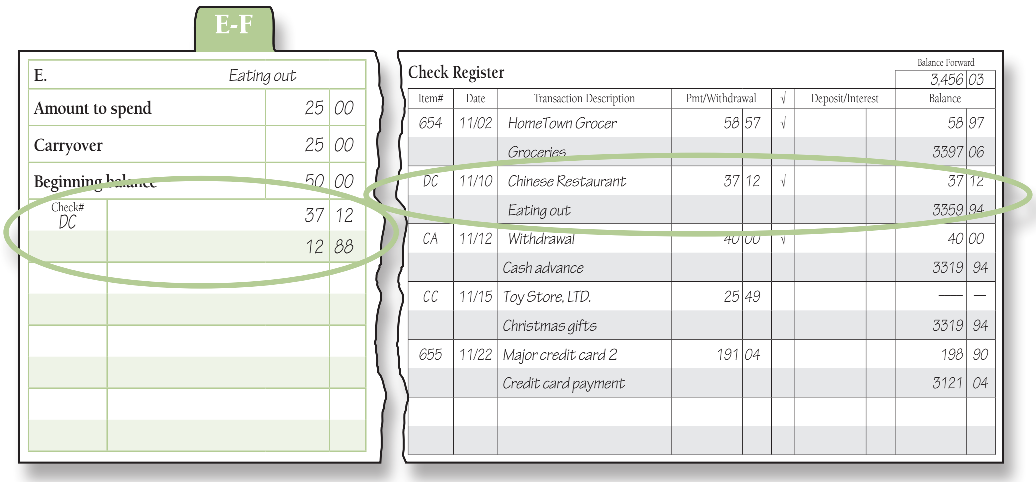
   This process requires two simple entries and takes an average of seven seconds to complete.

Purchases with a check: Immediately record each transaction for which you use a check.

1. Each time you write a check, first go back to the index and determine which category best represents this expense. Go to the corresponding tab and enter the expense.
2. Subtract the expense and show the money you have left in this category.
3. Next, go to your check register and record the check number, date, description, amount, and balance just as you have always done.



Debit card purchases: Record the expense in the check register and spending area just like a regular check. Write “DC” for the check number.



E-F

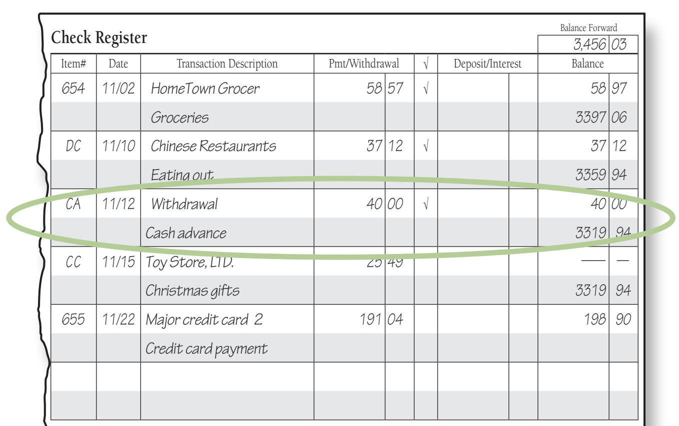
E.		Eating out
Amount to spend		25 00
Carryover		25 00
Beginning balance		50 00
Check# DC		37 12
		12 88

Check Register — Balance Forward 3,456 03

Item#	Date	Transaction Description	Pmt/Withdrawal	√	Deposit/Interest	Balance
654	11/02	HomeTown Grocer	58 57	√		58 97
		Groceries				3397 06
DC	11/10	Chinese Restaurant	37 12	√		37 12
		Eating out				3359 94
CA	11/12	Withdrawal	40 00	√		40 00
		Cash advance				3319 94
CC	11/15	Toy Store, LTD.	25 49			— —
		Christmas gifts				3319 94
655	11/22	Major credit card 2	191 04			198 90
		Credit card payment				3121 04

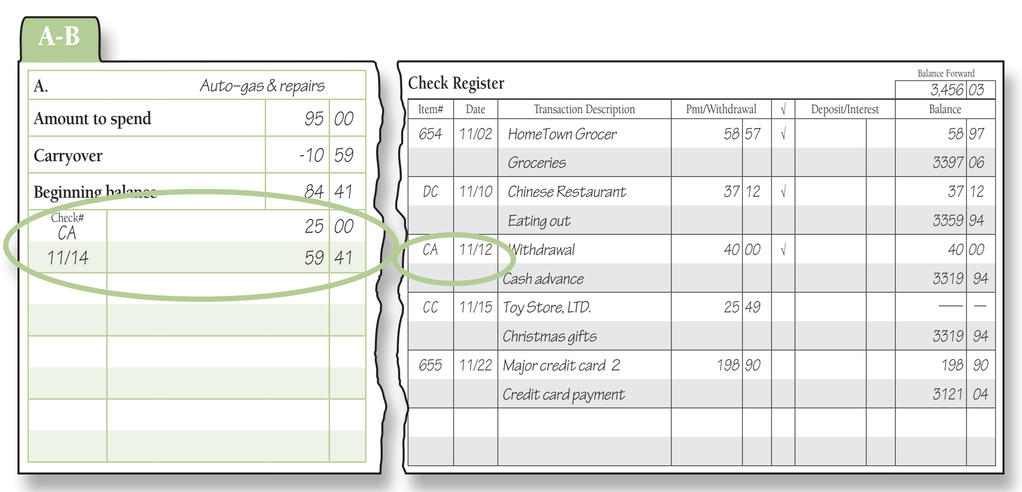
Cash purchases and withdrawals: Cash purchases will need to be treated a little differently than other purchases because they do not immediately affect your spending category balance. Write “CA” (for cash advance) in place of the check number and enter the withdrawal just as you would for a check.

1. Write “CA” in place of the check number and enter the withdrawal just as you would for a check.
2. Do not make an immediate entry in the spending category for cash withdrawals. Instead, record them as cash expenses in the appropriate spending category once the money has actually been spent.



Check Register — Balance Forward 3,456 03

Item#	Date	Transaction Description	Pmt/Withdrawal	√	Deposit/Interest	Balance
654	11/02	HomeTown Grocer	58 57	√		58 97
		Groceries				3397 06
DC	11/10	Chinese Restaurants	37 12	√		37 12
		Eating out				3359 94
CA	11/12	Withdrawal	40 00	√		40 00
		Cash advance				3319 94
CC	11/15	Toy Store, LTD.	25 49			— —
		Christmas gifts				3319 94
655	11/22	Major credit card 2	191 04			198 90
		Credit card payment				



A-B

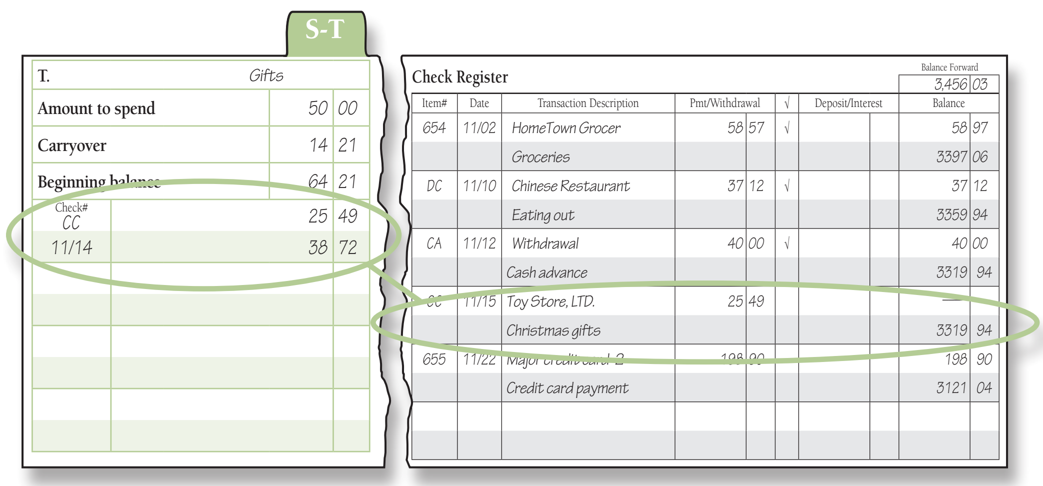
A.		Auto-gas & repairs
Amount to spend		95 00
Carryover		-10 59
Beginning balance		84 41
Check# CA		25 00
11/14		59 41

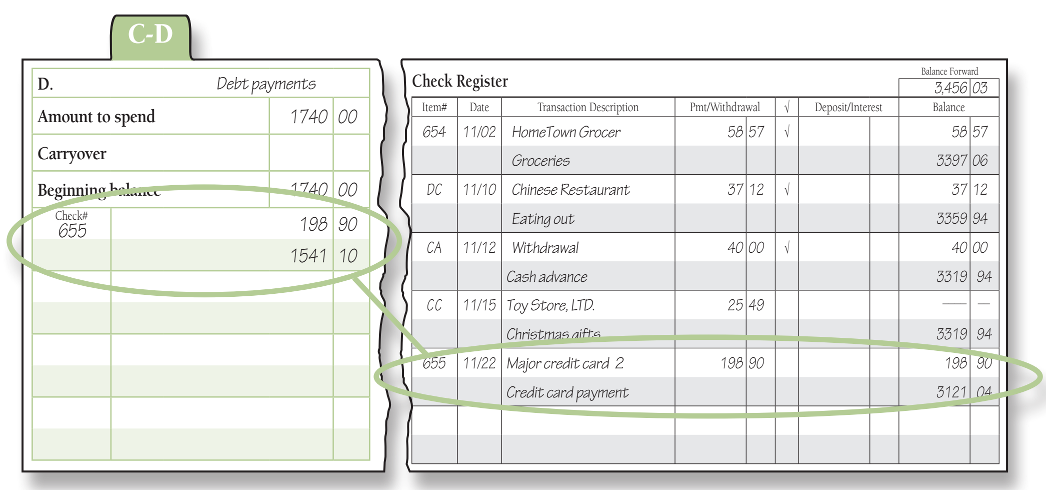
Check Register — Balance Forward 3,456 03

Item#	Date	Transaction Description	Pmt/Withdrawal	√	Deposit/Interest	Balance
654	11/02	HomeTown Grocer	58 57	√		58 97
		Groceries				3397 06
DC	11/10	Chinese Restaurant	37 12	√		37 12
		Eating out				3359 94
CA	11/12	Withdrawal	40 00	√		40 00
		Cash advance				3319 94
CC	11/15	Toy Store, LTD.	25 49			— —
		Christmas gifts				3319 94
655	11/22	Major credit card 2	198 90			198 90
		Credit card payment				3121 04

Credit card purchases: Credit card purchases will need to be treated a little differently than other purchases because they do not immediately affect your checking account balance. Write “CC” for the check number in the check register section and follow the instructions below:

1. Go to the corresponding spending category and enter the expense in the spending amount area. Subtract the spending amount from the category total.
2. Record the expense in the check register area just like you have done for other purchases, but put a line through the balance column because credit card purchases do not affect your checking account balance (at least not yet).
3. Once you receive a credit card statement, verify the expenses on your credit card statement by placing a mark in the (√) column on the register for each item found on the credit card statement.
4. All new purchases should be paid in full each month to maintain a balance between spending and income. Once a check is written to pay for these purchases, enter the expense in the check register and deduct the total.





Note: If you have a preexisting balance on your credit card, your check should include the amount of your previous past balance payment and the total for new purchases. Subtract this amount from your check register. Since all new purchases have already been deducted from individual spending categories, you will only need to go to the credit card's spending category to deduct the past balance payment.

STEP 5 Balance Your Checkbook and Adjust Spending

Balance your check register with your bank's history of transactions each month when your bank statement arrives.

Once your check register and bank statement balance, take the time to match your check register with your monthly spending amounts. Your total spending amounts should not exceed your income for the month.

Note: Periodically, any extra *income* should be assigned to your savings account(s).

Next, *carry over* any leftover amounts (both positive and negative) and forward them to the next month's spending register after listing your regular spending amounts.

It may become necessary to adjust spending amounts periodically. This is especially true as you begin balancing spending with income. *Tracking* your monthly spending amounts is one way for you to become aware of how and where you spend money.

Adjust your spending amounts by *comparing* the total amount you spent with the amounts that were previously *forecast.* Use your Spending Plan form and spending register to record all changes.

Note: The purpose for adjusting spending amounts should be to fine-tune and control spending. Remember, the goal is to maintain a balance between your total expenses and your total spendable income—and *then* to spend according to your plan.

2 Build a Reserve

STEP 6 Make Savings an Expense

Creating a spending plan and then tracking spending according to that plan is always a very emotional experience. It makes you immediately aware of whether you are spending according to your available income or spending more than you actually have. Prioritizing spending will require you to adjust spending in some categories. Doing so will help you use your money more wisely, which in turn will lead you to find surplus funds.

You have probably already discovered that you have been wasting money on unneeded items. Perhaps you have identified spending patterns that you were unaware of. You might even be shocked about the way you have been treating money.

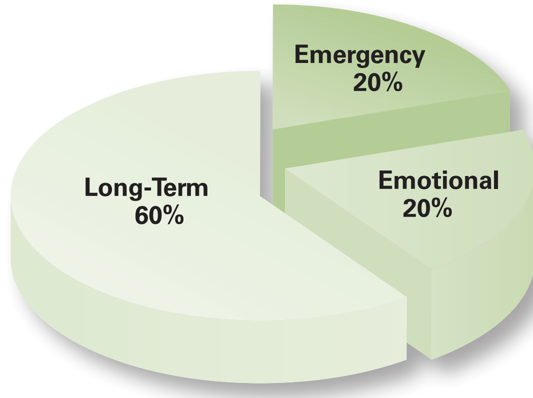
Changing the way you think and spend is the next step to financial happiness. Think of it this way: there is actually no such thing as "savings," as all money is to be spent. What matters most is when you spend it. Allocating money to savings is actually "spending" money by putting it aside to use at a later date for necessary needs and wants. Savings, therefore, are actually "delayed spending."

Begin saving at least 1 percent of your income every month. Every person can save at least 1 percent by carefully planning spending amounts. Then, each month that you are able, increase that savings amount by another 1 percent. Start at 1 percent, and then increase to 2, 3, and so forth until you are saving at least 10 percent.

STEP 7 Create Delayed or Future Spending Accounts

The next step in prioritizing spending is to create additional categories that will be used for *delayed* or *future* spending. Most people call these categories "savings accounts," but these savings categories should be viewed no differently than any other category in which you allocate funds for the month.

To help you learn how to create these delayed spending categories, take a look at the pie chart on the next page. Notice that it is divided into three categories. Each represents a percentage of money that you should be "spending" for future emergencies, emotional needs, and longer-term needs.



Emergency Spending (20%): Financially secure individuals understand the power of preparing for emergency situations by living within their means and putting money away for a rainy day.

In order to be prepared when emergencies occur, you must look at emergency savings as a form of self-insurance. When you purchase auto or home insurance, for example, its purpose is to prevent financial hardship in case of an unforeseen accident. Likewise, emergency savings can help you minimize financial difficulty in case of job loss, illness, or other unforeseen hardships.

Deposit 20 percent of the amount being saved into a fully accessible, liquid, guaranteed, safe savings account, and accumulate at least three to six months of spendable income.

Emotional Spending (20%): It goes without saying that money is often spent for purely emotional reasons. This, in and of itself, is not a bad thing.

Preparing for the need to spend money for purely emotional reasons eliminates the reckless spending of money that has been set aside for daily survival or for longer-term needs. Saving for emotional spending helps curb debt and brings wonderful psychological rewards into your life and the lives of your family.

Emotional spending can be a lifesaver for those who don't overspend but constantly deprive themselves and their family members of those things that would help build lasting family memories and close emotional ties to loved ones. Being prepared for emotional spending will allow your family to enjoy life when you would not otherwise feel justified in doing so.

Deposit this money into any type of fully accessible, liquid, guaranteed, safe savings account.

Longer-Term Spending (60%): No matter how old or young you are at this moment, spending money into longer-term savings is extremely important. Doing so will eliminate the fear and dread of getting older. It will help you feel confident and more empowered. Because you will need more money for longer-term spending, it is important to allocate 60 percent of the amount being saved into this category.

Deposit this money into any secure, long-term retirement account.

3

Eliminate and Avoid Debt

STEP 8

Calculate Your "Real Debt"

A "real debt report" calculates the total amount of debt, the number of payments needed to retire each debt, and the amount of "real debt" associated with each debt listed. Unfortunately, most people don't view their debt in terms beyond their monthly payments.

Once you have calculated your real debt, use the following strategies to eliminate current debt and avoid accruing new debt. The more aggressive the approach, the sooner you will be out of debt.

Ruth and Elliot

Real Debt Report

Description	Monthly Payment	Interest Rate	Payments Remaining	Remaining Principal	Principal & Interest
Major Credit Card 1	$200.00	22.15%	12.0	2,135	2,400
Retail Credit	62.01	18.20%	30.1	1,490	1,867
Auto Loan	165.55	4.90%	47.58	7,146	7,877
Major Credit Card 2	77.20	22.60%	62.42	2,820	4,818
Mortgage	1,235.24	6.50%	335.65	190,843	414,607
Total Expenses	**$1,740.00**			**$204,434**	**$431,570**

Interest Paid: $227,136

Debt Repayment Schedule: 27.97 years

STEP 9 "Power Down" Your Debt

Simply stated, the "power-down" approach applies a debt elimination calendar to reduce debt without taking additional money out of your pocket. *As soon as you pay off your first debt, begin applying the amount of the monthly payment toward the next debt on the list.* This is known as a "power payment."

Ruth and Elliot

Debt Elimination Report

"POWER DOWN"

Description	Monthly Payment	Principal	Power Payment	Interest Rate	Payments Remaining
~~Major Credit Card 1~~	~~$200.00~~	~~$2,135~~	~~0.00~~	~~22.15%~~	~~12~~
Retail Credit	62.01	1,490	200.00	18.20	16

Once the second debt is paid, add that monthly payment to your power payment. Continue by applying the full payment amount of each retired debt to your power payment until all debt has been repaid.

Ruth and Elliot

Debt Elimination Report

"POWER DOWN"

Description	Monthly Payment	Principal	Power Payment	Interest Rate	Payments Remaining
~~Major Credit Card 1~~	~~$200.00~~	~~$2,135~~	~~0.00~~	~~22.15%~~	12
~~Retail Credit~~	~~62.01~~	~~1,490~~	~~200.00~~	~~18.20~~	16
Auto Loan	165.55	7,146	262.01	4.90%	28

Besides not requiring additional out-of-pocket money to be spent, the power-down approach has other advantages:

1. **Increased Debt Repayment.** In the example below, Ruth and Elliot were able to shave 12.14 years off their debt repayment.
2. **Saved Interest.** While their principal remains the same, they also saved $102,687 in interest payments.
3. **Increased Savings Opportunity.** Once debt free, Ruth and Elliot could invest the money they had previously paid toward debt.

Ruth and Elliot

Debt Elimination Report

"POWER DOWN"

Description	Monthly Payment	Principal	Power Payment	Interest Rate	Payments Remaining
Major Credit Card 1	$200.00	$2,135	0.00	22.15%	12
Retail Credit	62.01	1,490	200.00	18.20%	16
Auto Loan	165.55	7,146	262.01	4.90%	28
Major Credit Card 2	77.20	2,820	427.56	22.60%	32
Mortgage	1,235.24	190,843	504.76	6.5%	190
	$1,740.00				

	Standard Debt Repayment	Accelerated Debt Repayment	
	27.97 years	15.83 years	
Original Debt	$204,434	$204,434	
Total Payments	431,570	328,883	**Interest Saved**
Total Interest Paid	227,136	124,449	$102,687
Potential Savings Opportunity	0.00	$372,815*	

**By applying the "Power Down" strategy, Ruth and Elliot are able to shave 12.14 years off their initial debt repayment schedule. Their potential savings opportunity is calculated by investing the regular monthly payment of $1,740 per month for the saved 12.14 debt-free years at 6.00% interest. The result is $372,815 in savings without additional out-of-pocket money.*

STEP 10 "Accelerate" Your Debt Elimination

Adding an "accelerator payment" to your power-down approach yields even greater results. Most people misspend approximately one percent of their annual income monthly. If identified, this money could be reallocated to debt repayment to further accelerate debt elimination.

In the example below, Elliot easily saved $100 per month by choosing to limit the number of times he ate out for lunch at work and the number of snacks and sodas he bought. He applied these savings as an accelerator payment to his first debt. Once that first debt was retired, he added a power payment to his accelerator payment. In addition to reducing the total debt repayments by another 1.5 years, he continued to save interest and increased his long-term saving potential.

Ruth and Elliot

Debt Elimination Report

"POWER DOWN" AND "ACCELERATOR"

Description	Monthly Payment	Principal	Power Payment	Interest Rate	Payments Remaining
Major Credit Card 1	$200.00	$2,135	100.00	22.15%	8
Retail Credit	62.01	1,490	300.00	18.20%	12
Auto Loan	165.55	7,146	362.01	4.90%	22
Major Credit Card 2	77.20	2,820	527.56	22.60%	26
Mortgage	1,235.24	190,843	604.76	6.5%	172
	$1,740.00				

	Standard Debt Repayment	Accelerated Debt Repayment	
	27.97 years	14.33 years	
Original Debt	$204,434	$204,434	
Total Payments	431,570	315,868	**Interest Saved**
Total Interest Paid	227,136	111,434	$115,702
Potential Savings Opportunity	0.00	$465,838*	

By applying the "Power Down" and "Accelerator" strategies, Ruth and Elliot are able to shave 13.64 years off their initial debt repayment schedule. Their potential savings opportunity is calculated by investing the regular monthly payment of $1,740 per month plus the $100 accelerator payment for the saved 13.64 debt-free years at 6.00% interest. The result is $465,838 in savings without additional out-of-pocket money.

STEP 11 Sell Assets to Further Reduce Debt

Perhaps the simplest strategy for reducing debt is to sell an asset. This represents quick action and provides the immediate ability to employ the power-down strategy.

In the example below, Ruth and Elliot sold a family boat for $4,310 and used the money to pay off two of their debts. By adding the two monthly payments to the $100 accelerator payment, they reduced total debt repayment by another seven months.

Ironically, the boat was not missed. For the past several years, Ruth and Elliot had been unable to license or pay taxes on it; they couldn't even afford the gas to tow it to the lake. Selling the boat to quickly reduce debt just made sense.

Ruth and Elliot

Debt Elimination Report

"POWER DOWN" AND "ACCELERATOR" AND "SELL ASSET"

Description	Monthly Payment	Principal	Power Payment	Interest Rate	Payments Remaining
Major Credit Card 1	$200.00	$2,135	239.21	22.15%	6
~~Retail Credit~~	~~62.01~~	~~1,490~~	~~0~~	~~18.20%~~	~~0~~
Auto Loan	165.55	7,146	439.21	4.90%	17
~~Major Credit Card 2~~	~~77.20~~	~~2,820~~	~~0~~	~~22.60%~~	~~0~~
Mortgage	1,235.24	190,843	604.76	6.5%	165
	$1,740.00				

	Standard Debt Repayment	Accelerated Debt Repayment	
	27.97 years	13.75 years	
Original Debt	$204,434	$200,124	
Total Payments	431,570	302,969	**Interest Saved**
Total Interest Paid	227,136	102,845	$124,291
Potential Savings Opportunity	0.00	$495,407*	

**By applying the "Power Down" and "Accelerator" strategies and liquidating an asset, Ruth and Elliot are able to shave 14.22 years off their initial debt repayment schedule. Their potential savings opportunity is calculated by investing the regular monthly payment of $1,740 per month plus the $100 accelerator payment for the saved 14.22 debt-free years at 6.00% interest. The result is $495,407 in savings without additional out-of-pocket money.*

4

My Financial Plan

STEP 12

Create Your Financial Action Plan

Once you understand how budgeting, saving, and eliminating debt all work together, it is time to put together a "financial action plan." Each plan must contain four essential components:

1. **A real debt report.** This provides an accurate listing of all current debt, the total interest to be paid, and the current debt repayment schedule.
2. **Specific action steps.** This is a listing of steps to be taken to save money and eliminate debt.
3. **A spending plan.** As you continue to forecast, track, and compare your spending, you will likely find additional ways to save money. Once you do, return to your list of action steps and record any additional saving or debt-elimination strategies.
4. **A debt-elimination report.** This shows your plan for reducing the number of necessary debt payments and total interest to be paid. This plan will also indicate how much money you could have if you were to make a habit of staying out of debt and regularly saving money.

Ruth and Elliot

Financial Action Plan

A. REAL DEBT REPORT

Description	Monthly Payment	Interest Rate	Payments Remaining	Remaining Principal	Principal & Interest
Major Credit Card 1	200.00	22.15%	6	2,135	2,400
~~Retail Credit~~	~~62.01~~	~~18.20%~~	~~0~~	~~1,490~~	~~1,867~~
Auto Loan	165.55	4.90%	17	7,146	7,877
~~Major Credit Card 2~~	~~77.20~~	~~22.60%~~	~~0~~	~~2,820~~	~~4,818~~
Mortgage	1,235.24	6.50%	165	190,843	414,607
Total Expenses	**$1,740.00**		$204,434	$431,570	

Interest Paid: $227,136

Debt Repayment Schedule: 27.97 years

B. ACTION PLAN

	Actions Taken	Benefits Achieved
Spending Plan	• Identified cheaper insurance • Use cell phone as primary phone and disconnected landline	• $20.00 monthly savings • $27.99 monthly savings
Savings Plan	• Increased tax withholdings to reduce annual tax return • Began monthly savings • Repay all debts and invest money currently used for debt payments	• $250 added to monthly spending plan • $100 monthly savings increase • $495,407 saved in 27.97 years
Debt Elimination Plan	• Sell unused boat • Apply Power Down strategy and $100 Accelerator payment to reduce debt	• $4,310 applied directly to debt • Debt paid off in 13.75 years with $495,407 in bank at end of 27.97 years

Ruth and Elliot

Spending Plan

A. SPENDABLE MONTHLY INCOME

	Current
Gross Monthly Income	3,750
Less Tax	526
Total Spendable Monthly Income	3,224

B. SPENDING CATEGORY EXPENSES

			New Budget		
Spending Category	**Last 12 Months Totals**	**Last 12 Mo. Avg Per Mo.**	**Fixed Expense**	**Variable Expense**	**Next 12 Month Forecast**
Payment to the Lord					
Tithes & Offerings	4,500	375	375		375
Payment to Self					
Savings	0	0		50	50
Payments to Others					
Auto—Gas & Repair	1,500	125		95	95
Cleaning & Laundry	240	20		10	10
Clothing	1,520	110		45	45
Debt Payment	25,836	1,740	1740		1740
Eating Out	780	65		25	25
Family Activities	300	25		30	30
Gifts	1,440	120		50	50
Groceries	4,200	350		275	275
Home Maintenance	300	25		25	25
Insurance	2,184	182	162		162
Medical, Dental	300	25		25	25
Miscellaneous	876	73		0	0
Property Tax—Car, Home	2,340	195	195		195
Recreation/Entertainment	600	50		25	25
Utilities	1,392	116		72	72
Vacation/Trips	600	50		25	25
Total Expenses	48,908	3,646	2472	752	3224

Ruth and Elliot

Debt Elimination Report

"POWER DOWN" AND "ACCELERATOR" AND "SELL ASSET"

Description	Monthly Payment	Principal	Power Payment	Interest Rate	Payments Remaining
Major Credit Card 1	$200.00	$2,135	239.21	22.15%	6
~~Retail Credit~~	~~62.01~~	~~1,490~~	~~300.00~~	~~18.20%~~	~~0~~
Auto Loan	165.55	7,146	362.01	4.90%	17
~~Major Credit Card 2~~	~~77.20~~	~~2,820~~	~~527.56~~	~~22.60%~~	~~0~~
Mortgage	1,235.24	190,843	604.76	6.5%	165
	$1,740.00				

	Standard Debt Repayment	Accelerated Debt Repayment	Interest Saved
	27.97 years	13.75 years	
Original Debt	$204,434	$200,124	
Total Payments	431,570	302,969	
Total Interest Paid	227,136	102,845	$124,291
Potential Savings Opportunity	0.00	$495,407*	

**By applying the "Power Down" and "Accelerator" strategies and liquidating an asset, Ruth and Elliot are able to shave 14.22 years off their initial debt repayment schedule. Their potential savings opportunity is calculated by investing the regular monthly payment of $1,740 per month plus the $100 accelerator payment for the saved 14.22 debt-free years at 6.00% interest. The result is $495,407 in savings without additional out-of-pocket money.*

Appendix A
Missing Square Puzzle

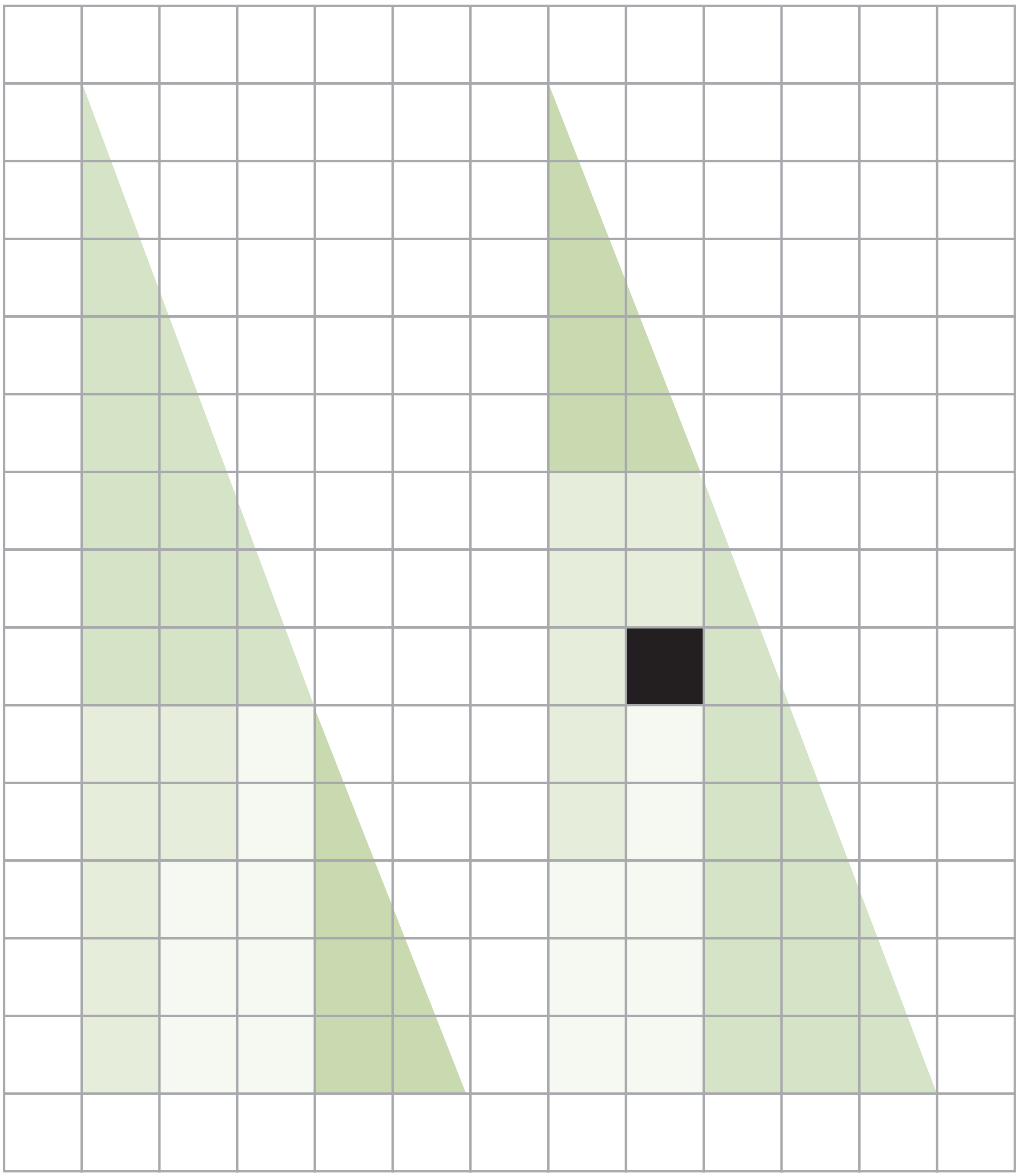
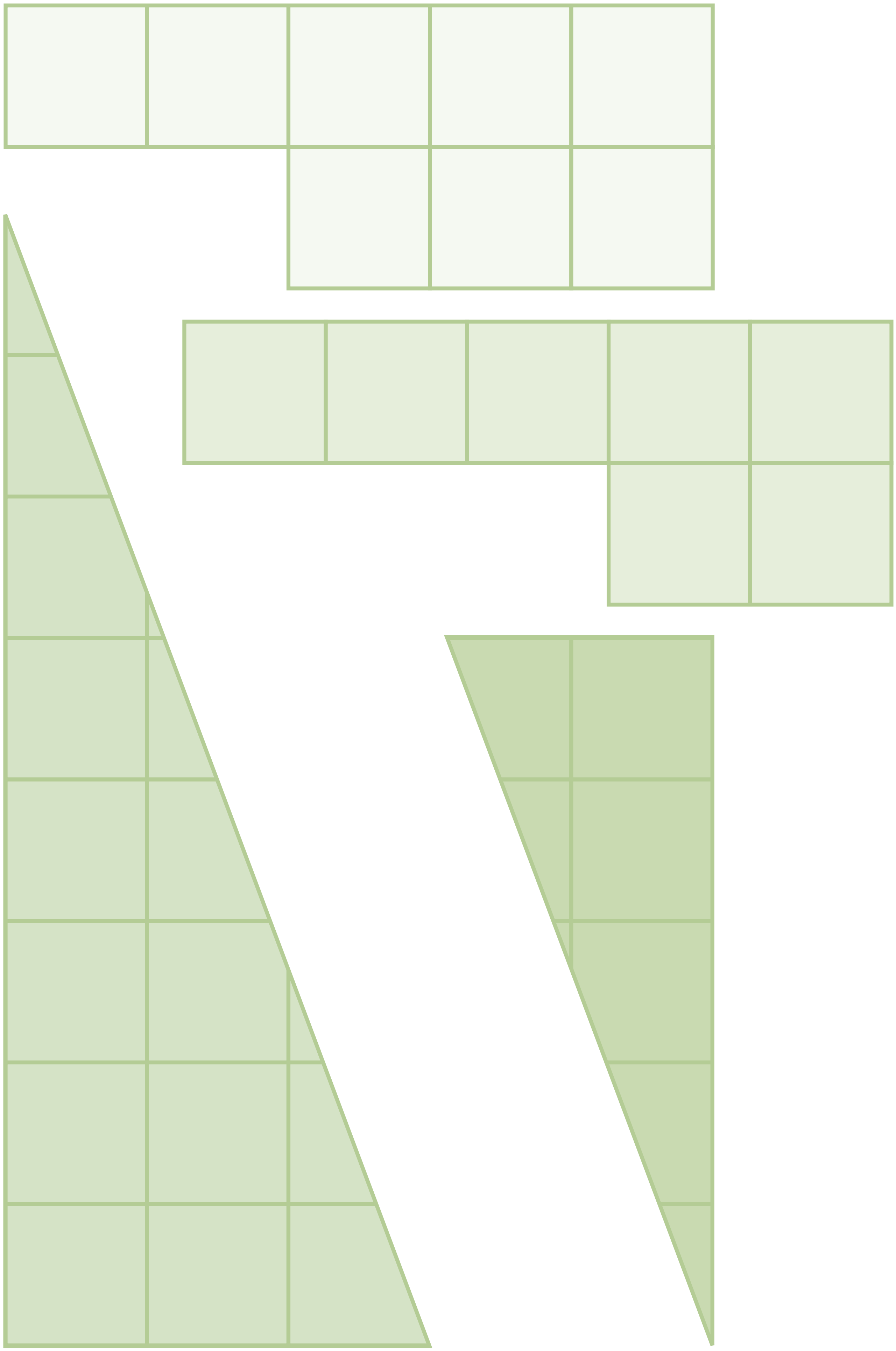


Figure 1 Figure 2



Appendix B
Spending Plan

Spending Plan

A. SPENDABLE MONTHLY INCOME

	Current
Gross Monthly Income	
Less Tax	
Total Spendable Monthly Income	

B. SPENDING CATEGORY EXPENSES

Spending Category	Last 12 Months Totals	Last 12 Mo. Avg Per Mo.	New Budget Fixed Expense	Variable Expense	Next 12 Month Forecast
Total Expenses					

Appendix C
Spending Register Activity

In this activity, you will be helping Scott and Bobbi finish tracking their monthly expenses using their spending register. Some expenses have already been recorded for you. You may assume that all prior expenditures have been recorded, even if they may not appear on the spending register pages you will use for this activity. Follow the instructions below to complete their monthly spending register.

6/15: Johnny wakes up today with a fever. Bobbi takes him to see Dr. Jones. She pays the $25 co-pay with her debit card. Later she goes to the grocery store to pick up the prescription and a few groceries. She writes a check (#1136) to pay for both: $36.89 in prescriptions and $58.92 for groceries.

In preparation for the family's weekend activity, Scott visits the ATM and takes $100 from their checking account.

6/17: It's Wednesday night, the night before the long-anticipated family camping trip and since Johnny is feeling much better the family decides to keep their plans to go. Scott tops the car off with $25 in gas so that it is ready in the morning. He pays in cash.

6/18: It's an early morning for all as they load the car and head to the family's favorite camping spot. Unfortunately, in their excitement to leave, Bobbi forgot to pack her jacket. They stop at a store along the way. She uses their credit card to buy a new jacket for $43.89.

They finally arrive at the lake. Once the camp has been set up, Scott pulls out his wallet and hands the campground manager $30 in cash to pay the site fees for their two-night stay.

6/20: After packing up, the family loads the car and heads for home. Along the way, they stop at the traditional hamburger place for a bite to eat. After everyone orders, Scott pays the $42 bill with cash. He then walks across the street to a convenience store and uses his remaining cash to purchase a few treats for the ride home.

6/25: Bobbi opens the mail and sees their credit card statement has arrived. The regular monthly payment is $68.97. She writes another check (#1137) and puts it in the mailbox.

A-B

A.	Auto–gas & repairs
Amount to spend	95 00
Carryover	10 50
Beginning balance	105 50

Check#		
CA		25 25
		80 25
DC		15 00
		65 25

Check Register

Balance Forward: 3548 67

Item#	Date	Transaction Description	Pmt/Withdrawal	√	Deposit/Interest	Balance
1134	6/12	Hillcrest 4th Ward	415 00			415 00
		Tithes & Fast Offerings				3133 67
1135	6/13	Mortgage America	1235 24			1235 24
		Debt				1898 43

C-D

C.	Clothing
Amount to spend	75 00
Carryover	0 00
Beginning balance	75 00

Check#		

Check Register

Balance Forward:

Item#	Date	Transaction Description	Pmt/Withdrawal	√	Deposit/Interest	Balance

C-D

D.	Debt payments
Amount to spend	1740 00
Carryover	0 00
Beginning balance	1740 00

Check#		
1135		1235 24
		504 76

Check Register

Balance Forward:

Item#	Date	Transaction Description	Pmt/Withdrawal	√	Deposit/Interest	Balance

E-F

F.	Family activities
Amount to spend	65 00
Carryover	15 00
Beginning balance	80 00

Check#		

Check Register

Balance Forward

Item#	Date	Transaction Description	Pmt/Withdrawal	√	Deposit/Interest	Balance

G-H

G.	Groceries
Amount to spend	350 00
Carryover	0 00
Beginning balance	350 00

Check#		
1132		147 00
		203 00
1133		24 00
		179 00

Check Register

Balance Forward

Item#	Date	Transaction Description	Pmt/Withdrawal	√	Deposit/Interest	Balance

M-N

M.	Medical
Amount to spend	105 00
Carryover	0 00
Beginning balance	105 00

Check#		

Check Register

Balance Forward

Item#	Date	Transaction Description	Pmt/Withdrawal	√	Deposit/Interest	Balance

Appendix D
Time/Value of Money Work Sheet

Age	Annual Payment	Accumulation at Year End
25	$2,000	$2,240
26	$2,000	$4,749
27	$2,000	$7,559
28	$2,000	$10,706
29	$2,000	$14,230
30	$2,000	$18,178
31	$0	$20,359
32	$0	$22,803
33	$0	$25,539
34	$0	$28,603
35	$0	$32,036
36	$0	$35,880
37	$0	$40,186
38	$0	$45,008
39	$0	$50,409
40	$0	$56,458
41	$0	$63,233
42	$0	$70,821
43	$0	$79,320
44	$0	$88,838
45	$0	$99,499
46	$0	$111,438
47	$0	$124,811
48	$0	$139,788
49	$0	$156,563
50	$0	$175,531
51	$0	$196,393
52	$0	$219,960
53	$0	$246,355
54	$0	$275,917
55	$0	$309,028
56	$0	$346,111
57	$0	$387,644
58	$0	$434,161
59	$0	$486,261
60	$0	$544,612
61	$0	$609,966
62	$0	$683,162
63	$0	$765,141
64	$0	$856,958
65	$0	$959,793
		Total Invested $12,000

Age	Annual Payment	Accumulation at Year End
25	$0	$0
26	$0	$0
27	$0	$0
28	$0	$0
29	$0	$0
30	$0	$0
31	$2,000	$2,240
32	$2,000	$4,749
33	$2,000	$7,559
34	$2,000	$10,706
35	$2,000	$14,230
36	$2,000	$18,178
37	$2,000	$22,599
38	$2,000	$27,551
39	$2,000	$33,097
40	$2,000	$39,309
41	$2,000	$46,266
42	$2,000	$54,058
43	$2,000	$62,785
44	$2,000	$72,559
45	$2,000	$83,507
46	$2,000	$95,767
47	$2,000	$109,499
48	$2,000	$124,879
49	$2,000	$142,105
50	$2,000	$161,397
51	$2,000	$183,005
52	$2,000	$207,206
53	$2,000	$234,310
54	$2,000	$264,668
55	$2,000	$298,668
56	$2,000	$336,748
57	$2,000	$379,398
58	$2,000	$427,166
59	$2,000	$480,665
60	$2,000	$540,585
61	$2,000	$607,695
62	$2,000	$682,859
63	$2,000	$767,042
64	$2,000	$861,327
65	$2,000	$966,926
		Total Invested $70,000

Appendix E
Peter's "Power Down" Story

"As a young man just starting college, I was in a serious car accident. I was hit head-on by another car and trapped in my Volkswagen Bug, almost burning to death, until three drivers in passing automobiles stopped and pulled me from the wreckage. I spent over two years in and out of the hospital, depressed, broken, blind, and burned beyond recognition.

"At first I went in and out of a coma, fighting for my life. The doctors told my mother privately that I had no chance of living. Once I did stabilize, the doctors informed me that I would never walk normally again and that there was no chance I would ever see again, having lost my eyelids and most of the skin on my face.

"As the days came and went, I recovered enough to be out of danger of losing my life. But I became very despondent and discouraged. While in this terrible situation I received help from so many caring people who read to me, bathed me, played checkers with me, and gave me pep talks to buoy up my spirit. From this service I learned some of the most important lessons in life. I discovered that self-worth and self-esteem come from within and that beauty is what is on the inside.

"Over time, my health gradually began improving. Eventually I did walk again, and thanks to the many medical professionals who worked with me, my eyesight was saved. But as I initially lay in ICU for several weeks, the medical bills began to pile up. I did not have health insurance, and every Friday the hospital accounting office came to my room to review my bill with me. After every Friday's meeting I would become so upset about the thousands of dollars of debt I was incurring and knowing there was nothing I could do about it, I would schedule a morphine shot for pain relief. Just a little calculation and anyone can figure that several months in ICU was costing me a literal fortune. Add to this another two years in and out of the hospital and 28 major surgeries, and I began to stagger under the weight of this tremendous financial burden. It was while under this incredible pressure that I learned the lesson that would change my life forever.

"My older brother, Bill, was at college and worried a lot about me. He felt impressed to bring me a book called *The Richest Man in Babylon* by George S. Clason. At that time I did not realize that my brother had just given me the answers to my prayers and concerns; he had also given me the foundation for great self-esteem. While I was in the hospital, I had visitors read this book aloud to me. The chapter on the 'Clay Tablets' about powering down debt was so impressive to me. At first the methods described in the book seemed too simple and too good to be true. I couldn't fathom ever paying off all my debt. But then I found myself asking, 'Yes, but what if this system really works?

I certainly have nothing to lose! It's easy to test the math—I can do that in my head.' What I found by doing the math was that if I applied a power-down system to my debt load, I could completely eliminate it in five years. Then, I had different members of my family write down the math when they came to visit. Their numbers checked out with what I had figured in my head. In time, I was released from the hospital. But even with those debt-reduction methods still fresh on my mind, I was so overwhelmed by what I owed (besides my hospital bill, I owed money to seven different doctors), I didn't know if I could ever get out from underneath it all. However, I once again tested the figures and found that I could, indeed, be out of debt in five years if I applied power-down principles. Receiving this information and this hope was truly a gift from the Lord.

"Bankruptcy was mentioned over and over by many friends and family members as a way to start a new life financially. My own father, who now had been divorced from my mother for three years, told me he was going to file bankruptcy himself. He thought I was still considered his dependent and that I could be included in his bankruptcy if I wanted and wipe my slate clean.

"His suggestion caused me to review all the work the wonderful doctors and nurses had done (and would yet do) to save my life and restore my eyesight, and I realized there was no way that I could bail out on my obligation to them. As I declined my father's invitation, he told me he thought I was making a stupid decision, but I then thought about how money had ruined his marriage to my mother. I thought of all the arguments he had had with her about money. I thought about how upset it made me feel every time I heard them fight, and I determined to do something different financially with my own life. It was then that I committed myself to applying the systematic power-down approach to my debt.

"Five years later, I paid off my last medical bill. Even though my body was terribly scarred, those scars began to stand as a symbol of victory over my own personal debt and as a sign of triumph at beating impossible odds, both physically and financially.

"Although most people do not carry any outward scars, so many individuals today have scarring on the inside caused by a lack of self-esteem due to financial worries and crushing debt. I have learned, over 30 years of taking every opportunity to teach thousands of people about the power-down approach, that if you have five or more debts it is possible to eliminate all of them in nine years or less using this method. I learned it for myself personally all those years ago, and I have seen it work over and over again in the lives of countless people. It simply works—no matter how much debt you have, no matter how bad it is, no matter how high the interest rates are, no matter what! It works! I know that if I can do it, you can too! The Lord helped and strengthened me every step of the way, and I know He will do the same for you. Gaining the victory over debt is a huge accomplishment that I strongly encourage you to work towards. Begin now! Don't wait another day to relieve yourself of this terrible burden that scars, destroys, and maims your life."

Notes

Notes

THE CHURCH OF
JESUS CHRIST
OF LATTER-DAY SAINTS

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