

Being Savvy About Financial Matters

Women's Conference 2009

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How do we become savvy in financial matters?

Random versus Planned Events

Random Events occur haphazardly

Planned Events follow a pattern



Introduction

- Faith (Belief)
 - The Prophet Joseph Smith taught: “. . . The ***whole visible creation***, as it now exists, ***is the effect of faith***. It was faith by which it was framed, and it is by the power of faith that it continues in its organized form, and by which the planets move round their orbits and sparkle forth their glory” (Lectures on Faith, 72–73; see also Matthew 17:20; Jacob 4:6, 9).

Introduction

- Learning
 - The Prophet Joseph Smith taught: “***Without the knowledge of all things God would not be able to save any portion of his creatures***; for it is by reason of the knowledge which he has of all things, from the beginning to the end, that enables him to give that understanding to his creatures by which they are made partakers of eternal life” (Lectures on Faith [1985], 51–52; see also D&C 88:41; 93:8–36).

Introduction

- Planning
 - On the subject of planning for the Creation, President Spencer W. Kimball said: “Before this earth was created ***the Lord made a blueprint***, as any great contractor will do before constructing. ***He drew up the plans, wrote the specifications, and presented them.*** He outlined it and we were associated with him . . . God was the Master-worker, and he created us and brought us into existence” (The Teachings of Spencer W. Kimball, Edward L. Kimball, ed. [1982], 29-30; see also Luke 14:28–30).

Introduction

- Work
 - The Prophet Joseph Smith taught that “there is no such thing as immaterial matter” (D&C 131:7), and the Lord said that “the elements are eternal” (D&C 93:33). ***The word create***, as found in the Genesis account of the Creation, is from a Hebrew word that ***means “to organize”*** (see Genesis 1:1, footnote c; see also Abraham 3:24). Joseph Smith ***likened the creative activity to the building of a ship*** (see Teachings of the Prophet Joseph Smith, 350–51).



Introduction

Joseph Smith likened the creative activity to the building of a ship. Today we are going to liken it to developing financial skills.

Faith (Belief)

- Some of you might be asking but how does faith help me to become financially successful?
 - Elder Bednar stated “true faith...always leads to righteous action” (“Ask in Faith,” Ensign, May 2008, 94-97).
 - Joseph Smith stated that faith is “the principle of action in all intelligent beings” (Lectures on Faith [1985], 1).
 - Faith then is core to our success in any righteous endeavor.

Learning- A Gospel Perspective

- “A wise (wo)man will hear, and will increase learning; and a (wo)man of understanding shall attain unto wise counsels;”

Proverbs 1:5

- The number of hits on lds.org for the search “money” is 5,480!

Learning- Why Should I Care?

- “The American Bar Association has indicated that 89 percent of all divorces can be traced to quarrels and accusations over money. Others have estimated that 75 percent of all divorces result from clashes over finances. Some professional counselors indicate that four out of five families are strapped with serious money problems.”

Marvin J. Ashton, “Guide to Family Finance,” *Liahona*, Apr 2000, page 42

- Most women will live on their own sometime during adulthood; whether it is because they have never married or because they are divorced or widowed.

Learning – What Can I Do?

- Become the family CFO (Chief Financial Officer)
- Learn sound financial principles
- Know what you own and what you owe
- Have a basic knowledge of tax laws and your tax return
- Keep accurate records including:
 - A basic balance sheet
 - Tax and insurance records
 - Investment and retirement accounts
 - Wills, Advanced Medical Directives (Living Will) and Trusts

Learn the Principle of Value!

- **“Lay not up for yourselves treasures upon earth, where moth and dust doth corrupt, and thieves break through and steal; but lay up for yourselves treasures in heaven, where neither moth nor dust doth corrupt, and where thieves do not break through nor steal. For where your treasure is, there will your heart be also.**

3 Nephi 13:19-21

Learn the Principle of Value!

- What does it *really* cost?
 - The after tax cost
 - The opportunity cost
 - The maintenance cost
 - The emotional cost
 - The spiritual cost

Learn the Principle of Value!

- 1935: Use it up; wear it out; make it do – or do without.
- 2009: Reduce, reuse, recycle
- Live within our means – even if we have lots of means
 - Can we afford it?
 - Is it worth it?
- Be a good steward for the Good Shepherd

Learning - What Legal Documents Do I Need?

- Will
- Trust
- Durable Power of Attorney
- Advanced Health Directive/Living Will

Planning – A Gospel Perspective

- God laid out a plan for us – Alma 22:13 “And Aaron did expound unto him the scriptures from the creation of Adam, laying the fall of man before him, and their carnal state and also the *plan of redemption, which was prepared from the foundation of the world*, through Christ, for all whosoever would believe on his name.”
- Even Satan has a plan – 2 Nephi 9:28 “*O that cunning plan of the evil one!* O the vainness, and the frailties, and the foolishness of men! When they are learned they think they are wise, and they hearken not unto the counsel of God, for they set it aside, supposing they know of themselves, wherefore, their wisdom is foolishness and it profiteth them not. And they shall perish.”

Planning – Why Should I Save?

- Do you want to retire someday?
- In 2004, people in retirement with at least \$44,000 of annual income derived it from the following sources:
 - 40.1% Employment
 - 21.2% Pensions (from former employers)
 - 18.9% Social Security Benefits
 - 17.8% Asset Income (personal savings and investments)
 - 2.0% Other Income
- 25% of retirees have had to return to work because of the current economic crisis.

Planning – Why Should I Save?

- “The key to spending less than we earn is simple—it is called discipline. Whether early in life or late, we must all eventually learn to discipline ourselves, our appetites, and our economic desires” (N. Eldon Tanner, in Conference Report, Oct. 1979, p. 119; or Ensign, Nov. 1979, p. 81).
- “As you move through life toward retirement and the decades which follow, we invite all of our senior members to ***plan frugally for the years following full-time employment***. Let us avoid unnecessary debt...Be even more cautious in advancing years about ‘get-rich’ schemes, mortgaging homes, or investing in uncertain ventures. Proceed cautiously so that the ***planning of a lifetime is not disrupted by one or a series of poor financial decisions***. Plan your financial future early; then follow the plan” (Ezra Taft Benson, “To the Elderly in the Church,” *Ensign*, Nov 1989, p. 4).

Planning – How Much Should I Save?

- “If 10% is good enough for the Lord it is good enough for me.” Dean Lott.
- If you would like to have about \$1 million in your retirement account at the time you retire, you have 25 years left to work, and you can earn an average of 8% on the amount invested, you will need to put away ***\$1,045 a month.***

Planning – How Should I Invest?

- Your investment model should be based on your risk tolerance (Your willingness to lose money in exchange for the ability to see higher gains).
- Time should be a critical component of your model. An example of the allocation strategies as defined by Deseret Mutual Savings Plans is listed below with the 1 year return as of March 31, 2009.
 - *Highest Risk* (all stock to 80% stock funds and 20% bond funds) 12+ years until retirement (e.g. 1 year return – 32% to 40% loss)
 - *Intermediate Risk* (60% stock funds and 40% bond funds) 5 to 11 years until retirement (e.g. 1 year return – 25% loss)
 - *Low Risk* (30% stock funds and 70% bond funds) 0 to 4 years until retirement (e.g. 1 year return – 13% loss)

Planning – Why Should I Have a Budget and Stick with it?

- Have you ever tracked every dollar you spent?
- When I have students do this, they are amazed at where and how fast their money goes.
- While individuals often think that financial security depends on the amount of money they make, President Tanner taught that ***controlling how money is spent—*** whether the amount is large or small—***is the source of true financial peace and happiness.*** “Many people think a budget robs them of their freedom. On the contrary, successful people have learned that ***a budget makes real economic freedom possible,***” he said. (N. Eldon Tanner, Ensign, Nov. 1979, p. 82.)

Planning – What Should my Budget Contain?

- **Income** – This includes wages, investment earnings, and other inflows
- **Mandatory Expenses** – These are expenses that we have to pay such as tithing, rent, utilities, food, basic clothing, and debt payments.
- **Financial Goals** – This is usually savings that are tied to plans we have such as buying a house, saving for retirement, etc.
- **Discretionary Expenses** – These are things we would like to spend money on such as entertainment, vacations, and such.

Work – A Gospel Perspective

- President Heber J. Grant often said, “That which we persist in doing becomes easier for us to do; not that the nature of the thing itself is changed, but that our power to do is increased.”

Conference Report, Apr. 1901, p. 63

- “For which of you, intending to build a tower, sitteth not down first, and counteth the cost, whether he have sufficient to finish it?”

Luke 14:28

Work - Where Do I Start?

- Legal Documents
 - ✓ Discuss options with spouse or other family members
 - ✓ Determine your wants and needs
 - ✓ Make sure of the laws in your state
 - ✓ Get permission from those you wish to name Executor, Trustee or Guardian of Minor Children
 - ✓ Obtain competent counsel
 - ✓ Execute viable documents
 - ✓ Give copies to those you trust
 - ✓ Title assets appropriately
 - ✓ Review regularly

How Do I Develop a Budget?

- ✓ 1. Record each of your income sources
- ✓ 2. Record your mandatory expenses (both monthly and periodic or random)
- ✓ 3. Record your financial goal expenses – such as how much you want to save each month
- ✓ 4. Record your discretionary expenses -plan for the unexpected and budget for some fun!
- ✓ 5. Calculate your monthly surplus of income over expenses or deficit of expenses over income

How to Develop a Budget – Cont'd

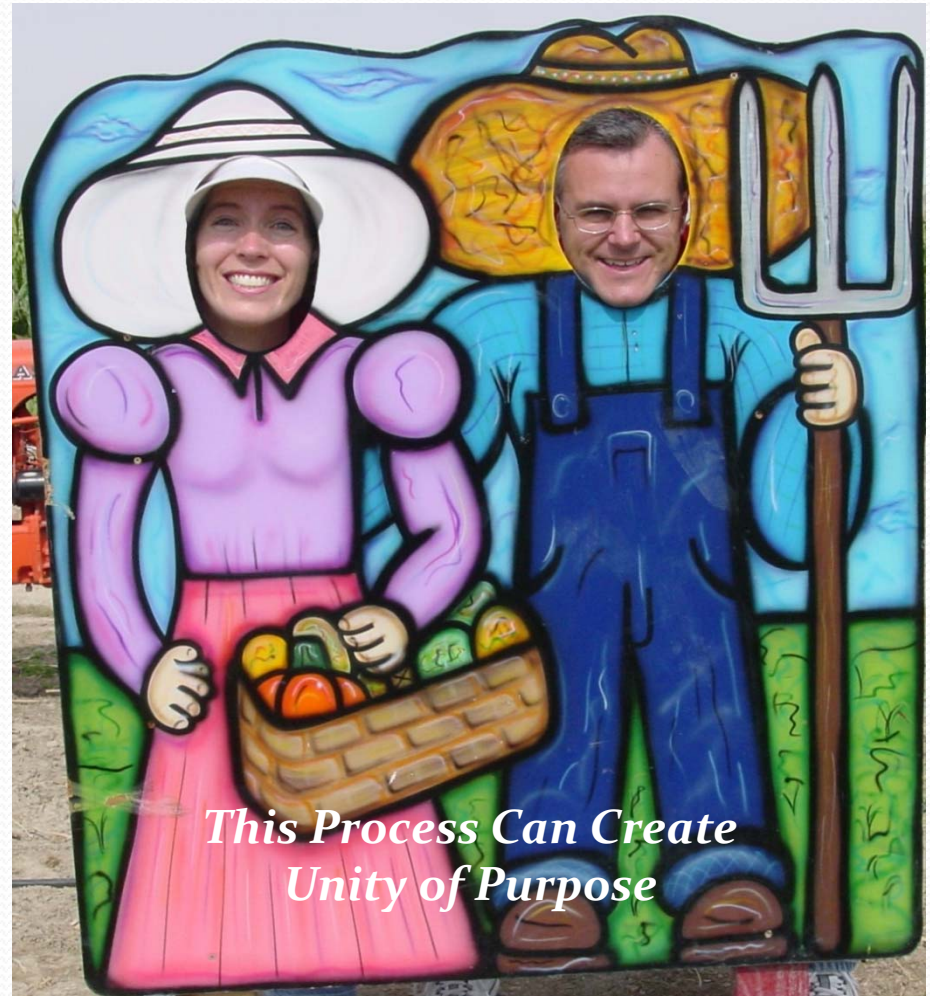
- ✓ 6. If you have a surplus, congratulations! If you have a deficit, you will need to go back and reduce your discretionary expenses to bring your budget in line.
- ✓ 7. Use your budget each month as a gauge and guide of how much you can spend in each area.
- ✓ 8. **Record your actual expenditures to see if you are sticking to your budget and to provide information on needed adjustments.**

How Do We Become Financially Savvy?

- Faith
- Learning
- Planning
- Work

“If ye know these things, happy are ye if ye do them.”

John 13:17



*This Process Can Create
Unity of Purpose*

Web Sites to Check Out

- lds.org
- feedthepig.org (ideas for saving)
- personalfinance.byu.net
- irs.gov
- finance.yahoo.com