

Financial Health For Tribal Producers

Managing Your Money Part 1: Building a Strong Foundation



WESTERN
**EXTENSION
RISK
MANAGEMENT
EDUCATION**



United States
Department of
Agriculture

National Institute
of Food and
Agriculture

Project Team:

- Ruby Ward, Professor, Utah State University
- Trent Teegerstrom, Associate Director of Tribal Extension, University of Arizona
- Vicki Hebb, University of Nevada Reno
- Juan M. Arias, University of Arizona



Acknowledgments: Karli Salisbury, Kynda Curtis, Staci Emm and Carol Bishop.



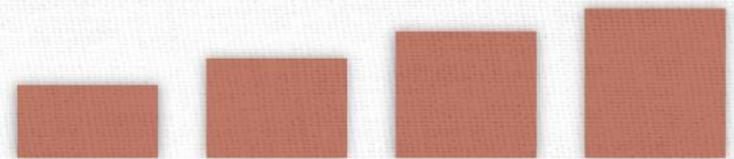
University of Nevada
Cooperative Extension

This webinar is based upon work supported by USDA/NIFA under Award Number 2018-70027-28587

Pre-Personal and Business Checklist



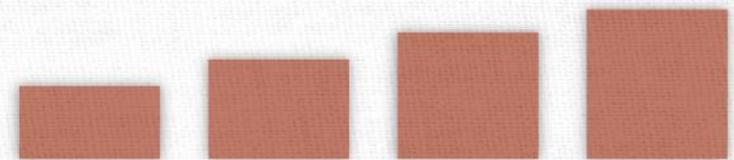
- Family and business are intertwined.
- Before you can build your financial future, make sure your personal and financial standing are stable right now.
 - Personal life
 - Finance
 - Cultural responsibilities



Personal Life



- Do I have a good credit score?
- Is my personal debt manageable?
- Am I healthy and physically able?
- Do I have a good support system? Does my family support this business idea?



You are screen sharing Stop Share

of campaign donations to many Utah politicians through the years.

A recent state report said payday loan companies in Utah last year charged an average 522.26% APR, or \$10.02, for a \$100 loan for seven days. The highest rate charged by a Utah payday lender last year was 2,607% APR, or \$50, on a \$100 loan for seven days.

Comments 26 >>



SPONSORED BY: CHARLES SCHWAB

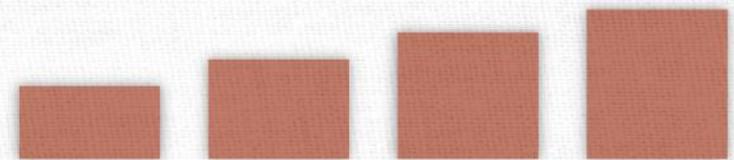
Close Ad

Let www.sltrib.com show notifications? Yes No

Finance



- Do I have personal assets such as a home or savings I am willing to risk?
- Can I start this business without borrowing money?
- Do I have family or partners willing to finance me?
- Do I have a great relationship with my banker?

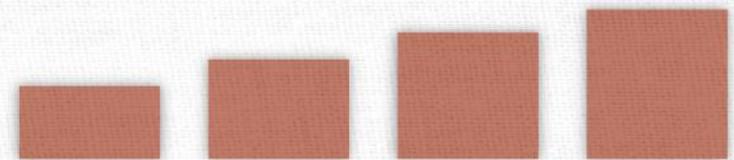


Keeping Financial Records



Financial records help answer questions like:

- Where is the money going?
- Do I have money right now?
- Will I have money tomorrow?
- Will I have to borrow money?



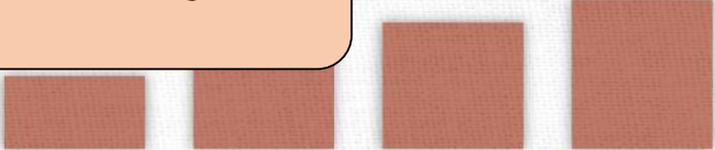
Records – How Much is Enough?



You want to end up with a set of records that

- Can be maintained with available resources
- Provides information needed make the best decisions for your operations
- Provides the information you need to make good decisions for your household
- Tell essential story elements of your situation

“Everything that can be counted doesn’t necessarily count; everything that counts cannot necessarily be counted.” – William Bruce Cameron



Basic Record Keeping: 5 Easy Steps

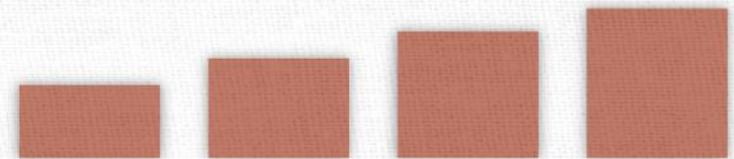


5 Steps:

- Step 1: Keep all income and expense receipts
- Step 2: Record all transactions
- Step 3: Transfer entries into monthly ledgers
- Step 4: Estimate cash flow
- Step 5: Analyze cash flow



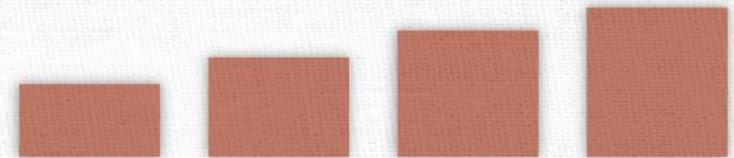
Cash Flow: A Key Financial Record



Cash Flow: Income



Inflow		Fixed	Monthly	Annual Total
Wages and Salaries				
	Paul's Salary	\$ 2,500.00	\$ -	\$ 30,000.00
	Suzanne's Salary	\$ -	\$ 1,750.00	\$ 21,000.00
Total Income:		\$ 2,500.00	\$ 1,750.00	\$ 51,000.00

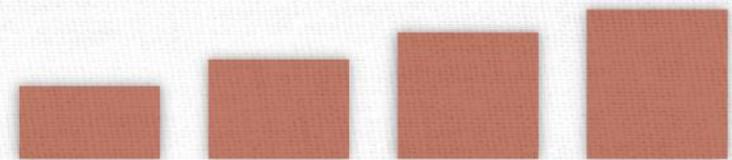


Cash Flow: Expenses

Living Expenses	Fixed	Monthly	Annual Total
Food and Meals	\$ -	\$ 550.00	\$ 6,600.00
Rent	\$ 800.00	\$ -	\$ 9,600.00
Medical Care	\$ -	\$ -	\$ -
Health Insurance	\$ -	\$ -	\$ -
Household Supplies	\$ 200.00	\$ -	\$ 2,400.00
Clothing	\$ 150.00	\$ -	\$ 1,800.00
Personal Care	\$ -	\$ -	\$ -
Child Care	\$ -	\$ 400.00	\$ 4,800.00
Gifts	\$ -	\$ -	\$ -
Education	\$ -	\$ 200.00	\$ 2,400.00
Recreation	\$ -	\$ 300.00	\$ 3,600.00
Utilities	\$ -	\$ 250.00	\$ 3,000.00
Renter's Insurance	\$ 50.00	\$ -	\$ 600.00
Life Insurance	\$ -	\$ -	\$ -
Vehicle Fuel, Repairs and Maintenance	\$ -	\$ 150.00	\$ 1,800.00
Household Repairs	\$ -	\$ 150.00	\$ 1,800.00
Total Living Expenses:	\$ 1,200.00	\$ 2,000.00	\$ 38,400.00

Cash Flow: Expenses

Taxes		Fixed	Monthly	Annual Total
	Personal Income Tax	\$ -	\$ -	\$ -
	FICA	\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
Total Taxes		\$ -	\$ -	\$ -
Loan Payments		Fixed	Monthly	Annual Total
	Home Mortgage	\$ -	\$ -	\$ -
	Car Loan (1)	\$ -	\$ 300.00	\$ 3,600.00
	Car Loan (2)	\$ -	\$ -	\$ -
	Student Loan	\$ -	\$ 200.00	\$ 2,400.00
	Credit Cards	\$ -	\$ 150.00	\$ 1,800.00
		\$ -	\$ -	\$ -
Total Loan Payment		\$ -	\$ 650.00	\$ 7,800.00



Net Cash Flow



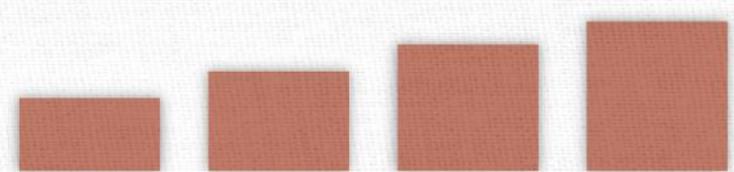
	Fixed	Monthly	Annual Total
Total Income:	\$ 2,500.00	\$ 1,750.00	\$ 51,000.00

Less

Total Living Expenses:	\$ 1,200.00	\$ 2,000.00	\$ 38,400.00
Total Taxes:	\$ -	\$ -	\$ -
Total Loan Payments:	\$ -	\$ 650.00	\$ 7,800.00

Equals

Net Cash Flow:	\$ 1,300.00	\$ (900.00)	\$ 4,800.00
-----------------------	-------------	-------------	-------------



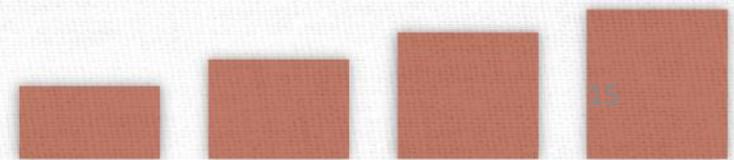
Water level Bottom Line

Money
flows in

What is
left in the
tank?



Money
flows out



Water level Bottom Line

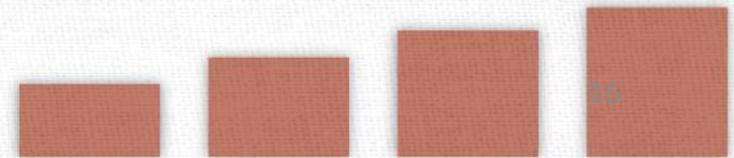
Money
flows in

What is
left in the
tank?



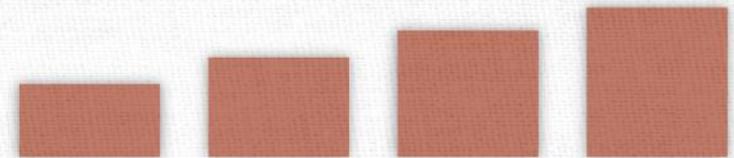
Money
flows out

We want more to flow in or less to flow out.



Types of Expenses

- **Known Expenses:** expected every month with somewhat predictable amount. Loan payments, utilities, rent, insurance.
- **Known but Variable Expenses:** expected every month but vary widely in the total amount. Food, gas, clothing, entertainment.
- **Hidden Expenses:** not expected. Car repairs, medical bills, lightbulbs, tickets, legal fees, interest rates.
- **Cultural Expenses:** Money, time and effort.



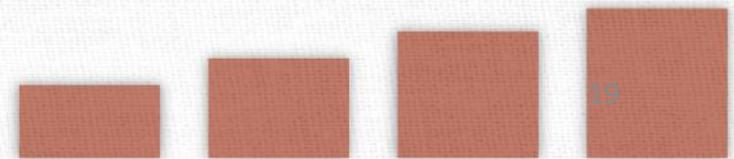
Trade-Offs

- Reaching your goals while meeting needs
- Understanding financial trade-offs
 - Going out vs staying in
 - Paying bills on time vs paying late with fees and interest charges
 - Keeping a positive balance in checking vs paying overdraft fees
 - Reducing expenditures vs increasing income

Trade-Offs: Exercise



Go to your cash flow and target one or two items that you could adjust to improve your cash flow



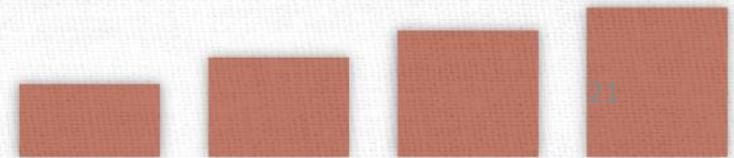
Understanding Wants vs. Needs

- Wants: Are your current possessions working well and serving a purpose? Must you have....
 - New car ?
 - Latest phone ?
 - Subscriptions to on-line music, books, game clubs, etc .?
- Needs: Essential to maintaining health, family and job.
 - Food
 - Clothing
 - Income
 - Medicines
 - Utilities

Creating Your Plan

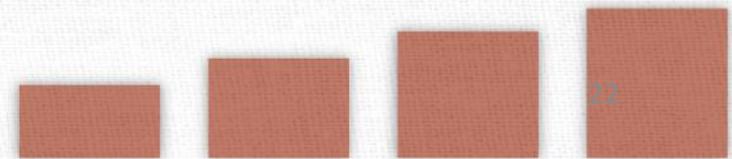


- Assessment of your current progress and situation
- Analyze assessment to see what needs work
- Prioritize goals with plan to achieve them
- Review your plan and develop list of additional help



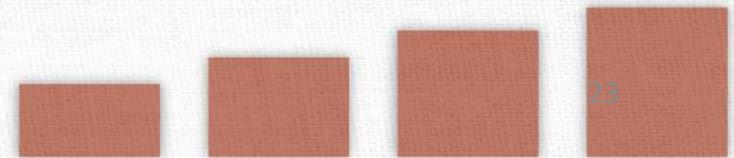
Analyze Your Assessment

- Based off the assessment, make a list of what could be improved.
- How much money will it take each month?
 - Look at all your goals and determine how much money each will take per month.
 - Make a list with monthly amounts.
- Analyze your budget to see how much is available to use for both debt reduction and savings.



Prioritize Your Goals

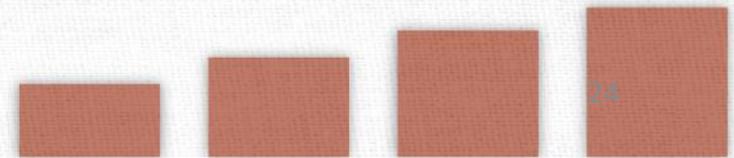
- If the amount needed for all your goals is more than is available in your budget, you will need to prioritize your goals.
- What is most important to you right now?
- **If you try doing too many things at once, you may not achieve any of them.**
- Work on what you determine is most important, you will be more motivated.
- Once you have achieved a goal, you can work on another or set more.
- You don't have to do everything at once.
 - However, try to make progress.



Develop a Plan to Achieve Your Goals



- Modify both your budget and goals to create a plan that will work
 - Review tradeoffs in earlier modules
- To have more money for goals you either need to:
 - Spend less on something (modify your budget), or
 - Earn more income
- You may need to modify your goals
 - If you take longer to achieve them, it will cost less per month



Review Your Plan

- Are your goals obtainable and reasonable?
- Can you stick to your budget?
- Is it doable over time?
- How will you track your progress?
- How will you hold yourself accountable?
- How will you celebrate success? How will you stay motivated?
- What additional help do you need?
 - Career Counseling
 - Other Counseling
- Where can you find help?

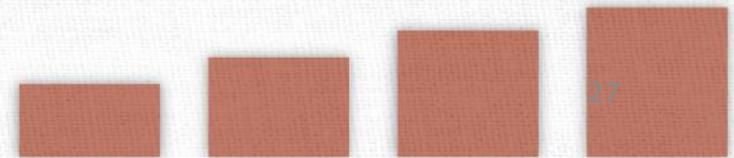
Changing Your Plan Over Time

- Things change in your life. You may need to modify and be aware of life and family changes at any time and be willing to adjust.

Savings Goals

What are your savings goals?

- Reasons to save
 - A safety net or emergency fund for:
 - Unexpected expenses
 - Medical emergency
 - Job loss
 - Retirement
 - Education funds
 - Other

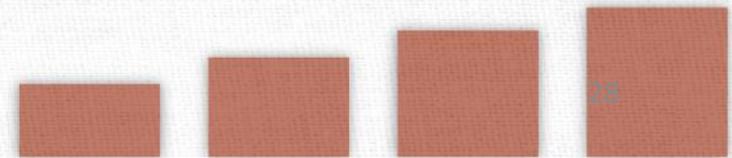


Savings for Planned Annual Expenses

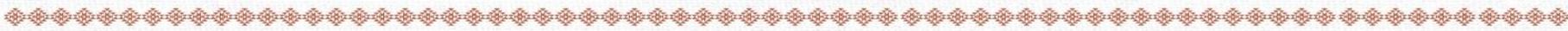


Planned annual expenses

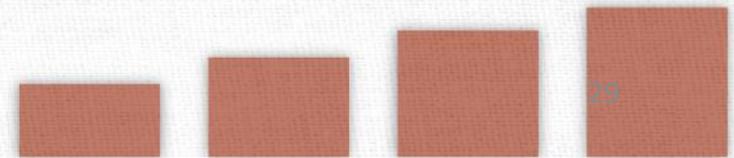
- Vacation, annual property taxes, car registration, annual medical expenses, etc.
- Add up how much you will need for each of these. That is the amount you need to have saved.
- Divide that amount by 12. This is the amount you will need to save each month for that fund.



Savings for Emergency Fund

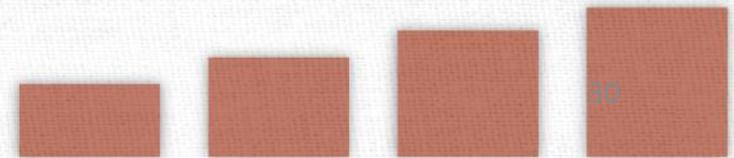


- Maintain financial health when the unexpected happens.
- The amount needed varies:
 - If you are self-employed, you may need a larger fund.
 - In general this is 3-9 months of your monthly expenses.
- Add up all of your monthly bills as well as living expenses. Multiply by the number of months needed to get the total amount.
- For example, Bill and Carol make \$4,000 per month. Their monthly expenses are \$3,500.
- If they want a 6-month emergency fund, they will need \$21,000.



Savings Goals

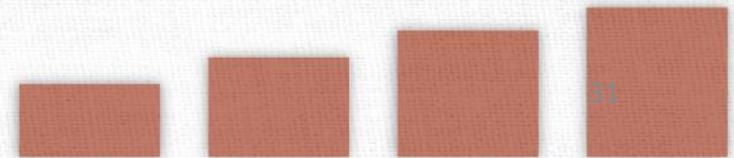
- Characteristics of good goals
 - Realistic
 - Obtainable
 - Measurable
- Bad goal: Become a movie star
- Good goal: Get a better job and increase my net income by 10%
- Do the “My Savings Goals” exercise



My Savings Goals

Examples

Short-Term Goals	Long-Term Goals
Buy a new car (2 years)	Child's college education fund (18 years)
Pay off my credit cards (1 year)	Retirement plan (30 years)
Replace furnace (1 year)	Support aging parents (10 years)
Go on a family vacation (3 years)	Long-term health care expenses (20 years)
Set up a 9-month emergency fund (2 years)	

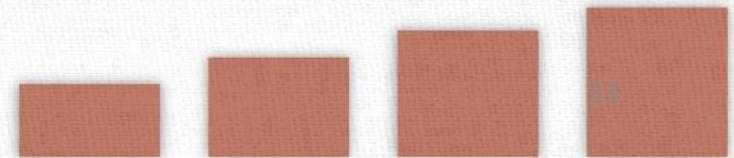


Where Do I Save My Money?

- How accessible should it be? Think about what the savings is for.
 - Do you need access to it?
 - Is it going to be in savings for a long period of time?
 - How much do you have?
- If you want ready access for an emergency fund, you may keep it in a bank with a lower rate so you can access it quickly.
- If you are saving for retirement and that money will be in savings for a long time, eventually you will want to invest in the stock market
 - Mutual funds allow you to invest in one fund, which is investing in many different stocks. This allows you to get higher returns without as much risk.

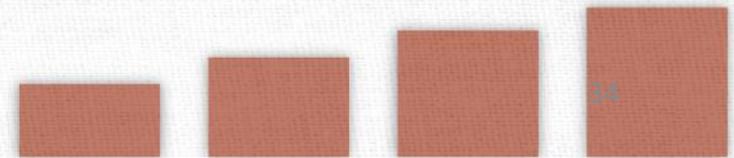


Questions?





Thank you!



Unexpected Expenses:

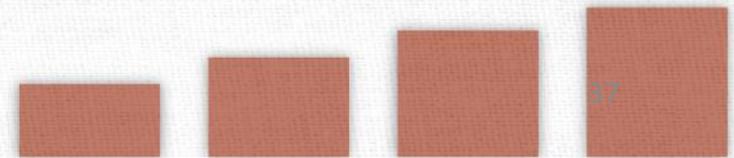
- Unexpected expenses do occur and are difficult to plan for, but be careful which funds are used to cover the expense.
- Buffer funds or emergency funds:
 - Buffer Funds: having enough in checking to cover all of your expenses (including savings goals) and unexpected funds
 - Air conditioner failure
 - Car breakdown
 - Emergency Funds: used for covering major unforeseen events.
 - Loss of job
 - Lawsuit
 - Health issues beyond insurance coverage

Risk and Rates Over Time

- The interest that you earn on savings or investments is called rate of return.
- The rate of return on an investment or savings will affect how much you have to save to reach a goal or how much you will have in the end.
 - Higher rates mean more interest earned.
- Given a longer time period to save, the effect of an interest rate difference will be greater.
- If you save \$50 per month for 10 years, how much will you have at the end?
 - If you earn 4% rate of return, you will have \$7,362.
 - If you earn 10% rate of return, you will have \$10,242.

Where Do I Save My Money for Short-Term?

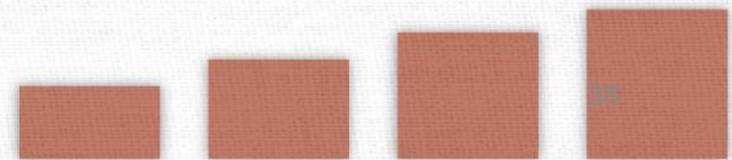
- Two types of savings need to be accessible
 - Planned annual expenses
 - Emergency fund
- Planned annual expenses
 - Uses: vacations, annual property taxes, car registration, etc.
 - Use bank savings accounts, CD's
 - The interest earned will be very small
 - Keeps you from using credit cards and paying higher interest rates



Where Should I Save an Emergency Fund?



- This should be accessible, but not where it can be used all the time.
- A CD allows you to earn 1%-2.5%
- You will need to commit to not using that money for six months or more.
- Having this money in a separate savings account and/or CD would allow some access but would not allow you to use it every day.



Where Should I Save My Money Long-Term?

- As you begin saving, even for a longer-term goal, you may begin saving in a savings account.
- Once you have \$1,000 to \$2,500 you can begin looking into investment funds.
- What to look for in a fund:
 - Fees – What do they charge? For what?
 - Performance – What are the returns over time?
 - Diversity of stocks – Does the fund invest in a variety of companies?
- There is less risk over a long period than over a short period.

