ALLOCATE

Cash Management
Planning for Financial Security
About this seminar

Objectives

> To explore the basics of Cash Management
> To introduce the benefits of sound financial planning
> To provide simple action steps to help you reach your financial goals
Agenda

1. Basics of cash management
2. Cash management process
3. Spending tips
4. Saving and investing
5. Debt management
6. Action steps
It’s not what you make, but what you keep — and how you manage it
Basics of cash management

What is cash management?

Efficient management of cash

- Liquidity protection
- Emergency fund

Tradeoffs

- Risk-return
- Spending/investment risk
- Return/time expended risk
Basics of cash management

Cash management goals

Establish a college fund
Afford a comfortable retirement
Start a business
Pay off debt
2 Cash management process
Ways to better manage your finances

1. Create a budget
2. Determine fixed and variable expenses
3. Monitor and revise your budget
4. Reduce expenses/increase savings
# Cash management process

## 1. Create a budget

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>$2,800</td>
<td>$2,800</td>
<td>$3,800</td>
</tr>
<tr>
<td>Investment gains</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Bonus</td>
<td>$175</td>
<td>$225</td>
<td>$95</td>
</tr>
<tr>
<td>Tips</td>
<td>$350</td>
<td>$500</td>
<td>$275</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$3,325</td>
<td>$3,525</td>
<td>$4,170</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent/mortgage</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$1,200</td>
</tr>
<tr>
<td>Car payment</td>
<td>$375</td>
<td>$375</td>
<td>$375</td>
</tr>
<tr>
<td>Insurance</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
</tr>
<tr>
<td>Student loan</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
</tr>
<tr>
<td>Credit card</td>
<td>$125</td>
<td>$125</td>
<td>$125</td>
</tr>
<tr>
<td>Groceries</td>
<td>$150</td>
<td>$225</td>
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</tr>
<tr>
<td>Utilities</td>
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<td>$250</td>
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</tr>
<tr>
<td>Entertainment</td>
<td>$100</td>
<td>$275</td>
<td>$150</td>
</tr>
<tr>
<td>Personal/misc.</td>
<td>$150</td>
<td>$210</td>
<td>$175</td>
</tr>
<tr>
<td>Savings</td>
<td>$?</td>
<td>$?</td>
<td>$?</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$2,775</td>
<td>$3,010</td>
<td>$2,825</td>
</tr>
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</table>

**BALANCE**

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<th>Feb</th>
<th>Mar</th>
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</thead>
<tbody>
<tr>
<td>(INCOME – EXPENSES)</td>
<td>$550</td>
<td>$515</td>
<td>$1,345</td>
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</table>
2. Determine fixed and variable expenses

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Cash management process

3. Monitor and revise your budget

> Compare actual to budgeted expenses
> Look for opportunities to reduce spending and increase savings
> Keep your budget current
Cash management process

How we spend our dollars

Cash management process

4. Reduce expenses and increase savings

> Determine where you spend your money
> Eliminate unnecessary routine purchases

Remember, you haven’t saved on a “sale” item if you didn’t need it in the first place
3 Spending tips
Spending tips

**Cut back on spending**

> Spend less than you make
> Eliminate things you don’t use regularly
> Look for inexpensive entertainment options
> Before you buy something new, sell something old
> Use credit cards wisely
> Brown-bag it
**Spending tips**

**Did you know?**

- Eliminating one latte per week
  Saves $130 a year

- Eliminating one soda a day
  Saves $273 a year

- Eliminating one dinner out a month
  Saves $600 a year
4 Saving and investing
Saving and investing

Pay yourself first!

- Set up systematic savings
- Save increases and bonuses
- Save tax return refund
- Make more money from your bank accounts

Don’t forget to establish a cash reserve!
Saving and investing

Participate in your employer’s retirement plan!

Another option for paying yourself first

Income taxes are payable upon withdrawal; federal restrictions and a 10% federal early withdrawal penalty might apply to withdrawals prior to age 59½.
Saving and investing

Find ways to reduce taxes

> Contribute to tax-qualified plans
> Take advantage of tax deductions and credits
> Know tax implications of all financial activities
> Invest using tax-advantaged strategies
Saving and investing

The benefits of compounding

Investing $50 a month at 8% annually

- At age 55
  - Start at age 25: $74,518
  - Start at age 35: $29,451
  - Start at age 45: $9,147

This is a hypothetical example only and does not represent any specific investment. The rate of return used in the example is for illustrative purposes only.
Debt management
Debt management

Financial warning signs

> Being at or near your credit limit
> Making minimum payments on credit cards
> Using cash advances on credit cards to pay other bills
> Using increasing amounts of total income to pay off debts
> Not knowing the total amount you owe
> No savings or emergency funds
> You have been denied credit
> Collectors are hounding you
Debt management

Minimize or eliminate debt

Loans

> Shop for the lowest rates and the best terms
> Do not borrow more than you can repay on time
> Don’t borrow for assets that depreciate
Debt management

Minimize or eliminate debt

Credit cards

> Negotiate a lower interest rate
> Pay more than the minimum or split payment in half
> Transfer balance to a lower interest card
> Pay off the credit card with the highest interest first
> Use savings to pay off credit card debt
> Build credit without a credit card
  - Make payments on installment loans on time
  - Put at least one household or utility bill in your name
  - Get a secured credit card
Debt management

Your credit score

A bad credit score could affect your retirement planning

> Too much debt to save
> Prevent refinancing a home
> May cost you a job
  - Loss of earning power
  - Inability to eliminate debt
  - Inability to save for retirement
6 Action steps
### Action steps

<table>
<thead>
<tr>
<th></th>
<th>Action Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Assess existing spending habits</td>
</tr>
<tr>
<td>2</td>
<td>Identify ways to reduce expenses</td>
</tr>
<tr>
<td>3</td>
<td>Set financial goals</td>
</tr>
<tr>
<td>4</td>
<td>Create a written budget</td>
</tr>
<tr>
<td>5</td>
<td>Start a savings program</td>
</tr>
</tbody>
</table>
Action steps

Financial calculators

> Manage finances
  - Personal net worth
  - Tax planning
  - Debt reduction
> Uncover areas for improvement
> Incorporate into overall financial planning
Action steps

Financial planning

- Provides a big picture view of current financial situation
- Helps identify your financial goals and objectives
- Allows you to understand the impact of your decisions
- Will assist you in managing your cash flow to meet financial goals
- Ensures your goals stay on track, if reviewed regularly
Consider working with a VALIC financial advisor

> A financial advisor can help you:
  
  - Prioritize your investment goals
  - Determine the time horizon needed to achieve your goals
  - Determine a financial strategy to meet your goals

For more than half a century VALIC has helped Americans plan for and enjoy a secure retirement.
Action steps

Evaluation

Seminar evaluation form

Date of seminar: __________________ Name of presenter: __________________
Would you like to schedule a complimentary consultation?
   _____ Yes    _____ No
Name: ____________________________________________
Day phone: _______________________________________
Evening phone: ____________________________________
E-mail address: ___________________________________
(Please indicate your preferred contact method.)

Please rate the overall seminar
Not very good 1 2 3 4 5 Excellent
1. What did you find of particular interest in today’s seminar?
   ______________________________________________________

2. How could we improve this seminar?
   ______________________________________________________

3. What other topics would you like to learn more about?
   ______________________________________________________

4. Would any of your friends or associates benefit from this presentation?
   If so, may we invite them to a future seminar?
   Name: ___________________________ Telephone: _____________
   Name: ___________________________ Telephone: _____________
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THANK YOU
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