

# Topic of the Month

# June

Managing Life's Transitions

QUESTIONS? Contact ANH at 1.800.556.1548

## Managing Life's Transitions

*A new baby, an unexpected job loss, a divorce, retirement, getting married - what do these seemingly disparate situations have in common? They each represent significant life changing events that can throw people into sometimes traumatic financial challenges.*

The only constant in life... is change! In fact, life is a series of changes. Some changes are welcomed; others may be catastrophic. Transitions are times of crossing or traveling from something old and familiar to something new and unfamiliar. They may be predictable or unpredictable. In all, transitions and their disruptions challenge us to grow and sometimes even force us to concentrate on today and the present moment.

The financial impact of a life-changing event can have both immediate and long-lasting repercussions. But, armed with the right attitude, resources, and information you can successfully navigate through life's inevitable transitions. **Let's take a look at life's "Big 5" transitions and explore how you can survive them financially:**

### #1 Divorce

**A broken marriage need not break your finances.**

#### Facts:

- The leading cause of divorce in America is disagreement over money.
- Fully half of all US marriages will eventually end in divorce.

If you're going to be a single person again, that means reorganizing your financial affairs. Once divorce is imminent, your next steps should accomplish 3 major goals:

- Make a clean financial break
- Protect yourself from further or unauthorized spending by your spouse
- Lay the groundwork for your new, single credit report.

Your first step? Request a copy of your credit report. You need to see what's on there. Next step? Ask the bank to freeze your joint accounts so that both signatures are required before any transactions can be made. Next? Contact your credit card issuers to freeze joint cards and to get yourself one or more new cards in your own name.



Effective: 05/05:Rev:00

Once you've survived the divorce, you'll want to put your own budding financial house in order and get on with living. Here's a checklist of things you may need to do:

- Find a new place to live
- Open a new checking account in your name
- Establish other lines of credit in your name
- Pay off existing bills in your name
- Prepare a budget
- Make sure you have health insurance
- Start working on your financial independence. If you don't have a job, get one.
- Seek help from welfare or private organizations if needed
- Evaluate the tax ramifications of your divorce
- Change your beneficiaries and revise your will

If you're new to managing your money or encounter problems with your new responsibilities, contact a Certified Credit Counselor for assistance in getting things under control.

### #2 Losing your job

**Cleaning out your desk need not result in cleaning out your bank accounts.**

#### Facts:

- Nearly 9 million persons are unemployed in the US today.
- If you got laid off tomorrow, how long could you pay your bills? Survey results reveal that nearly half of American workers would only be financially secure for 3 months!

Getting laid off can be a traumatic experience, especially when you have a family to support and big bills to pay. And, landing a new job can take up to six months or longer. For whatever reasons – downsizing, mergers, reorganizations – more and more employees are finding themselves out of work these days. If you're facing an unemployment crisis, don't panic. There are ways you can survive a layoff transition period.

#### **Five Fiscal Fundamentals for the Newly Unemployed:**

**1. Look closely at your severance benefits.** It's important that you know what you're entitled to from your previous employer, including severance pay, unused vacation and sick day pay, and continued medical insurance coverage. Make sure you fully understand the terms and conditions you have to meet in order to receive any benefits.



#### **2. Know the specifics of your retirement plan.**

Don't jeopardize the status of your hand-earned contributions. If you have an annuity or participate in a retirement savings plan such as a 401(k) or 403(b), be sure you're familiar with any separation from service terms contained in the plan. Check with your benefits advisor, tax consultant, certified credit counselor or financial advisor for the specifics on taxes and/or penalties.

#### **3. File for unemployment.**

Don't be ashamed to file for unemployment benefits! Unemployment compensation is designed to help people who have lost their jobs except in the case of termination for cause or resignation. Find the address of your local unemployment office in the phone book and apply for benefits in person or on-line. Be sure to have the following documents handy:

- a. Last paycheck stub
- b. Final date you worked
- c. Reason for termination
- d. Social Security number
- e. Driver's license, passport or other government issued ID.

#### **4. Cut your expenditures.**

Now is the time to live more frugally. Start by creating a new budget. Make a list of your savings and income; then make a second list of your monthly expenses. Compare the two to see how long your savings can carry you and plan accordingly. Your goal is to cut expenses to make your savings last longer in case you can't find a new job immediately. But don't eliminate all of joys and perks from your life during this stressful period - just be cautious. Try renting a video instead of going to the megaplex.

#### **5. Review and re-evaluate your options.**

This could be the time to start your own business, try consulting, or re-vamp the direction of your career altogether. Take the opportunity now to review all of your options, and remember that finding a new job will be easier if you remain flexible.

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Remember that although the traditional sources of new job leads are outplacement counselors, recruiters, employment agencies, and classified ads, everyone is a potential lead or contact. Networking is often the key to getting your next job. Contact former coworkers, friends, family members, former customers, vendors or even competitors. Tell people in your local church or temple, social groups, and volunteer organizations you're looking for a new job. You'll be surprised at how much people actually want to help!

***Every day is a new day filled with new possibilities! You've survived the shock and disappointment of losing your job. You've learned to value your existing skills and how to fine-tune new ones. You've adjusted your spending and you're staying the course until you accomplish your goal of finding a new job. You're a survivor! And remember, a Certified Credit Counselor is always available to lend a helping hand!***

### #3 Getting married

***Welcome home! The honeymoon can continue if you both have a handle on finances.***

#### Facts:

- The average wedding budget is \$19,000.
- Most couples enter into marriage without ample savings.



The wedding was Hollywood perfect, the honeymoon a pure delight, and now you're both settling in to married life. Marriage unites two people in important ways, and this includes your finances. You can stay on Cloud 9 if together you both take care of a few simple financial matters:

- Decide who will have day-to-day financial responsibility
- Make big decisions jointly
- Both partners should be well informed and capable of handling financial matters if the need arises.
- Decide whether to have a joint bank account
- Consider using the same medical benefits policies
- Review and revise the terms of your wills
- Change beneficiaries on retirement and life insurance policies
- Consider buying a life insurance policy to protect your spouse should anything happen to you
- Obtain insurance for your engagement and wedding rings
- Update your renter's or homeowner's policy
- Investigate the savings incurred by combining your auto insurance coverage.
- Create a new budget and stick to it! A Certified Credit
- Counselor can guide you now that you may have two income sources

### #4 Becoming a parent

***9 months of waiting – a lifetime of responsibility!***

#### Facts:

The 2004-2005 average cost of a four-year private college is over \$20,000 – per year!

***It is never too early to start saving for your child's education.***

Becoming a parent is an awesome responsibility. The decisions don't end with baby's arrival. In fact, from their first car seat to their first car, the decisions tend to be more complicated – and more expensive! But there are a few methods for making sure you can give your most precious possession the best of everything, and the time to start thinking about them is now!



#### Preparation is everything and here are a few tips to guide you:

1. **Know your finances.** Without sacrificing your baby's safety and comfort, remember to stick to your budget. After all, you'll certainly enjoy the experience of this new bundle of joy more without a dark cloud of credit card debt looming overhead.
2. **Recognize savings.** Because you may have the added expense of childcare or the loss of income if one parent reduces his or her work hours, you need to start budgeting. Cut back on the amount of money spent on food, entertainment and travel. For example, start using grocery and restaurant coupons, substitute local trips for exotic vacations, and take a few less items to the dry cleaners each week.
3. **Review your health insurance.** Be sure prenatal care is covered in your policy, and, before the birth of your baby, find out how to enroll the child in your health plan when the time comes. Review your choices of a birthing facility and make sure your type of delivery is covered.
4. **Review our employer's family leave program.** Talk to your benefits representative for the details of your employer's unpaid family leave and disability programs.
5. **Start a college savings fund... Now!** As tuition prices continue to rise, by the time your baby is ready for college, the cost of a four-year education could average \$200,000! But, by setting aside money now (even a small sum out of every week's paycheck), you can watch your savings compound. There are many moneymaking options available, from conservative investments such as savings bonds, CDs and money market deposit accounts, to more risky yet potentially more rewarding ventures such as stocks, bonds, and mutual funds. Whatever your choice, the important thing to remember in planning to meet college costs is to save early and save regularly!
6. **Will time....** Now is the time to write a will that names a legal guardian and alternate guardian for your baby so that you can ensure your child's future. Without a will, the court may appoint a guardian you would not have chosen. In your will you can leave assets to your child in the form of a testamentary trust, or "after-death" trust. If you currently have the means, you can also set aside money for your child in a living trust, which provides for the management of your assets during your lifetime and after your death. Talk to a lawyer, financial planner, and Certified Credit Counselor about the available options.
7. **Update life insurance.** Life insurance is another way to provide for your baby's well-being or future education in the event of your premature death. As a new parent, plan to review any existing policies to see if they are adequate to provide for your child. If not, you may want to purchase additional coverage.
8. **Revise your budget.** In preparation for your little one, be sure to include in your budget, estimated costs for child care, diapers, food, Dr.'s visits, shots, clothing, etc. This will help ease the effect of adding an additional member to your family

**Did you know?** As reported by the U.S.D.A., a family with a child born in 1999 can expect to spend about \$160,140 (\$237,000 when adjusted for inflation) for food, shelter, and other necessities to raise that child over the next seventeen years!

**To estimate the actual cost, use the calculator at the link provided below:**  
<http://www.bankrate.com/brm/calc/raiseChild.asp>

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### #5 Planning for retirement

#### Start saving now and beat the retirement

##### Facts:

- The average American spends 18 years in retirement.
- Less than half of Americans have put aside money specifically for retirement.



There's a day in your future you're looking forward to with great anticipation and probably some anxiety: your retirement day. You can greatly reduce your fears by taking a realistic look at how well you're preparing for retirement. Money is the biggest retirement concern most people have, so having a clear picture of your finances will go a long way toward putting your mind at ease. Avoid having retirement sneak up on you by making plans early. Remember, the sooner you start preparing for retirement the more likely you are to enjoy yourself when retirement actually comes.

Check the following chart showing the future growth potential of saving \$100 per month in a tax-deferred retirement account, over a number of years and with different rates of returns. (Note that this chart does not reflect the effect of taxes.)

Rate of Return	ACCUMULATION OF \$100 PER MONTH					
	Number of Years					
	5	10	15	20	25	30
5%	6,801	15,528	26,729	41,103	59,551	83,226
6%	6,977	16,388	29,082	46,204	69,299	100,452
7%	7,159	17,308	31,696	52,093	81,007	121,997
8%	7,348	18,295	34,604	58,902	95,103	149,036
9%	7,542	19,351	37,841	66,789	112,112	183,074
10%	7,744	20,484	41,447	75,937	132,683	226,049

*This example is for illustrative purposes and does not reflect returns on any specific product.*

The best person to decide how to build and invest your retirement monies is you. Start by assessing all aspects of your current and anticipated future financial situations. Use the following retirement expense worksheet to help you assess your needs. As you get closer to retirement, measure your progress and adjust accordingly to meet your goals.

After you've completed the chart, think about the following questions:

1. How much should I save for retirement?
2. How long do I have to save that amount before retirement?
3. Where can I invest my retirement money?
4. How much risk am I willing to take on my investments?

Keep in mind that tax laws are always changing. Consult your tax advisor before investing to make the best decisions.

#### Enjoy Life's Bumpy Ride

Life has a way of upsetting even the best-laid budget plans. You can deal with a budget-busting experience in one of two ways: for minor upsets, just get back on track as soon as you can. For the big life transition bumps, redo the budget and the savings goals. Everyone is due their just rewards, so remember, with smart budgeting, those days of picking up your new car, sending your child off to college, and/or retiring to sunny South Florida are all well within your reach!

*For further information and additional resources, please speak with your Certified Credit Counselor at A New Horizon.*

## Retirement Expense Worksheet

	Before Retirement	In Retirement
<b>1. Housing Costs</b> (rent or mortgage, insurance/taxes, utilities, maintenance)	_____	_____
<b>2. Necessities</b> (groceries, clothing, etc.)	+ _____	+ _____
<b>3. Income Taxes</b>	+ _____	+ _____
<b>4. Health Care</b>	+ _____	+ _____
<b>5. Other Insurance</b>	+ _____	+ _____
<b>6. Transportation</b> (car payments, gas, insurance, maintenance)	+ _____	+ _____
<b>7. Leisure Activities</b> (hobbies, travel, entertainment)	+ _____	+ _____
<b>8. Other Expenses</b> (charities, gifts, etc.)	+ _____	+ _____
<b>ANNUAL EXPENSES</b> (in today's dollars)	= _____	= _____