Financial focus

FINANCIAL Planning Done Right
Financial Solutions For The Sharing Economy

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In This Issue

Charitable Planning
- Linda Y. Leitz, PhD, CFP®, EA

Ditch that Budget and Craft a "Financial Freedom" Plan Instead
- Laura Rotter, CFP®, MBA, CFA

Sorting, Saving, and Letting Go
- Kate Elliott Smith, MBA

Take the Money and Run?
- Rob Reed, CFP®, PhD

Charitable Planning

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When disaster strikes, it's a natural reaction to want to help those in need. The heroic efforts of Houston area residents bring a tear to many an eye – people using their private boats to help in efforts to take people from their flooded homes to dry ground, boats full of family pets who were trapped with their families, families being carried to safety through waist-high water by rescue workers and volunteers. For people who are too far away to man a boat or wade through water, making a financial contribution is often the best way to help. To make your heartfelt financial support count, make sure it's going to a bona fide charity that's providing support to those who truly need it. It's a sad fact of life that there are people who take advantage of disaster to perpetrate a scam. So, make sure the dollars or goods you're donating go through the right channels.

Many people consider charitable donations as an important part of their regular budgets. These gifts to non-profits are sometimes very spontaneous – with a photo of a sad animal, neglected person, or inspiring social cause – resulting in donations of various sizes. But some people approach their charitable giving every year with very specific intention and planning. Giving to causes that you deem worthy can hardly ever seem bad. But there might be some ways to have a greater impact on the issues you see as important. If you'd like to consider a planned approach to charitable giving, here are some steps to consider.

Decide how much you are going to give each year. This might be a dollar amount, or it might be a percentage of your income or investments. One concept is tithing, which is giving 10% of income. For many households, this is a workable charity budget since it varies with their family income each year. Another approach might be to take a percentage of investment growth each year to go to non-profits. Or you could take a percentage of your investments each year and donate that amount. A donor-advised fund is an account that allows you to fund a large amount at one time or over several years, then have those funds go to specified charities in future years. This is more complex and should probably be done with advice from a financial professional.

When planning your charitable giving, put some thought into causes you want to support. Consider writing a mission statement for your giving. It can say what you want to support and why. You may have multiple priorities – feeding hungry children, protecting animals from abuse, supporting military veterans, or whatever else is important to you. State how you'll prioritize between the causes. You might also want to include a charitable cushion in case there is a special need that comes up during the year. Once you've done that, do some research on what charities support those causes. Research how much of donations received by the charity goes to the causes they support and how much goes to overhead of the organization. You want more going to the cause than to paying for the organization's overhead. You can look for assessments on how well charities accomplish their goals at www.charitywatch.org and www.charitynavigator.org as well as making some calls and reviewing services yourself. If you want your donation to be potentially tax deductible, it must be to an organization that the IRS deems to be a charity. This indicates at least some legitimacy of the

Continued on page 2

Ditch that Budget and Craft a **"Financial Freedom"** Plan Instead

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- Define your financial goals and values and then study how and why you already spend your money.
- Track spending patterns with websites and smartphone apps
- Develop "mindful awareness" of emotions and judgments that create spending "needs" will lead to change.

I don't know about you, but I hate the word "budget." It suggests scarcity and constriction.

Though I have always been more likely to indulge myself than to deny myself, I have come to realize that with money, as with life, boundaries are often necessary to create more freedom. So, I call my budget my "financial freedom" plan.

A Financial Freedom Plan

How can you create a financial freedom plan? The first step is to define your goals and your values. What would you be doing if you had more time? What responsibilities would you give up if you could? Where do you see yourself in five years if everything goes right in your life? It helps to bring as much detail as you can to your vision. Knowing that I am living my dream of varied days, using my skills to help people find peace and overcome challenge in their financial lives, motivates me to stick to my plan.

The next, and hardest step is to understand how and why you are spending your money. Websites such as www.mint.com and www.ynab.com categorize all of your purchases to help answer the question of how you spend. My husband and I have found the app Home Budget has helped with the process of answering the why. The need to manually enter every purchase requires us to bring mindful awareness to each individual spending decision.

Mindful awareness does not necessarily lead us to perfect financial decisions. We are human, after all, and our purchases serve many needs beyond financial — some worthwhile, some not so much. We are all guilty of referring to our "wants" as needs, such as "I need a new outfit for the party." The problem arises when, in pursuit of pleasure, we put our security and our values at risk.

Know that developing greater awareness of the emotions and judgments that create your spending "needs" will lead to change. And recognize that it is curiosity and compassion, not judgment and disapproval, that encourage this change.

Questions to Ask

How can you be sure that you are making responsible spending choices? Before you make a purchase, ask yourself:

- Will this purchase be contributing to high-cost credit card debt?
- Will this choice leave your emergency fund with less than three to six months of living expenses?
- Will your spending keep you from saving toward your retirement?
- And the most important question of all: will this purchase move you closer to your goals and values?

Close to four years ago, I answered no to that last question and it changed my spending habits and my life.

You, too, can create a financial freedom plan to put you on the path toward the life of your dreams. To create your plan, envision that life, understand the how and why of your individual spending decisions, and bring nonjudgmental awareness to your current spending habits. And don't forget to:

- Appreciate your money and what it enables you to accomplish
- Forgive yourself for being human
- Recognize that you can always start again tomorrow

Charitable Planning (cont.)

organization and how they allocate donations received. While giving to a friend who needs help is very kind, it is probably not a charitable write off.

Your charitable priorities might change from year to year. That could be due to your changing view of society's needs, a specific capital campaign by an organization, or because of what you see these organizations doing. Planning and intention may give your charitable efforts more impact.

Sorting, Saving, and Letting *Go*

Kate Elliott Smith, MBA
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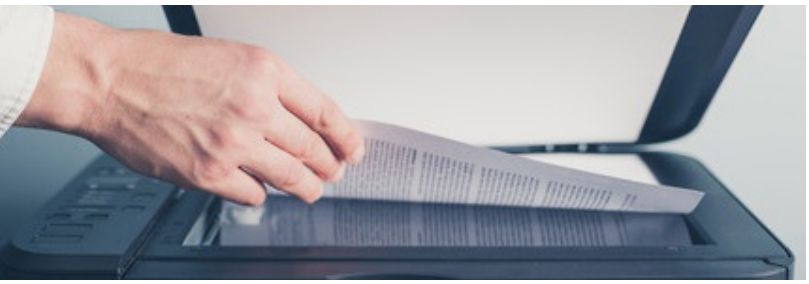
About 10 years ago, I spent a month sorting through my father's house and dealing with the accumulated financial documents, letters, and photographs of three lifetimes – my father's, my stepmother's, and my mother's. Each of them was their family's depository for all the paper memorabilia that no one wanted to throw away, going back over 100 years.

Since then, I have worked steadily to get rid of all the paper I don't need to keep, while saving the important things electronically, using a small scanner I keep on the edge of my desk. I've thrown away 25-30 boxes of mostly financial records over the past several years. I have also sorted through my correspondence and photographs and have tried to lessen the paper (and phone calls and emails) coming into my home. It improves my mood, decreases my recycling and trash, and makes it easier to keep track of my financial affairs.

Most people would like to get more organized and save important papers, correspondence and photographs, but are too intimidated to begin. Here are a few tips to get started:



Decrease the paper coming into your house, especially financial documents.

1. Go Paperless
Sign up for paperless statements from your bank, credit card, investment, pension and insurance, and Social Security accounts. Sign up for paperless utility bills, and pay as many as possible automatically. This simplifies your life, decreases your mail processing time, and keeps your information out of the paper mail system. If you don't receive it, you don't have to recycle or shred it later.

2. Download Quarterly Statements
Every quarter, download statements from your accounts, and then run a backup on an external hard drive or a secure vault in the cloud. Save all your unique passwords in a password safe, like LastPass, and sign up for two-factor identification where it's available.

3. Stop Junk Mail
To decrease junk mail and unwanted solicitations, register on the Direct Marketing Association's website, www.DMAChoice.org. This mail preference program lets you choose what you want to receive: credit offers, catalogs, magazine offers and other mail offers. You can request to start or stop receiving mail from individual companies within each category—or from an entire category at once. There are also links to let you stop mail from being sent to a deceased individual, or to a dependent in your care.

4. Opt-Out of Credit Solicitations
If you are plagued by credit offers, register on www.OptOutPrescreen.com, which is the official consumer credit reporting industry website to accept and process requests from consumers to opt-in or opt-out of credit or insurance offers. You can opt-out online for five years; if you choose to opt-out permanently, you must mail in a form available from the website. You can also opt-in online if you have previously opted out.

5. Switch to Digital Newspapers and Magazines
Consider switching some of your subscriptions to electronic-only, or at least paper and electronic. Keep the newspapers and magazines out of your house, and recycle aggressively. We still get two newspapers, and several magazines, but I recycle the papers weekly, and it's more convenient to look at the magazines electronically on a tablet, and easier to find articles later for reference.

Decrease the paper already in your house: use a scanner and recycling and shredding bins.

1. Scan Everything
I have used a Fujitsu ScanSnap S1300i for about eight years now, and recommend it to all my clients. (It's one of the top Best Sellers in the Document Scanners category at Amazon, where you can find reviews and answered questions, and shop for other models.) More importantly, the ScanSnap is easy for a non-techie like myself to set up, and it just works. It's especially useful in keeping on top of medical records, invoices, and insurance statements. I use it almost daily, to scan and file documents, and then recycle or shred the originals.

2. Shred Aggressively
I bought a shredder years ago, but found it noisy, messy, and tedious to turn on and off. When I saved up all my shredding to do at once, the shredder would overheat. Three years ago, I switched to carrying my shredding in bulk to my office supply store, which contracts with a local document security service to do shredding for $1.00/pound, or about $20.00 for a standard document/book carton. I hand feed the documents into the locked bin, and I'm comfortable with the security.

3. Organize Your Digital Documents
Start with a document naming system that works for you and is consistent. Because I was organizing papers for several different family members, I named each document this way: Name YYYY-MM-DD Description. The Description usually named the organization (bank, doctor, etc.), the item type (monthly statement, invoice, etc.), and then any further details.

Then set up file folders for your main categories. I have folders for each family member, as well as files labeled Kate Financials, Kate Personal, and Kate Professional. Within Kate Financials, I have Taxes, Banks, Insurance, etc. If your paper-filing system works well, duplicate that structure.

If you follow these steps, you will decrease your paper, increase your organization, lower your stress level, and help save our planet, all at the same time.

Take the Money and Run?

Rob Reed, CFP®, PhD
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It's Oscar season and we—your humble financial professionals—go to the movies and often leave irritated.

"If you want to see your daughter alive, bring $5 million in used $50 and $100 bills to the old warehouse."

"But I can't get that much money!" Our Hero whines.

"You'd better," the anonymous voice growls, and the line goes dead—ominously.

The scene shifts to a deserted warehouse where Our Hero enters. He tosses a briefcase on the table and opens it. It is filled with tidy stacks of bundled bills. "It's all there," he says to the villain.

Give me a break! Do you have any idea how much $5 million weighs? How much room it takes up? Four hundred and ninety bills of US currency weigh one pound. That is a stack 2.1 inches high, with a volume of 33.65 cubic inches. The average briefcase holds 864 square inches. Used bills take up two-and-a-half times the space of new bills. (Thank you, Google.)

Five million dollars in new $100 bills would weigh 102 pounds and fill four average briefcases. But wait! The villain demanded $50 and $100 bills (let's say half and half) in used currency. Our Hero ain't casually tossing anything on the table. He has to lug in 153 pounds of cash in 15 briefcases. He needs a sherpa.

Oh, and forget about that climatic scene where the bad guy, cradling the cash, and shooting over his shoulder is sprinting away from the cops. Nobody is sprinting anywhere with 15 briefcases each weighing 10 pounds. Even if he transferred it, the money would still fill four suitcases (three 40-pounders and a 33-pounder) or two duffle bags (78 and 75 pounds each).

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