Your Money and Your Health

Seven steps towards financial freedom and optimum health

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BONUS

Your Monthly Budget Worksheet

Determine Your Actual Monthly Expenditures

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Your **Money and Your Health**

Introduction

When some people heard I was writing a book about health *and money,* they wondered why, as these topics are not typically connected. I explained that our *financial health* is directly connected to our *overall health*. Once I experienced severe panic attacks. My body and soul needed to heal, and I needed to take a step back to re-evaluate my career, which took a while. Taking that time out was possible only because I had savings and knew how to live frugally.

The intent of this book is to debunk the many misconceptions about our relationship with money, not to teach you expert financial planning – I'm not a financial planner. But with considerable experiences with patients in my private practice, patients at homeless shelters, friends, and relatives, I feel compelled to write it. It is one of those four important "legs": mind, body, soul and money. We must control our financial health in order for our "table" of optimum health not to wobble.

The Money-Health Connection

Much of life revolves around money: earning money, learning how to spend money, saving and giving. *I have learned that how one feels about money has nothing to do with how much you have*. And how much money we make has nothing to do with how much we save. America is one of the few countries where anyone who works hard and has the ability to save can become the millionaire next door. We hear the stories of people who win millions of dollars from the lottery – promptly spend or lose it all. And there are the once-rich and successful celebrities who end up in bankruptcy due to poor money management.

Our relationship with money is twofold: *earning it and spending it*. Earnings are related to our educational capacity as well as our lifestyle needs. When our earnings exceed our basic costs of living, we are able to save. How much we are paid for what we do varies in many ways. Where we live, our skills, gender, ethnicity, and job availability all enter the equation. Doctors in Russia and Cuba earn about the same as other professionals. Almost everywhere movie stars and athletes earn more than most. The ballplayer earns far more than the teacher who teaches our children.

Our environment also reflects our relationship with money. My paternal grandmother raised me because my single mother was poor. Although Grandma also struggled, she taught me invaluable lessons about frugality. She was adamant that "we do not eat the turkey today and the feathers tomorrow." We learned to live with each day's allotment. She taught us the difference between "needs and wants." *Needs* are things we must have to live decently, such as a secure home, food, and money for basic necessities. Everything else should be considered *wants.*

Americans are driven by consumerism; teenagers want to have it all and have it *now*. They do not realize that money affords independence and security, and is not merely the means to acquire new things. Children spend too much time watching television and being lured by prizes inside happy meals. Many teenagers who grow up during times of prosperity learn to have a materialistic attitude. They are bombarded by MTV images, where clothes define a person. Peer pressure drives teens to want the latest fashions, proms cost thousands of dollars, and they believe they need their own telephone lines, cellular phones, computers, CD players, and on and on. Money and what it buys helps them to feel they fit in.

According to WonderGroup, an agency that conducts in-depth research for corporations, about two-thirds of children live in single-parent households or have two parents who work outside the home. To compensate for the lack of attention, parents buy more things for their children out of guilt. As a result, some children may learn to equate money with love. According to Teenage Research Unlimited, a market research firm, teen-agers spend an average of $84 per week – $27 from their parents and $57 from a job or other source, shelling out a staggering $155 billion in the year 2010. Additionally, they rack up thousands of dollars in credit card debt.

Parents, who live beyond their means, amassing huge debt, often influence their children's relationships with money. Marvin Goldberg, a business professor at Pennsylvania State University, found that when parents stated, "I'd rather spend time shopping than doing almost anything else," their children were likely to learn accordingly: "The more money you have, the happier you are."

The Health Impact of Financial Problems

Researchers from Ontario York University studied the negative impact of unstable income on health. Their results suggested that sharp income drops result in substantially higher mortality risk, even when such financial setbacks are only temporary.

We know that stress can affect our mental and physical health. It is no surprise that financial problems cause people to neglect their health, and that the stress of financial problems may harm your health.

Here are a few examples:

- A study by the State University of New York at Buffalo, published in the Journal of Periodontology, documented the association between financial stress and gum disease. About 30 million Americans suffer from gum disease, a bacterial infection, which has been associated with an increased risk of heart attack and stroke.

- Dr. Fred Waddel is a nationally recognized expert who helps people to eliminate compulsive spending and to monitor attitudes and habits that may result in financial problems. He states that clients with financial problems often had lower back problems and eating disorders.

- In her best-selling book, *Heal Your Body*, Louise Hay identified the following physical maladies that accompany money problems: lower back problems, slipped discs, sciatica, and obesity. A recent study confirmed that individuals who live in psychosocially stressful environments were more susceptible to lower back disorders.

- Caroline Myss, a medical intuitive, is the author of *Anatomy of the Spirit: The Seven Stages of Power and Healing*. In the section titled, "The Energy of Money," she wrote: "A scarcity of money translates into a scarcity of energy in the body itself – again unconsciously. The misperception of money as the life force, coupled with a sudden loss of money, can activate any of several health crises: prostate cancer, impotence, endometriosis, ovarian problems, lower back and sciatic pain…"

Cases histories illustrating the health impact of financial problems:

***Case #1**: Veronica, a 54-year-old menopausal patient on hormone replacement therapy, complained that she was having difficulty sleeping. She has been my patient for many years. Veronica was hesitant to discuss this, as she knew that it would be difficult to convince me to prescribe sleeping pills. It took some probing before I learned that she recently received a letter from the IRS; she and her husband owed more than $70,000 in back taxes and penalties. A week later, I read an article about bargaining with the IRS. I sent it to her and she and the IRS finally arrived at an agreeable compromise. Her usual sleeping pattern resumed soon afterward.*

***Case #2**: Barbara is a 48-year old teacher, good friend and patient. She and I usually celebrate our birthdays together in March, during Women Make History week,, when I would also speak to her class. This has been a ritual for us for more than 13 years. One year we celebrated her birthday in April, and I realized that I had not spoken to her class. Through her tears, Barbara told me that she did not want to be a teacher any longer. I was shocked. Barbara confessed that she was tired of the politics at the school; politics that made teachers not want to teach. To make matter worse, her financial adviser told her she could not retire until she was 55. Barbara felt trapped. She had been feeling depressed and could not shake a lingering cold. This situation did not improve* *until Barbara found a way to earn additional income. The extra income gave her the freedom to retire when she wanted, and she regained her love of teaching.*

Case #3. *Regina, a 37-year-old supervisor at a small company, reported irregular bleeding over the course of three months. About six months before, she overheard rumors that her company was on the verge of closing its doors. Regina was a single parent with two small children who earned a good income, but the country was in a recession. She feared becoming unemployed, being unable to pay her bills, and losing her house. One woman in five will experience irregular or heavy bleeding due to under-active thyroid. If the TSH (thyroid-stimulating hormone) level is low, thyroid supplements may resolve the problem. Regina's TSH level was within normal limits. Another reason for irregular bleeding, in the absence of a pathological reason, is stress. Regina did lose her job but was able to find another one right away. Her periods became regular again.*

Case #4. *Ingrid, a 26-year-old woman, came to my office complaining about loss of sexual desire. A year before she had given birth to a healthy son. She said that she and her husband rarely had sex any more. Both Ingrid and her husband had problems with spending. In fewer than four years, they had accumulated credit card debt of $26,000, at 19.9% interest. Her husband had a good job, but they were having difficulty making ends meet and were sinking deeper in debt. They each blamed the other. Ingrid's exam and blood work were within normal limits. In her case, she and her husband needed the help of a debt counselor to resolve their problems.*

Case #5. *Debra, a 52-year-old woman, was having difficulty sleeping and was experiencing hot flashes. She had been taking hormone replacement therapy since she started menopause. Debra wanted me to increase her medication dosage. It has been my experience that when a medication stops working after it has been working well for a while, something big is happening in the woman's life. I cannot quote scientific studies to prove this, but this has been true for many of my patients. My theory is that stress may cause some drugs to be more readily metabolized by the body, and the usual dose may not be as effective as before. It may be logical to increase the dose, but this is not done without increasing risk. In Debra's case, she lived with an abusive husband. She knew that she had to leave; the children were grown. Debra's problem was that she had allowed her husband to make all financial decisions. She had no skills, and felt she would be unable to survive on her own if she left her husband.*

Case #6. *May is a 56-year-old woman who was experiencing unusual heart palpitations. Otherwise, she was healthy. For several months she served as her 88 year-old mother's sole caregiver. Her mother was having problems with senility and did not want to live in a retirement home or with May. The mother* *owned a small home and was on Medicare; she did not have long-term care insurance. Since one out of every two women dies of heart disease each year, I referred her to a cardiologist to rule out heart disease. Her cardiac evaluation was normal. May's symptoms subsided after she found help for her mother's care.*

Some financial problems that can affect physical and mental health are poverty, unstable income, excessive debt, and lack of health insurance.

Studies have demonstrated that poverty, disparity of income, and unemployment, are some of the most damaging portions of the health equation. If you are barely able to make ends meet, preventive health care becomes a luxury – especially when paying for a doctor's visit uses money allotted for food.

In my home country of Haiti, where the per capita yearly income is only $340, life expectancy is only 45 years. In areas of the US where there are large numbers of poor, statistics reveal that mortality is similar to many third-world countries. Less than half of Americans get the most beneficial disease preventing services in medicine, says a study funded by the Centers for Disease Control. Clearly, poverty has a significant impact on health and longevity.

People who live outside of the US may not understand that people struggle in America, the land of opportunity. *What causes many Americans to end up in dire financial situations?* I do not pretend to know the answer, but, in my humble opinion, it has to do with our relationship with money, as well as the ability of each of us to grab opportunities to receive an education, get a job, and save money.

Retirement Inequities

The likelihood that a woman's quality of life will be downgraded as the result of inadequate retirement income or long-term chronic illness is highly probable. Either women are not taking heed or they are not learning how to prepare for their later years. Women have come a long way and account for 49.4% of first-year law students in 2000 compared to 10% in 1970, 46% of medical students in 2000, and received 38% of MBA degrees awarded in 1998. In spite of the increasing numbers of female law graduates, the proportion of female judges and law firm partners has not kept pace.

Beginning in the late 1960s, women advanced in the workforce in earnest. According to the 2000 Census Bureau figures, while nearly as many women as men have college degrees, men far outnumber women in high-paying jobs. Thirteen percent of men aged 15 and older earn more than $75,000 annually, and 19% earn $50,000 to $74,000 annually. Only 4% of women of the same ages earned more than $75,000, and 9% earned $50,000 to $74,000 annually.

Women often outlive their male counterparts and experience poverty during their later years. The average age of widowhood is 56. Approximately 80% of retired women lack pension benefits because they are typically employed in settings that do not offer retirement benefits. A full-time working woman over the age of 45 has two-thirds the median earning capacity of men the same age.

According to the US Census Bureau, women are continuing to move to the forefront of US business, especially in California. However, women-owned businesses tend to be smaller than those owned by men, and many small business owners have no health insurance or have high deductibles and co-pays, no disability insurance, and no retirement plan.

The Changing Face of Homelessness

The fastest growing subgroup of the American homeless is women. Almost 5% (5.7 million) of Americans are homeless. Homelessness has been defined as lacking "fixed, regular, and adequate night-time residence," and occurs when income falls short of expenses for shelter. The cause of homelessness is different for men and women, but insufficient affordable housing is the single largest contributor. Poverty and physical and sexual trauma typically propel women into homelessness. If a woman loses her home due to sudden calamity, she may receive emergency assistance and emotional support, but if a woman loses her home gradually due to poverty, or by fleeing an abusive relationship, far less assistance is available.

There is a tendency for us to believe that the homeless suffer from mental illness, especially following the de-institutionalization of the mentally ill in the 1950s and 1960s. In fact, reports indicate that only about 30% of the homeless suffer from mental illness, and 50% to 60% of these are women. Mental disorders are a normal response to chronic trauma, and not evidence of primary mental illness. Studies have estimated that approximately 16% to 26% of homeless women abuse drugs or alcohol.

I have attended to patients at the Rachel Women's Center, a homeless shelter in San Diego operated by the Catholic Charities, since 1985. In 1997, I began attending patients at St. Vincent de Paul Village, another homeless shelter in San Diego. I have never forgotten my first encounter with Betty, a homeless woman.

Betty was about my age, had a home, a husband, and a job. First, her husband died of a severe illness, then she began to have health problems, she lost her job, and finally she lost her home. There were some night shelters in the city, but often, there were not enough beds. Betty had been homeless for six months, occasionally slept in Balboa Park, and had been raped.

I was shocked to discover that many homeless women are women just like you and me. I have since met many women and men just like Betty and they all have one thing in common: *financial difficulties*.

The "traditional" homeless person is a young to middle-aged individual, who has difficulties due to unemployment, mental health, or alcohol or drug addiction. *Senior citizens represent the newest subgroup of homeless.* Once they retire, many members of the middle class find themselves reduced to poverty and live in decrepit hotels or become homeless.

To illustrate: According to the San Diego County Apartment Association, the average rent for a one-bedroom apartment in San Diego County is $950. For many seniors social security provides them income of $700 per month. Subsidized housing for the poor is lacking in San Diego. The newly homeless individual typically has no savings, has lost a job, has outlived their resources due to increased cost of living, has no relatives to turn to, and ends up living on the street or in homeless shelters.

Do you wonder how long you'll live in retirement? In 2002 there are approximately 72,000 centenarians in the US. *According to the US Census, there could be anywhere from 265,000 to more than 4 million people who are 100 years old by the year 2050!* Currently the averages are: a healthy 65-year-old woman has a 44% chance of living to age 90, and the chances that one member of a healthy couple, both 65 years old will live to age 84, are 87%. What will your quality of life be in advanced age? Longer lifespans mean you may outlive your savings *unless you plan ahead.* Plan as if you will live in retirement for at least two decades.

Effective Planning

Everyone knows planning for the future is important. We plan what we will study in college. We plan appropriate exercise in order to achieve physical strength and endurance. We even plan in order to take that family vacation. *Yet, many of us do not plan for our financial future*. Would you believe people spend more time planning their annual vacation than they spend planning their financial future? And, when something does go wrong, even if it is a minor problem, we are caught unprepared and emotionally unable to handle the impact. We worry and our health suffers as a result of the additional stress. Deep down, we understand that we need to eat balanced meals and exercise regularly in order to maintain our health. Excellent health is the result of careful, day-to-day attention to nutrition and exercise. The same principle holds true for our financial health.

You owe it to yourself to talk to a financial expert. I do have some tips to get you started. And, remember what I said, your *financial health is related to your overall health*. So make the decision today to become proactive about your financial health!

Here are some steps that have worked for me, and this "prescription" may work well for you, too. Each step is important, and all must be coordinated for you to succeed.

Step I: Assess Your Current Financial Health

What is personal financial planning? *It is a process, not a product*. It is an organized system of developing strategies for using your financial resources to achieve both short – and long-term goals. Evaluating your current financial situation is the first step in developing any financial plan.

The following worksheet is designed to help you by clearly outlining your assets and liabilities. Your net worth is the major measurement of your wealth, and is calculated by subtracting your liabilities from your assets. By increasing your assets or reducing your debt you increase your net worth. *Do you know what you're worth?*

Calculate Your Net Worth

Assets

Savings and Investments

Cash (money in the bank, checking, savings, money market deposit accounts) ....$_______

CDs (Certificates of Deposit) ....$_______

Income Investments (stocks, bonds, mutual funds)$_______

Real Estate Investment ....$_______

Ownership Interest in a Business,
Partnership or Other Investments ....$_______

Other ....$_______

Retirement Plan Investments

Individual Retirement Accounts (IRAs) ....$_______

SEP ....$_______

Keogh Plan ....$_______

401(k) or 403(b) Plans.....................................$_______

Pension Plan ....$_______

Profit Sharing Plan ....$_______

Cash Value of Life Insurance ....$_______

Market Value of Home(s) ....$_______

Personal Property ....$_______
(cars, collectibles, furniture, jewelry)

Other ....$_______

Total Assets .... $________

Liabilities

Mortgage Payment..$_______

Car Loans ....$_______

Credit Cards ....$_______
Student Loans ....$_______
Other Loans ....$_______
Unpaid Taxes ....$_______
Outstanding Bills and Obligations ....$_______

Total Liabilities **................$________**

Your Net Worth (Assets minus Liabilities)

Total Assets $________
Total Liabilities $________

Total Net Worth $________

If you recently graduated from college and have student loans, your liabilities may exceed your assets. Whatever your net worth is – positive or negative – the most important fact is that you are now *aware* of your financial picture and are willing to work on it. Remember, it is never too late to start and no amount is too little to save!

Often, people count on income tax refunds to pay for a vacation or a down payment on a car. If you receive a fairly large income tax refund each year, your employer is withholding too much from your paycheck. That tax refund may seem like a windfall, but you are not looking at the situation correctly. Overpaying taxes is like giving the IRS an interest-free loan. If this money was not withheld from your paycheck, you could save it or use it to pay off debts. Ask your tax preparer or someone in your accounting or benefits department to help you calculate your withholdings.

Step II: Know How Much You Are Spending Each Month

Sometimes we are unable to save because we are unaware of how much we spend. When I started working with a financial advisor, I filled out a Monthly Family Expense Budget. I was surprised to realize that my weekly tennis lessons were costing me $2,600 per year. I took the time to find a tennis partner, reduced my lessons to one per week, and saved $1,300.

I know a woman who loved café latte and bought one every workday at lunchtime. She did not realize that the $4.25 she spent each day added up to $1,100 a year. Had she invested this money, earning an average of 7% per year, she would have had about $80,000, enough to buy her own coffee franchise. Makes you think, doesn’t it!

I’ve included a ***Monthly Family Expense Budget*** worksheet, located at the back of the book, to help you determine your monthly family expense budget. It will help you to budget your spending and saving. *Please use it!*

Step III: Establish Your Financial Goals

I advise you to establish financial goals for yourself, and if applicable, your family. A financial goal is how you want to your finances to look. Where do you want to be in 5 years? How about 10 years? Or 20? Having a clear goal and the willingness to work hard can make it happen. If you can imagine and plan it, you can achieve it. Setting specific goals also helps you to determine the amount of money you need to meet each goal. With specific goals in mind, you can estimate a time frame within which each goal will be realized.

Examples of specific goals:

- I want to have enough money to retire when I am 55.
- I want to save money for my children to go to college.
- I want to pay off my credit card debts.
- I want to save money so I can enjoy a comfortable retirement.
- I want to leave a financial legacy for my heirs.
- I want to save money for a new car.
- I want to pay off my college loans.
- I want to save money to make a down-payment on a house.

Step IV: List Your Financial Goals

Goal Amt. Needed Time Frame

1. ______________________ $____________ ____________
2. ______________________ $____________ ____________
3. ______________________ $____________ ____________
4. ______________________ $____________ ____________

Step V: Learn "Saving Skills"

There are three types of obligations. *Discretionary obligations* include entertainment, vacations, and hobbies. *Variable obligations* consist of insurance, food, clothing, telephone service, electricity, water, and other household necessities. *Fixed obligations* include mortgage payments or rent and other loans and obligations. Although it may not be easy, we can reduce our discretionary expenditures. They may be absorbing a large chunk of our income.

I often hear women say, "there is no extra money," or "we don't have enough money." These same people spend $50 or more a week on their families at the movie theatre. Yes, we are entitled to a night of enjoyment now and then. If this family went to the movies every other week, they could save $100 a month. Or, they could go to a drive-in theatre, take their own snacks, and save a bundle! You can set a good example for the children by proving that family outings do not have to cost an arm and a leg. Further, if you deposited a portion of this saving into college funds for your children, you just might teach them a few lessons in frugality. Resourceful family planning can yield savings that ensure a more comfortable future, and a healthier lifestyle with less worry and stress.

Step VI: Create a Comprehensive Savings Plan.

Once you create a financial plan, you will know what you need to do and when you need to do it. You will better understand the financial decisions you need to make and the impact of these decisions on your future financial freedom. Having a financial plan in place helps to eliminate excess stress and worry. There is no better time than right now to work on financial balance in your life.

Creating a financial plan may sound difficult, but with clear goals, you will be well on your way.

Your savings plan should include three components:

- A savings account balance 3 to 6 times your monthly family expense budget.

- Personal savings and investments through IRA, Roth IRA and others.

- Saving and investments through a retirement plan at work – 401(k) or 403(b) plan if you are an employee, a defined-benefit plan, or SET if you are self-employed.

Personal Savings

Saving money has little to do with how much you earn. How much you save is largely dependent upon your ability to save. Even though financial freedom is at stake, few of us have been *taught* to save. Many of us want instant gratification and have yet to acquire the discipline to save as we struggle each day to make ends meet. We also have bad habits. When we get a raise, we buy a bigger home, a nicer car, take nicer vacations, or buy a second home, instead of saving some of it. It's costly to keep up with the Joneses.

One is never too old to start saving. And, even the smallest amount of money saved will grow over a long period of time. Having your own personal nest egg can make a big difference in how you handle minor or major lifestyle crises, and will determine how well you will live after you retire. It is also important to understand that because we are living longer, your retirement savings may have to provide for your needs for some 20-30 years beyond retirement. Social Security is not a complete retirement plan and benefits are not intended as your sole source of income. And, as you may have heard, Social Security may not be there when you need it. So, let's go over some ideas to pad your savings.

Pay Yourself First

You owe it to yourself to make regular savings a priority. Just like you pay your rent, mortgage, and taxes, you should *pay yourself by saving*. According to Derek Dingle of Black Enterprise Magazine, "paying oneself first should become everyone's loud-and-clear mantra, and the earlier, the better." The first principle of Black Enterprise's Declaration of Financial Empowerment suggests that we save and invest 10% to 15% of our after-tax income. By letting the magic of compounding work for you, you lay the foundation for serious wealth down the road.

Saving 10% to 15% of your income may be impossible for some people. Maybe you are able to save only $25 a month. The important thing is to save regularly, regardless of how much or how little it is. The sooner you start, the easier it will be for you to achieve your financial goals. If you find that you are having difficulty disciplining yourself to save each month, then you might want to ask your bank or credit union about setting up an automatic withdrawal from checking to your savings account.

You need to save enough money to cover 3 to 6 months of living expenses. This money should be kept in a liquid emergency fund, one that may be converted to cash quickly and easily, and without significant penalties.

Saving on Your Home

The rule of thumb is that the price of a new home should not exceed two times your annual income. Monthly expenses associated with the home, such as the mortgage payment, any maintenance costs, utility bills, and repairs, should not exceed 38% of your after-tax income. Many first-time buyers fail to realize that after coming up with the down-payment, they also need to pay closing costs. Ask your lender to estimate closing costs before making any final decisions.

- If you are lucky enough to realize the American dream of owning your own home, you may be able to save money in the following ways: Consider refinancing your mortgage. You should do this when mortgage rates drop 2 or more percentage points below what you are currently paying. If you plan to stay in your home long-term, you may wish to refinance if mortgage rates drop one percentage point below your interest rate.
- A home equity loan may be used to pay off high interest credit card debt, thereby reducing your monthly payments. Equity loan interest rates are usually much lower than credit card rates, and interest paid on an equity loan may be tax-deductible for federal income-tax purposes. Interest payments on credit card debts are not tax-deductible

Saving on Your Car

The purchase of a new car is the second largest financial decision you may have to make in your life. Unless you finance the car at a very low rate, you may opt to pay for your car through a home equity loan if you are a homeowner. Shop around and consider purchasing a used car. Some car models may have secret factory warranties that cover problems or repairs common to particular car models. To find out if your car has such warranty, send a self-address stamped business-sized envelope to The Center for Auto Safety, 2001 S St. NW, Washington DC 20009. Be sure to provide the year, make and model of your car. Following are some strategies involving insurance that reduce the costs of owning a car:

- You may qualify for a discount of up to 20% of the cost of insurance covering two or more cars.
- You may qualify for a "good driver" discount if you have not had an accident or moving violation in the last three to five years.
- Your teenage driver may qualify for a 20% discount if they take who driving education classes.
- Having a car alarm can save you as much as 20%.
- If your car is 7 or more years old, you may not need collision or comprehensive coverage. Collision insurance pays the cost of replacing or repairing your car in the event of an accident, whether you are at fault or not. Comprehensive insurance covers the cost of fixing your car if it is damaged by flood, wind, fire, or if it is stolen.
- Select high deductibles. You can shave approximately 15% off the premium by increasing your deductible from $100 to $200. You save 25% by raising your deductible to $500 and 33% by raising it further to $1000. This only makes sense if you can afford to pay the deductible.

Saving on your Taxes

Keep copies of this year's tax documents to refresh your memory about deductions and any carry-forwards and losses. Expand your list of itemized deductions. The tax code is full of deductions you may not know about, and they change periodically. If you own your home, make your January house payment the December before, to have an additional month of mortgage interest to deduct. Avoid investment funds that have a history of distributing capital gains and dividends to reduce taxable income.

Buying Smart

Many times we purchase things on sale just because it is a great deal. I was shopping with a friend who saw a beautiful sweater selling at 50% off. She liked the idea so much that she purchased two in her favorite colors. Where were her savings?

- Just because something is on sale does not mean that you have to buy it.
- By setting aside a *spending allowance* that you can afford, you may be able to give yourself small rewards for not exceeding your budget.

- Keep your eye out for items that you need far in advance. Watch for sales held at different times during the year.
- Above all, make it a habit to save for something, rather than purchasing it with high-interest credit cards.

Saving for College

The Economic Growth and Tax Relief Reconciliation Act, passed by Congress in 2001, boosted education savings accounts (formerly Education IRAs) from $500 to $2,000. Pre-paying your mortgage may not be a good idea if your child is applying to colleges because home equity is considered an asset by college financial aid administrators. Invest the extra money in retirement plans, which will not affect your child's financial aid prospects.

Learn more about saving for college in *New Strategies for College Funding,* written by Raymond D. Loewe, CLU, DhFC, and K. C. Dempster.

Personal Investments Savings

Whether you are an employee or are self-employed you can take advantage of a variety of saving options. As of this writing, you may contribute up to $3,000 per person to a tax-deductible IRA if you earn less than $100,000 annually. Or you may wish to invest in stocks, bonds, mutual funds, or certificates of deposit.

Saving Through Employment

Most people need to save at least 10% of their annual income in order to retire with their current inflation-adjusted income. *Few people save enough.* It used to be that employers paid into traditional retirement plans that guaranteed retirement income for their employees. Now, we have 401(k) and 403(b) plans that require employee contributions, although employees also get to choose how their money is invested. Employees must have sufficient knowledge to make these decisions.

Employees now must face the fact that retirement may come much later in life due to dwindling returns in retirement funds and insufficient savings. The age for retirement has been pushed back to the late 60's or early 70's. The life expectancy for 65-year-old Americans is 84 years. In order to receive 60% of pre-retirement income through age 84, an employee needs to work and save until age 69.5, assuming that Social Security covers the other 40%.

One way to save for your future is to take advantage of employer contributions. Many companies allow an employee to defer 10% to 15% of their gross pay to a 401(k) plan. Let us assume that an employer matches the first 6% of employee contributions, chipping in 50 cents for each dollar an employee contributes. If an employee earns $40,000 a year, her employer would contribute $1,200 (6 % of $40,000 x 50 cents). When your employer matches your contribution with 50 cents for each dollar you invest in your 401(k), you realize an immediate 50% return on your money.

The Economic Growth and Tax Relief Reconciliation Act, passed by Congress in 2001, allows Americans aged 50 and older to save even more in the form of "catch-up" contributions to IRAs and 401(k) plans. (At the time of this writing, California has not passed a bill supporting this increase.)

Your employer may offer company stock as part of your 401(k). If the company performs well financially, your investment should perform well. But, if the company does not perform well, such as Enron, you could lose some or all of your money. It is highly recommended that you not invest more than 20% of your portfolio with your employer. You also need to be aware that management fees for 401(k) plans can be as high as 3%.

- Increase your retirement plan contribution each time you receive a pay raise.
- If you have to leave your job, do not cash in your retirement plan. It is intended for use after you retire. You will pay substantial penalties if you cash it in, so consider leaving the money where it is, moving it to your new employer's plan, or rolling it over into an IRA.

Saving Through Personal Business

If you are self-employed, take advantage of deductible IRA contributions of up to 2,000 per person, or $4,000 per couple, if your income is less than $100,000 annually. Annual allowable contributions are supposed to increase within the next 5 years. The self-employed person has a variety of retirement plan options to choose from. Your financial advisor can help you choose the best one for your situation.

Buyer Beware

Whether you are an employee or are self-employed, you need to take charge of your retirement account. Many companies invest the majority of retirement plan assets in company stock. When Enron's stock dropped from $80 a share to less than $1 a share within a year, thousands of employees lost the majority of their 401(k) retirement plan.

Here are some recommendations:

- Diversify your portfolio with a mixture of bonds, mutual funds and diversified stocks.
- Invest no more than 20% of your retirement plan in your employer's stocks.
- Consult independent analyses from agencies like Value Line, Standard & Poor, and Moody.
- Avoid stocks for which accounting issues have been raised.
- Consider listening to public-access analyst conference calls, available on the Internet.
- Consider hiring a fee-only financial planner.
- Save first and spend the balance. Do not spend first and save what is left over, because there is never anything left over!

If you are eligible for Social Security retirement income, each year, three months prior to your birthday, you will receive a statement of your future benefits. You can obtain this information any time at www.ssa.gov/mystatement/index.htm.

Finances and Your Mate

Marriage is an economic relationship, a personal business partnership, regardless of whether it's a one- or two-income household. According to Ginita Wall, CPA, CFP, 550 divorces take place for every 1,000 marriages. *Financial differences or difficulties are the most common causes of divorce*. Many educated women leave financial decisions to their spouse. I know many women who found themselves in the poorhouse because their spouse squandered money that could have been saved.

Money problems are often at the root of marital troubles. In fact, financial stress – caused by lack of money or disagreement over how to manage it is not only the number one cause of domestic discord, the reverse is also true – unhappy marriages tend to become financially unstable. Money is sometimes used as a weapon, and some games played are "yours" and "mine" view of funds, spite spending, secret hoarding, and secret spending. In the end, no one wins.

Women should be aware of all financial transactions made by the couple or family. Whether money is squandered or badly invested, ignorance of family finances can be very costly. *Even with Social Security, older women are two times as likely as older men to be poor.*

You may have good intentions but have a partner with dreadful money management habits. Women should know the laws concerning marriage in the state in which they live. California and Florida are community property states, meaning that each spouse owns half of all property amassed during the marriage, regardless of who earned it. Debts are also community property. According Betty Crowther, a real estate broker, "many women with good credit are unable to purchase a house because of their partner's lifestyle and bad credit history." Betty suggests that a woman considering marriage needs more than proof of her partner's negative HIV status – she also needs to see her partner's credit history.

Every woman should be able to discuss the family finances with her mate without the subject ending in an argument. Many women are unaware of their husband's business, loans, debts, or assets. Part of a woman's financial education is to learn all of the above and to participate in financial decision-making. Strengthen the financial partnership with your mate by analyzing your own and each other's attitudes toward money, and *write down mutual goals*. Spend a few minutes each week to pay bills together and to discuss how *each member* of your family is spending money.

If you are getting married and you have assets of children, you should consider consulting with a lawyer concerning a prenuptial agreement.

Educate Your Children

I believe it is of paramount importance to teach your children about money and credit. According to Kathleen Gurney, Ph.D., an internationally-known researcher, author, and pioneer in the study of the psychology of money and investing, "financial education is just as important as teaching someone to read and write." Financial education early in life can help prevent financial problems.

Young children do not intuitively understand what you mean when you say you cannot afford to buy them something they want. Less than one-quarter of high school students are taking courses in personal finance. *You* have to teach them.

> *One day, my 5-year-old nephew told my sister Elsie that it was easy to get money. "You just have to stick a card in the wall and money comes out." Shawn had seen his mother getting money this way at an ATM. It took some explaining, but he finally understood that in order to get the money out of the wall, Elsie*

had to put money in the bank. Another misunderstanding involved my sister Marise, a single parent, and her children. Kisha and Sammy were teenagers and always seemed to want something Marise could not afford. One day, she showed her children her pay stubs, her child-support checks, and her monthly budget. There were no more demands.

Teens in the US are wealthy. They spend $89 billion a year on such goodies as entertainment, clothes and food. But that total also includes big-ticket items, according to surveys conducted by Teenage Research Unlimited. Over half own televisions and 35% have their own VCRs. Fully 30% have bought their own car or truck. But, the scary fact is that the majority of teens don't know the first thing about money – how to manage, save or spend it wisely. They'll be on their own in a few years. They need to know some valuable real-world lessons about money, before they're teens.

According to a survey of 2015 college graduates, 90% feel strongly that they are likely to get what they want in life. Money tops the list of things they hope to not have problems with, but only 8% reported to have any knowledge about financial or retirement planning. In order to change this pattern, financial education needs to begin early in life in order to prevent serious future financial problems.

Have a credit card talk with your children before they reach 18. Explain to them how easy it is to get into debt and how difficult it is to pay it off. Consider getting a "secured" credit card (credit is limited to the amount of money you put up to open the account) to start your teens personal credit history and to give them supervised experience with credit decisions.

According to Valerie Jacobs, a San Diego psychologist and wealth counselor, "It is not the money; it's how you raise your children." Children need to learn how money is earned. They should understand the concept of relative value, or the cost of an item relative to what it takes to pay for it. Help your child to understand that they would have to wash dishes every day for the next six months in order to earn the money to buy a desired toy.

Children should not be afraid to talk about good and bad practices concerning money. Teach children about wants and needs and teach them money management skills. Decide which chores you feel comfortable paying your children to do for you and pay them an allowance based on what they accomplish. Specific chores may include taking out the garbage, weeding the garden, or washing dishes. Have your children set aside 10% to 15% of their allowance for savings and investments. Teach your teens budgeting basics and help them create a personal budget.

Help them set up a savings account when they are young and insist that they save a portion – even if it's small – of all money gifts, allowances, baby-sitting and any other income. At least until they're 18, insist on accountability of how money is spent. High schoolers should have checkbooks and be shown how to use and balance them. *Discuss money matters with your children.* Help them understand that successful money management takes self-discipline and planning.

For young people, the key to accumulating wealth is to use *time* to their advantage. Cheryl D. Broussard, financial advisor and author of the *Black Woman's Guide to Financial Independence*, says, "If you have only a small amount of money to invest and you are young, you have the ingredients essential to becoming financially independent."

Also please consider:

- Giving gifts of shares of stock to your children and grandchildren instead of traditional gifts for birthdays and holidays.
- Helping your children learn about their investments by teaching them how to keep track of the value of their stocks and mutual funds.
- Involve your children in an investment club. The National Association of Investors Corporation (NAIC) provides a kit to help children to be organized.
- Play games such as Monopoly, or Cash Flow from Robert T. Kiyosaki.

Step VII: Get Rid of Your Debts

According to a student loan agency, 78% of college students have credit cards with an average debt of $2,750. *One in five college students were forced to move in with their parents or friends because of debt and other financial issues*.

According to a survey undertaken by the GE Center for Financial Learning, one in three young adults, age 18 to 29, owes an average of $5,000 to $50,000, and almost 60% of them reported to have carried up to $25,000 in consumer debt. Forty percent of teenagers forgo college and face adult financial decisions without any financial knowledge.

Adults do not fare any better. According to the experts, 70% of working Americans have no money left after paying basic expenses and bills each month. According to the Federal Reserve Board, adults save too little and spend too much, amassing about $9,000 in consumer debt per household. In addition to owning a home, they want the works – clothing, cars, the latest gadgets, and luxury vacations, even though they cannot afford them.

It is not difficult to find news stories about rising debt and decreased savings rates. In the year 2001, Americans depleted their savings at record levels. Personal savings, or your disposable personal income less personal spending, fell to the lowest level since economists began calculating the figure in 1959. The days are gone when borrowing money was difficult and something to be avoided! Today, getting into debt is simple, but getting out of it is another story altogether. Even young adults just entering the work force find plenty of credit available to them. When debt is taken on early in life, it is even more difficult to eliminate, and the impact and stress may last for years.

As debt increases, so does your stress level. Under stress, your ability to handle a financial crisis is impacted and health problems can occur. These health problems can result in days lost from work, and affect job and income stability.

Your first priority should be to pay off your credit card and student loan debt. Pay off your credit card accounts with the highest interest rates first. Not having to shell out 20% to 30% interest on credit card debt is as good as a savings return of 20% to 30% tax-free. Pay more than the minimum amount due toward your credit card balance monthly. Pay on time to avoid late fees, which can run as high as $30.

In a study released in March 2002, the New York's Cambridge Consumer Credit Corporation revealed that consumers are not only going deeply into debt, they are not paying off that debt at an acceptable rate. Cambridge supervises a poll of 1,000 Americans each and then compiles its consumer index credit report. According to the study, 47% of those who did not pay their balance in full only paid the minimum amount.

Do not carry more than two credit cards. Transfer high balances to a lower rate card – and when you switch cards, close out the old one and request they report to major credit bureaus that the account has been closed. Too many open credit card accounts may make it difficult to get a new card.

Have a credit card talk with your children before they reach 18. Explain to them how easy it is to get into debt and how difficult it is to pay it off. Consider getting a "secured" credit card (credit is limited to the amount of money you put up to open the account) to start your teens personal credit history and to give them supervised experience with credit decisions.

If possible, consolidate your debts into one account with a lower interest rate. If you own a home, consider paying off your credit card debt with a lower-interest home equity loan. *Interest paid on a home-equity loan may be tax-deductible while interest paid toward credit cards is not.* If you do not own a home, consider applying for a low interest credit card with a higher credit limit. Whatever you do, do not borrow from your retirement fund to pay off debt.

It is recommended that you check your credit report and your medical report every 12 to 18 months, since the information contained in these reports may be incorrect. You can order a copy of your credit report from:

1. *Experian (formerly TRW),* P.O Box 8030, Layton, UT 84041-8030; 1-800-392-1122
2. *Equifax,* POB 105873, Atlanta, GA 30348 1-800-685-1111 Purchase a credit profile online for $9 at www.equifax.org
3. *TransUnion* Consumer Disclosure Center, POB 1000, Chester, PA 19022 1-316-636-6100

Request a copy of your medical file from *The Medical Information Bureau* POB 105, Essex Station, Boston, MA 02112.
Telephone 1-617-426-3660

Credit Card Crunch

Late payments affect more than your credit rating, they affect your pocketbook. Due to rising interest rates, an increasing number of people are sinking deeper into debt, which can take decades to pay off. The average American household carries about $7,500 in credit-card debit, enough to cripple the ability to save.

Most credit card contracts warn customers that their interest rates will increase if they fall behind on their payments. A growing number of credit card holders are paying interest rates as high as 30% after missing a single payment deadline. Late fees can be as high as $30, so develop the habit of paying your bills at least a week before they are due.

Here is an example of what you might experience if you were to miss one credit card payment deadline. If you owed $3,000 at an interest rate of *7.9%,* it would take you 10 years and 11 months to pay the account off, if you made the minimum monthly payment. You would have paid $793.94 in interest.

At *18.9%* – the average credit card interest rate – it would take you 16 years and 9 months to pay off your $3,000, and you would have paid $3,090.42 in interest. At a *30%* interest rate, it would take 42 years for you to pay off this same debt, and you would have paid a whopping $13,459.02 toward interest!

Some companies are charging *35% interest* for customers they consider “high-risk.” Individuals at high-risk include those trying to establish good credit after a past bankruptcy, those who stopped paying bills after losing a job, immigrants who haven’t established credit records to qualify for better rates, and college students who got carried away with their first credit cards.

There is a common misconception that it is easy to transfer high interest credit card debt to a low interest credit card. Typically, individuals considered high-risk by credit card companies do not qualify for low interest credit cards. Low interest rates are reserved for consumers with good credit habits.

Here are some basic rules for developing good credit habits.

- Do not carry more than 2 credit cards. If you qualify for a credit card with a lower interest rate, pay off any higher interest rate cards and then close them out.
- When you switch cards, close out the old one and request they report to major credit bureaus that the account has been closed.. Too many open credit card accounts may make it difficult to get a new card.
- Buy only what you can afford. Make it a habit to use your debit card from your bank instead of a credit card.
- *Remember to pay your bills on time*, as late payments can affect your credit rating.

It is a wise idea to create a list of your credit card account numbers and credit company telephone numbers. If your credit cards are lost or stolen, it will be easier for you to contact all of the companies. If your credit cards are stolen, you should:

- File a police report immediately in the jurisdiction where the cards were stolen.
- Call the special numbers at the three national credit organizations immediately and have a fraud alert noted on your account

  Equifax www.equifax.com
  Experian www.experian.com
  TransUnion www.transunion.com
- Contact the Social Security Administration www.oig.ssa/report to place a fraud alert on your name.

Healthcare Legalities

There are two important forms that need to be completed to ensure that your wishes concerning the care you receive are carried out in the event you are unable to make decisions yourself. These forms are a *living will* and a *durable power of attorney for healthcare*.

In a living will, you need to express the kind of medical care you want under the circumstances you describe. In my living will, I wrote, “I do not want to be kept alive with any kind of artificial means, such as a respirator or a feeding tube.”

A durable power of attorney for healthcare, or a “healthcare proxy,” addresses your wishes for healthcare decisions and designates the specific person who is responsible for making your decisions. Consult an attorney concerning applicable laws in your state prior to drawing up either of these forms.

Part of disability planning includes naming the person responsible for managing your assets if you should become incapacitated. This can be accomplished through a regular power of attorney.

Dental Coverage

According to the National Association of Dental Plans, only 55% of Americans have dental benefits of any sort. About 87% of large employers offer employees some type of dental plan.

There are several types of dental plans: indemnity plans, dental HMOs, and PPOs. The limitations and cost of each type of plan differ similar to health insurance. If you are young and healthy, you may decide not to purchase dental insurance; this is fine as long as you can afford to pay for bi-annual cleanings and the occasional filling. If you do not have dental insurance, a cracked tooth or crown that needs to be replaced can take a big bite out of your budget. A crown can cost as much as $800 and much more if you need a root canal. I strongly recommend that you shop around before deciding on the best dental plan for you and your family.

Disability Coverage

Disability coverage is often overlooked, even though being unemployed due to disability for an extended period of time can have a disastrous financial impact. In addition to your regular living expenses, you now have the added cost of medical expenses. *Statistics demonstrate that we are more likely to become disabled during our prime working years than we are to die.* One in 5 people between the ages of 35 and 65 will become disabled, and 1 out of 7 will be disabled for at least five years before reaching age 65. Only 40% of Americans have disability insurance compared to 70% with life insurance.

Disability insurance may be offered through your employer or you may have to purchase it independently. An agent can advise you, but a guideline is to purchase disability coverage to replace approximately 60% of your current income. Some state laws require employers to deduct a portion of your salary for State Disability Insurance. Self-employed individuals should also purchase disability insurance. Be aware that there is a waiting period of 30 to 90 days before coverage begins; longer waiting periods will reduce your cost.

If you purchase your own disability insurance, be sure to do so with after-tax dollars so any benefit paid to you is not taxable. Consider buying from a no-load insurance company for a potential savings of 10% to 30%, dependent upon your age. Purchase a policy that's guaranteed renewable or non-cancelable. You may be able to save money by declining cost-of-living increases.

Long-term Care Insurance Coverage

Another overlooked health "safety net" is long-term care insurance. As our population ages and healthcare costs escalate, adult children are becoming increasingly concerned about caring for their aging parents, and with how they themselves will be cared for in their old age. Many families are already dealing with the challenges of mental or physical disability, or prolonged illness. For thousands of others, these realities may be just around the corner. The challenge is to provide the best possible long-term care without imposing financial and emotional hardship on the rest of the family.

In most cases, families must plan for long-term care without **answers to key questions:**

- Will round-the-clock nursing home care or assistance with activities of daily living be necessary?
- Will home healthcare be sufficient?
- Will Medicare pay for it?
- Does the patient qualify for Medicaid?
- What costs will the family incur?

In the absence of long-term care insurance, family members may provide the necessary care in lieu of paying a healthcare professional; however, this can create significant stress for the parent, the child and other family members. A study commissioned by the GE Center for Financial Learning in November of 2000, revealed that 70% of baby boomers felt they were responsible for paying for their own long-term care, but only 7% had purchased long-term care insurance. According to this study, the primary reason for not purchasing long-term care insurance coverage was *cost*.

How much long-term care insurance costs depends on a number of factors, such as the amount of coverage (usually expressed as the daily benefit), how many years you will be able to receive that benefit, the elimination period (the period of time before any benefits will be paid), and your health status. The younger you are when you purchase the policy, the lower your annual premiums are likely to be.

Government assistance programs offer limited help. Medicare provides limited long-term care benefits and may require substantial co-payments. Medicaid has strict financial eligibility criteria and generally requires beneficiaries to deplete their savings, or "spend down" before paying for services. Other public services may be available but may be offered on a sliding-fee scale, based on ability to pay. And, there may be long waiting lists.

Long-term care insurance, like other types of health insurance mentioned, can provide security and help to reduce stress, which may *cause* illness. Are you beginning to see the connection?

Umbrella Coverage

Umbrella coverage is an addition to your homeowner's policy that protects you against damage suits such as mental anguish, physical injury, sickness or disease, libel, slander, wrongful entry or eviction. At least $1 million worth is a must in these litigating times. The average cost of such a policy is $200 a year.

Insurance Premium Savings

By simply increasing the deductible on your health, homeowner's, or automobile insurance, from $250 to $500, you may reduce your premiums by more than 10%. Check with your insurance auto, homeowner's, or renter's insurance company to see if you may receive a substantial discount by insuring both home and auto with the same company. And, be sure to ask about other available discounts.

Life Insurance

A life insurance policy pays a death benefit, upon the death of the insured, to the person(s) named in the policy as the beneficiary. You need life insurance if you have a spouse, parents, siblings, or children who depend on you for their support. How much insurance you need depends, in part, on the length of time these individuals will need your continued support after your death. In order to estimate the death benefit you need to purchase, you need to know the annual expenses of your dependants. You then need to purchase $100 in coverage for each $5,000 in annual expenses. You may wish to discuss this with an insurance agent prior to purchasing a policy.

It is not generally recommended that you purchase life insurance on your children. You are far more likely to die before they do. Save the money you would have spent on monthly premiums and instead use it for their education, to reduce your debt, or to purchase additional life insurance on yourself or your spouse.

Working with a Financial Advisor

Hiring a financial advisor does not mean that all financial responsibilities are delegated to that person. This relationship is similar to your relationship with your doctor. You need to understand any health problems and not blindly accept proposed treatments in life-and-death situations.

Just as you are ultimately responsible for your personal health, you are responsible for your financial health and well-being. I strongly suggest that you seek the help of a licensed financial advisor. Look for a financial advisor who can help you to identify appropriate investment goals and strategies for you. If you decide not to hire a financial advisor, a periodic financial check-up is recommended.

Choosing a Financial Advisor

First, you need to decide the extent of service you wish to be provided.

Some options include:

- Execution of investment trades *(a broker)*. If this is desired, you may also require the services of a:
- Full-service broker (research and suggestion on securities)
- Discount broker (execution of trades only)
- Provide comprehensive and continuous investment advice *(an investment advisor)*. If this is desired, you need to decide how the advisor will be compensated for his/her services:
- Commissions generated on products sold, or
- An asset-based fee based on the value of the portfolio.

In either case, you need to decide whether your advisor:

- has *discretion* to make all investment decisions without prior approval by you, or
- is *non-discretionary* and must obtain prior approval from you for all investment decisions.

Additional Notes on Choosing a Financial Advisor

It is important to do a background check on the person you select as your financial advisor. Here are some things to look for:

Education - A college degree is not required to become a broker and/or investment advisor; however, given the degree of sophistication of investment products and services, it is highly recommended that the advisor have a four-year college degree.

Training - There are a number of certification courses for brokers and investment advisors. The more recognized designations are:

CFA – Charted Financial Analyst

CFP – Certified Financial Planner

ChFC – Chartered Financial Counselor

CIMA – Certified Investment Management Analyst

CIMC – Chartered Investment Management Consultant

PFS – Personal Financial Specialist

Experience – As with any profession, there is a strong relationship between years of experience and professional knowledge; however, “experience” should be further qualified by the number of years the professional has spent handling clients similar to you.

Regulatory authorities have not defined practices that constitute “investment advice.” Therefore, you need to confirm that the professional will provide the following services:

- An analysis of your investment goals, objectives, and cash flow requirements.
- An asset allocation study that specifically addresses you risk and return profile.
- A written investment statement outlining your investment strategy.
- Access to screened mutual funds and/or money managers appropriate for your plan.
- Quarterly reports that shows the performance of your portfolio.
- A breakdown of all fees and expenses associated with the management of your account.

A Word of Caution

You cannot afford to be complacent when it comes to your relationship with your money or your financial advisor. It is your obligation to stay up-to-date and to make sure that your questions are answered to your satisfaction. If at any time you are not satisfied with any aspect of the relationship, it is time to look for another advisor.

Estate Planning

Estate planning consists of the preparation of a plan to administer and dispose of your property before or after your death, and may include a will, trusts, gifts, or powers of attorney. If no estate plan is in place, your heirs may be forced to pay estate taxes as high as 40% or more. *Your financial plan is incomplete without a will or trust in place.* Your advisor can help you to decide the best approach to take.

Concluding Thoughts on Financial Health

I am very concerned about your “financial “fitness” because it directly affects your physical and mental health. Setting long-term financial goals, paying off debt, and beginning to save, may ease overall stress in your life and prevent avoidable health problems. Feeling that you are in control of your finances is truly empowering. Keys to prosperity and financial health include monitoring spending, building cash savings, reducing high-interest debt, and having proper insurance. I agree with Thomas Stanley & William Danko, authors of *The Millionaire Next Door:* "Financially independent people seem to be better able to visualize the future benefits of defining their goals."

If you've read through this e-book and are yawning, here's an eye-opening wake-up call in the form of a short reality-check questionnaire:

Wake-up Financial Questionnaire

1. Do you know your monthly cost of living?

   Yes No

2. Do you know if your home mortgage interest rate is competitive?

   Yes No

3. Do you know the interest rate on your credit cards?

   Yes No

4. Are your insurance premiums competitively priced?

   Yes No

5. Is your insurance coverage adequate?

   Yes No

6. Do you know how to consolidate your debt using your home equity?

   Yes No

7. Do you know your income tax bracket?

   Yes No

8. Do you have money to invest, but don't know where to start?

   Yes No

9. Is your stock portfolio balanced?

   Yes No

10. Do you have investment goals?

Yes No

11. Do you have or plan to set aside money for your retirement?

Yes No

12. Do you know about the advantages and differences of IRA, ROTH IRA, and KEOGH accounts?

Yes No

13. Do you know the difference between tax deferred and tax exempt?

Yes No

14. Are you getting motivated to save more than you spend?

Yes No

Building a healthy “financial house” can take a lifetime. For “financial fitness,” I encourage you to develop a financial plan and obtain help with money management. Some personal secrets to prosperity I have learned over the years:

- Money should not rule all decisions. Remaining in a job or relationship solely because of economic security is not worth the stress that comes with it.
- Don’t eat the turkey today and the feathers tomorrow!
- Abundance is more than money.
- The wealthiest person on earth is the one who needs the least.
- Prosperity is also an activity of the soul.

Q and A on Your Financial Health

Q: ***How can I plan for tomorrow when it gives me a headache to try to pay for today?***
A: Create a budget. Determine what you actually spend each month. It is easy to keep track of large expenses such as mortgage and car payments. But the variable items such as food, clothing and entertainment are often what get away from us.

Q: ***I know that when I worry a lot about my finances, I experience lower back pain. What types of exercises or activities do you suggest I participate in order to help relieve my stress?***
A: Put your finances in order, since research has documented a correlation between stress and lower back disorders. Relaxation exercises, yoga, walking, and massage help to relieve stress as well as helping with lower back pain.

Q: ***I find the more I worry about my finances, the more I spend, which causes me more stress. How can I stop engaging in this compulsive spending behavior?***
A: You need to ask yourself why you need to spend money when you are under stress. Working with a therapist may help you to understand your behavior and overcome it.

Q: ***Just getting started is difficult for me. Who do you suggest I talk to in order to get a solid financial plan in place?***
A: When I started my private practice, I owed more than $100,000 in student loans and start-up costs. I found a good financial planner who showed me how to pay off my debt and how to save for the future. I followed her advice and never regretted it.

Q: ***It's difficult to step back and take stock of your situation when you're faced with the reality and stress of paying bills. What steps do you suggest I take in order to gain a clearer perspective of my situation so I don't worry myself sick?***
A: My financial planner had me list all of my monthly bills and living expenses on an expense sheet. I also listed my income. I could clearly see what was going on and I planned accordingly.

Q: ***After a plan is developed, what happens next?***
A: The best plan is useless unless it is put into action. A CPA/PFS can advise you how to implement the plan and can put you in touch with other financial experts as needed.

Q: ***How often should I update my financial plan?***
A: It is good to review the plan when there is a significant life event such as marriage, birth, death or divorce. Any change in financial position should be evaluated as well. An annual update should review how the plan is being implemented, plus any changing goals and circumstances.

Q: ***What types of gynecological disorders can arise as a result of financial stress?***
A: Sometimes it may be difficult to correlate gynecological symptoms with financial stress. In my experience, when a healthy woman shows symptoms such as irregular bleeding, vaginal dryness, low sex drive, or increased hot flashes when she is already on hormone replacement therapy, a little probing in many cases reveals stress as an underlying issue.

Q: ***So often I am confused by the amount of financial debt I owe that it causes me to become depressed. How can I better prepare myself financially so I don't become so overwhelmed?***
A: You have to act, or else high interest rates will increase your debt in a short period of time. Working with a financial advisor is a good idea. There are also counselors that can teach you debt consolidation as well as ways to avoid repeating the situation.

Q: ***You suggest three types of health insurance that are helpful to our physical and financial health. What other types of health insurance should I consider to lessen the impact on my health and finances*?**
A: The fourth overlooked health "safety-net" is long-term care insurance.

Q: ***I would have to consider myself a risk-taker when it comes to health insurance. I am currently self-employed and have opted not to purchase health insurance because it's very expensive. What types of affordable health insurance options are there for the self-employed?***
A: You should not be without health insurance! You should consult with an insurance advisor to learn about affordable health insurance options. My husband and I are both healthy and self-employed. We chose health insurance with a high deductible in order to reduce our premiums. You may also be eligible to join a group plan to reduce premiums.

Q: ***What does disability insurance cover that health insurance does not?***
A: Disability insurance provides a partial replacement of earnings to an employee who is unable to work during short periods of total disability (short-term disability) and long periods of total or partial disability (long-term disability). Health insurance covers the cost of medical care.

Q: ***As a precaution, I purchased disability insurance through my employer. If I left work due to disability, how long would I receive payments under a typical disability insurance policy? Six months? One year? More than one year?***
A: Short Term Disability is intended to replace a portion of lost income for a period of 13 to 52 weeks. The Age Discrimination in Employment Act (ADEA) mandates long-term disability coverage until age 70. Under some standard plans, if an employee is disabled prior to age 60, the maximum duration of benefits extends to age 65, or normal Social Security retirement age. If an employee is disabled between age 60 and 70, benefits will be payable for 1 to 5 years, depending on the age at disability.

Q: ***Would disability insurance cover my family if they become disabled?***
A: Disability insurance is a benefit available to the employee only.

Q: ***Are there services that long-term care does not cover that I need to be aware of*?**
A: A long-term care policy is intended to provide reimbursement for covered long-term care expenses when needed. Most long-term care policies sold today are comprehensive

policies and cover a wide range of services. Understand the terms of the policy prior to purchase.

Q: ***What are the qualifications for Medicaid?***
A: While specific qualifications vary from state to state, you should be aware that Medicaid does not provide coverage unless the individual is impoverished, and generally, in a nursing home. Contact the authorities in your state for specifics.

Q: ***How great is my risk if I don't purchase long-term care insurance now?***
A: This is a personal decision and will differ based on your disposable assets, risk tolerance, and the cost/ benefit outcome of long-term care insurance. Even the very wealthy need to evaluate the cost and potential benefits of long-term care insurance before risking their life savings. The United Seniors Health Council, a nonprofit consumer organization devoted to the issues of the elderly, maintains that long term care insurance is appropriate if it costs no more than 7% of your retirement income and: 1) you have assets of $75,000 or more per person, excluding home and car; 2) your retirement income is at least $35,000 per person per year; 3) you can pay the premiums without adversely affecting your lifestyle; and 4) you are financially able to afford future premiums that may increase by as much as 30%.
(http://www.unitedseniorshealth.org/html/ltc_buyornot.html)

Q: ***What websites describe what Medicare will cover?***
A: http://www.medicare.gov is the official US Government site for Medicare information.

Q: ***What is Medigap and how does it differ from Medicaid and Medicare?***
A: Medicare Supplement insurance (often called Medigap or MedSup) is private insurance that helps to cover the gaps in Medicare coverage. These gaps include hospital deductibles, deductibles for office visits, and coinsurance payments, what Medicare considers excess physician charges. They are not long-term care insurance policies [HIAA (Health Insurance Association of America), Guide to Long-Term Care Insurance, 1999]. Medicare has significant limitations with regard to long-term care. It pays for 20 days in a skilled nursing facility and part of the cost for the next 80 days, but only after a hospital stay of three days or more. Medicare does not pay for simple, long-term, custodial care (CBSMarketWatch.com, 11/2/00). Only individuals with negligible assets qualify for Medicaid (The Wall Street Journal, 3/31/99).

Q: ***I have a family of my own and my parents do not have long-term care insurance. I just don't see how we can afford another insurance payment. What other long-term care alternatives do we have?***
A: Many local communities have a wide array of in-home supportive services that may allow your parents to stay in their home where they feel most comfortable and secure. I suggest that you learn more about the agencies in your community that provide meal delivery, in-home nursing care, assistance with chores and bathing, as well as other

miscellaneous services. Church groups, local government organizations, and nonprofit organizations may offer these services; however, it is best to identify these organizations and understand the scope of services available before care is needed.

Q: ***Is there an ideal age for people to purchase long-term care insurance? You mentioned that premiums are lower at younger ages. What's the break-even point?***
A: There are many things to consider. As you stated, long-term care premiums are generally much lower when purchased at a younger age, so the longer the purchase is delayed, the higher the premium is likely to be at the time of purchase. Bear in mind that a person may need long-term care at any age. Actor Christopher Reeve was 42 when he was disabled as the result of an accident.

Q: ***I'm 45 years old. Am I too young to buy long-term care insurance?***
A: There is no one answer that fits all situations. The best time to purchase a long-term care insurance policy is during your middle years, ages 45 to 59, when the premiums are lower. Keep in mind that every circumstance is different and you may want to discuss yours with a knowledgeable financial professional.

Q: ***How do I go about starting to prepare a financial plan?***
A: Start by educating yourself. After you've learned more, work with a financial professional to build a plan that's right for you. Remember to revisit your plan as your life changes.

Q: ***If my employer's health insurance is too expensive and doesn't cover much, are there private or independent insurance plans I can purchase?***
A: Generally, group health coverage through an employer is more affordable than individual coverage; however, you may be able to obtain more comprehensive benefits through individual coverage. Consult a health insurance professional for an explanation of coverage options and costs.

Q: ***Can financial stress lead to physical ailments besides lower back pain? I constantly worry about my financial situation and I've developed a horrible allergy. Could these be related?***
A: Definitely! Allergies can result from stress. I recommend taking time for yourself, try some relaxation techniques, and work toward correcting your financial situation.

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Recommended Books

Think & Grow Rich: A Black Choice, by Dennis Kimbro

The Truth About Money, by Ric Edelman

Pay Yourself First: A Guide to Financial Success, by Jesse B. Brown.

The Millionaire Next Door, by Thomas Stanley & William Danko

Simple Wisdom for Rich Living (Longstreet Press, $9.95), by Oseola McCarty

New Strategies for College Funding, by Raymond D. Loewe, CLU, DhFC and K. C. Dempster

Rich Dad, Poor Dad, by Robert T. Kiyosaki, with Sharon L. Lechter, C.P.A.

Love and Money: 150 Tips for Couples by Kathleen Gurney, Ph.D. and Ginita Wall, CPA, FP™, with Jessica Richman, CFS.

The Road to Wealth: A Comprehensive Guide to Your Money–Everything You Need to Know in Good and Bad Times, by Suze Orman

The Courage to Be Rich, by Suze Orman

MONTHLY BUDGET WORKSHEET

Description of Expense	What You Spend
HOUSEHOLD	
Mortgage or Rent	$___________
Utilities (gas/electric)	$___________
Water/Sewer	$___________
Trash removal	$___________
Telephone (home and cell), pager	$___________
TV cable/satellite	$___________
Computer connection	$___________
Banking Expenses	$___________
Home maintenance & repair costs	$___________
Housecleaning service/cleaning supplies	$___________
Gardener/pool maintenance	$___________
Computer-related expenses (maintenance/supplies/upgrades)	$___________
Child care	$___________
School tuition	$___________
Children's allowance	$___________
P.O Box expense	$___________
Postage	$___________
Total Household Expenses	**$___________**
CREDIT CARDS & DEBTS	
Credit card payments	$___________
Child support	$___________
Alimony	$___________
Student Loans	$___________
Other Loans	$___________
Total Debt Expenses	**$___________**
TRANSPORTATION	
Auto payment(s)	$___________
Auto gas/oil	$___________
Auto repair/washing/other	$___________
Parking	$___________
Other transportation (taxi/train/bus)	$___________
Total Transportation	**$___________**

INSURANCE

Homeowners'/Renters'.................................$___________
Auto ....$___________
Life ....$___________
Health/dental...$___________
Disability/other ....$___________

Total Insurance................................$___________

FOOD & MEDICINE

Groceries .... $___________
Kitchen/cooking supplies .... $___________
Special dietary needs/vitamins/supplements/
OTC drugs .... $___________
Pet food .... $___________
Prescription drugs .... $___________

Total Food/Medicine ....$___________

PROFESSIONAL FEES

Doctors...$___________
Dentist...$___________
Eye care...$___________
Attorney ....$___________
Veterinarian ....$___________

Total Professional Fees ....**$___________**

ENTERTAINMENT & RECREATION

Eating out ....$___________
Movies...$___________
Concerts/sporting events..............................$___________
Bad habits (cigarettes & alcohol) ....$___________
Gym membership..$___________
Club/hobby dues/costs ....$___________
Books, magazines, newspaper ....$___________
Music (CD/tape purchase)............................$___________
Vacation & travel ....$___________
Gifts ....$___________
Other:______________________ ....$___________

Total Entertainment ....$___________

CLOTHING & ACCESSORIES

Purchases .... $___________
Cleaning and repair .... $___________

Total Clothing................................. $___________

CONTRIBUTIONS

Religious .... $___________
Other charity... $___________

Total Contributions .... $___________

PERSONAL ITEMS

Beauty treatments (hair/nails/massage) .... $___________
Cosmetic/Plastic Surgeries........................... $___________
Personal care products .... $___________
(lotions, potions, shampoo)
Other:_____________________ .... $___________

Total Personal Items .... $___________

TAXES, INVESTMENTS, SAVINGS

Accounting & tax preparations fees .... $___________
Federal taxes .... $___________
State taxes .... $___________
Local taxes... $___________
Retirement Savings Plan Contribution .... $___________
Social Security taxes .... $___________
Investments... $___________

Total Taxes, Investments, Savings .... $___________

TOTAL MONTHLY EXPENDITURES* .... $_____________

The following formula for working out the monthly amount for some expenditures takes a few steps for several reasons:

1. Some expenses will have to be an estimate based upon what you paid last year.
2. Some bills are paid yearly, such as your auto license, homeowners'/renters' insurance or tax preparations fee. To get your monthly payment, **divide the total amount by 12**.
3. Some bills are paid every six months, such as auto insurance, P.O Box. To get your monthly payment, **divide the total amount by 6.**
4. Some bills are paid every other week, such as housecleaning, gardening. **To find out the monthly payment, divide the amount by 2, then multiply by 52, then divide by 48, then multiply by 2 to get the *real* monthly amount.**

I'll show you an example**:**
Let's say you pay your gardener $50 per week. The formula works as follows:
$50 ÷ 2 = $25 x 52 = $1,300 ÷ 48 = 54 x 2 = *$108*
Why? If you pay your gardener on Saturdays, some months have 4 Saturdays, and some have 5. In the event there are 5 Saturdays, you may have to make 3 payments instead of 2. If you don't use this formula, you have written down $100 per month for gardening instead of the actual $108. In a year, you would have been off $96! ($8 x 12 months = $96)

*NOTE: *You should put aside six months' worth of your Total Monthly Expenditures as a cushion. Make sure you consider important life events, like retirement, job changes, college education and major purchases. Also, consider the impact of a potential crisis, like a disability or job loss.*

MONTHLY INCOME

Wages or salary..$___________
(**calculate if paid every other week)
Dividends (mutual funds, stocks, etc.)...........$___________
Interest (CDs, savings account, etc.).............$___________
Other ....$___________

TOTAL MONTHLY INCOME............$___________

**On the plus side, if you get paid every other week (meaning every other Friday instead of the 1st and the 15th), you actually get paid *two extra paychecks per year*. To calculate your REAL monthly income do the following:

Let's say that you receive a paycheck of $1000 every two weeks. Your annual income is actually $26,000. Most people assume that their annual income is $24,000; therefore, their monthly income is $2,000. Instead, because there are 52 weeks in one year, your monthly income is $2,333.33 ($1,000 x [52 / 2 = 26] x 26 = 26,000 / 12)

What happens is that twice a year, you get an extra paycheck for $1,000. If you have difficulty saving throughout the year, you could just put that amount aside when you receive it.

Now figure your ***Monthly Net Cash Flow****,* which is your Total Monthly Income less your Total Monthly Expenditures.

Total Monthly Income **$___________**
Total Monthly Expenditures **$___________**

*MONTHLY NET CASH FLOW**** *$___________*

***Your Monthly Net Cash Flow determines how much you need to save each month to meet your financial goals. If your Monthly Net Cash Flow is positive it means that you have additional money available for saving and investing. If the figure is negative, you need to find ways to trim your monthly expenses!

Conclusion

Optimum health can thrive only when we are in a state of balance. We evolve and change as long as we are alive, and who we become is the result of how we develop and balance our mental, physical, spiritual and financial abilities.

Helping you to put your life in balance is my motivation for writing this book. It is the same motivation I have as a holistic healer who cares for the whole person, not just the body. I hope I've succeeded in showing you that good health means much more than having a healthy body.

I want you to manage your ***money*** better, have a workable budget, improve your standard of living, and protect your future.

If I could wave a magic wand and make it all happen, I would do it, *but it's up to you*. Love yourself enough to make some good, healthy changes, before something like panic attacks force you to change.

About the Author

Dr. Carolle Jean-Murat, MD

Dr. Carolle is a spiritual healer, gifted medical intuitive, clairvoyant, and a medium. Born and raised in Haiti, she comes from a family of healers, shamans, herbalists, and midwives. She was educated in top universities in Haiti, Mexico, Jamaica, and the U.S., giving her a broad-spectrum approach to medicine and invaluable multicultural knowledge. She has worked with underprivileged patients in dire conditions, even performing surgeries and deliveries by flashlight in Haiti and Mexico. She has also practiced medicine in highly acclaimed, technologically advanced hospitals in the U.S.

Dr. Carolle is a board-certified obstetrician and gynecologist and primary care specialist, and a Fellow of the American Congress of Obstetricians and Gynecologists. She is fluent in four languages. She had a successful private practice in San Diego, California, from 1982 to 2005. But this successful surgeon harbored a secret: when a patient entered her office, she could intuitively see the root cause of her patient's illness and received messages from her ancestors whether or not the patient needed surgery, and what to do so they could heal.

For years she struggled inwardly to reconcile her family heritage and paid an emotional and financial price for it. In 2000, while on a book tour to promote her book Menopause Made Easy, published by Hay House, she experienced severe panic attacks. This gave the freedom to embrace her innate healing talents and acknowledge the shaman she had always been.

Dr. Carolle continues to provide medical care in the U.S., Haiti, and Mexico. She combines her scientific knowledge with her extraordinary gifts to help those ready to heal. Her process helps them discover the root cause of their symptoms and how to use this information to begin the healing process.

Dr. Carolle is an Optimum Health Intuitive Consultant for those who are ready to heal and looking for a path to a quality life; a Physician Burnout Prevention Coach; and an Intuitive Healing Mentor to residents at the University Of California San Diego School Of Medicine.

As an international motivational speaker, Dr. Carolle brings her message of self-empowerment and faith through her award-winning books, private retreats, online courses, blogs, and podcasts in English, Spanish, and Haitian Kréyol.

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