

# TAKE ACTION

## THE 10-STEP FINANCIAL MAKEOVER

- 1 **Gather up your financial records.** Gather pay stubs, insurance documents, credit card statements, bank statements, household bills, receipts from groceries, and other purchases. Then determine whether your important papers should be stored in a bank safe deposit box, a fireproof box at home, and/or with a trusted lawyer, relative, or friend.
- 2 **Take inventory of your financial affairs.** Use your financial records to calculate your net worth (see the Net Worth worksheet on reverse), which will tell you the difference between what you own (assets) and what you owe (liabilities).
- 3 **Calculate your cash flow.** Evaluate whether you're living within your means (see the Cash Flow worksheet on reverse). To do this, make a detailed list of what's coming in (income) and what's going out (expenses). By subtracting your total expenses from your total income, you'll determine your cash flow. If the number is positive, you have a surplus, which provides an opportunity to pay off debt or save more. If the figure is negative, look at your expenditures to see how you can reduce your spending.
- 4 **Identify and prioritize your financial goals.** Short-term goals are those you'd like to accomplish within one year (e.g., pay off credit cards); mid-term goals, within 5 years (e.g., make down payment on a new home); and long-term goals, 5 years or more (e.g., saving for retirement). Look to your financial advisor to help you determine the time frame for each goal, its estimated cost, and ways to save.
- 5 **Establish a budget.** By allocating specific amounts to your expenses and goals, you will know where your money goes. And with a personal budget in place, you will be able to see how realistic your financial goals are and how long it will take to reach them.
- 6 **Follow your budget.** Keep receipts to track your spending. Review expenses monthly. Evaluate your progress regularly. Remember, you will want to structure your budget in such a way that, even if life changes dramatically, your financial status won't necessarily suffer.
- 7 **Check your financial reputation.** A strong and accurate credit report is one of your most important financial assets. It not only gives you a clear picture of your credit rating, but also may reveal discrepancies or potential problems that can bar you from access to further credit. Review your credit report each year for accuracy and then fix discrepancies.
- 8 **Recognize signs of financial danger.** Are you missing or making late payments, withdrawing funds from your savings to cover basic bills, or using cash advances from one credit card to pay another? Have you exceeded your limit on a credit card or been denied credit for a purchase? If so, it's time to re-evaluate your finances and put together an action plan.
- 9 **Protect yourself.** If you don't have a will, living will, or health care proxy, speak to an attorney to help ensure that your assets are handled according to your wishes. Having these documents can allow your loved ones to understand your wishes if you become ill, incapacitated, or pass away. Dealing with these issues today may help you and your loved ones breathe a lot easier in the future.
- 10 **Stay informed and engaged.** As you move through life and circumstances change, it's important to periodically review your goals and objectives, as they will likely shift over time. A good rule of thumb is to review your financials at least once per year.

**Fill out the worksheet on the back and review it with your financial advisor to create a detailed road map of your finances. To learn more, visit [www.womenandco.com](http://www.womenandco.com).**

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## Know Your Net Worth

It's hard to figure out how to move forward when you don't know where you are. That is why it is important to figure out your net worth—the value of your assets minus your liabilities—a good barometer reading on the current state of your finances.

### Add Up Your Assets (what you own):

Cash (bank accounts, money market funds, CDs, etc.)	\$ _____
Current market value of your investments (stocks, mutual funds, bonds, etc.)	\$ _____
Cash value of your life insurance policies	\$ _____
Current vested balance in company profit-sharing plans	\$ _____
Vested pension plan (i.e., how much is owed to you)	\$ _____
Current balance in your IRAs, Keogh, 401(k), SEP-IRA, and other retirement plans	\$ _____
Money owed to you from friends, family, etc.	\$ _____
Any other assets you own (cars, home, jewelry, a business, etc.)	\$ _____
<b>YOUR TOTAL ASSETS</b>	<b>\$ _____</b>

### Add Up Your Liabilities (what you owe):

Unpaid balance on your home mortgage or on any other real estate or loan(s)	\$ _____
Total outstanding balance on any other loan (car, college, personal)	\$ _____
Balance due on any insurance policies	\$ _____
Total due on unpaid bills	\$ _____
Unpaid federal, state, and local taxes (income and property)	\$ _____
Any other liabilities	\$ _____
<b>YOUR TOTAL LIABILITIES</b>	<b>\$ _____</b>

### Calculate Your Net Worth:

TOTAL ASSETS – TOTAL LIABILITIES = YOUR TOTAL NET WORTH	\$ _____
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## Know Your Cash Flow

This worksheet will help you keep track of your cash flow and spending habits. Once you complete this exercise, you should be able to determine if you're living within your means and how much to set aside for your financial goals. Add or delete categories according to your spending habits.

### Add Up Your Sources of Income:

Salary, commission, and bonuses	\$ _____
Business or partnership income	\$ _____
Social Security, retirement plan, and trust income	\$ _____
Child support/alimony	\$ _____
Investment income	\$ _____
Other income	\$ _____
<b>YOUR TOTAL INCOME</b>	<b>\$ _____</b>

### Add Up Your Expenses:

Mortgage, rent, repairs, furniture/decorations	\$ _____
Utilities (gas, electric, water, sewer, telephone, cable)	\$ _____
Food, grocery, restaurants	\$ _____
Clothing, laundry, dry cleaning	\$ _____
Childcare and education	\$ _____
Insurance (home, car, health, life, and disability)	\$ _____
Commuting and automobile expenses (gas, maintenance, lease payments, etc.)	\$ _____
Vacation and entertainment (books, movies, CDs, cable, TIVO, etc.)	\$ _____
Membership and subscriptions	\$ _____
Income and property taxes	\$ _____
Retirement plan contributions	\$ _____
Charitable and political contributions	\$ _____
Credit card debt	\$ _____
Other expenses	\$ _____
<b>YOUR TOTAL EXPENSES</b>	<b>\$ _____</b>

### Calculate Your Cash Flow:

TOTAL INCOME – TOTAL EXPENSES = YOUR CASH FLOW SURPLUS	\$ _____
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