

MAKING YOUR MONEY WORK FOR YOU:

A FINANCIAL RESOURCES GUIDE



“Dear Friend,

Thank you for picking up my

Financial Resource Guide. It is my hope to share with you some of the practices, tips, and information for successful financial awareness. I believe each of us can provide the financial future we want for our families. It just takes good planning and dedication to reach our goals.

We have all been there before – worried about how we are going to make ends meet. Before you make any financial decisions, you need to know where you stand right now. Below are the top 10 Signs You're in Over Your Head and 10 Traits of Financially Successful People. Take a moment to look this over. If any of this sounds familiar – this guide should help you take the appropriate actions to either get your finances under control or take the next step to maximize your finances.

This Guide contains some helpful suggestions on how to manage your money, including how to create a budget and resources to get help if you are in financial trouble. You will also find some tips on how to create a “Rainy Day Fund” for your family and take the next step to make your money work for you. Finally, you can find some information on how to get, keep, and manage your good credit. I have also included a section about How to Start Your Own Business: in other words, how to become your own boss.

As a small business owner, I know that managing your finances is extremely important. Many of these bills increase fees of taxes, while others give you greater freedom to manage and plan where to spend your hard-earned money. In the following pages, you will see some bills that will impact you personally. If you have any questions or concerns about this, please give me a call.”



—Beth Gaines
Assemblymember, 6th District

PS – If you are doing well financially, please share this guide with a friend or fellow citizen.

If you would like to talk about the information in this guide, or if I, or my staff, can be of any assistance, please give us a call at 916-774-4430. We are here to help!

10 SIGNS YOU'RE IN OVER YOUR HEAD:

1. Making only the minimum payments
2. Missing credit payments
3. Moving debt around instead of paying it off
4. Depending on overtime pay to cover monthly expenses
5. Withdraw funds from savings and retirement to cover bills
6. Maxing out credit cards
7. Unaware of total debts
8. Using cash advances from credit cards
9. Unaware of how long it will take you to pay off current debts
10. Borrowing money from family and friends

For more information, visit <http://www.consumercredit.com/resource-articles/signs-of-financial-trouble.htm>

10 TRAITS OF FINANCIALLY SUCCESSFUL PEOPLE:

1. Strong Work Ethic
2. Resilience
3. Personal Accountability
4. Communication
5. Risk Tolerance
6. Attention to Detail
7. Creativity
8. Adaptability
9. Motivation
10. Decisiveness

For more information, visit <http://www.onlinecollege.org/15-characteristics-correlated-with-success>

LEGISLATION TO BE AWARE OF

AB 1408 (Effective 1 January 2012) – enables individuals to purchase general obligation bonds at a much lower rate than before. Previously General Obligation Bonds were sold in \$1,000 increments; after the passage of AB 1408 GO Bonds are available in increments of \$25 allowing the small investor more flexibility in their purchasing. (See definition of General Obligation Bond in the “Increase Your Savings” section of this guide).

AB 1219 (Effective 1 January 2012) – made changes in the protection of your personal information. The Song-Beverly Credit Card Act of 1971 outlines the rights, responsibilities, and protections for retailers and consumers using credit cards for their transactions. Under this act, certain information is defined as “Personal Information” and is therefore illegal for a retailer to require for validation of a credit card. Under the act, an individual’s address is defined as personal information and is therefore protected. However, an individual’s zip code on its own was not explicitly defined as personal information and retailers began collecting them at the time of credit card purchases for the purpose of credit card validation. AB 1219 amended the Song-Beverly Act to explicitly include an individual’s zip code as personal information. This does not prohibit retailers from requesting this information, however they cannot require it for credit card validation and consumers have the right to deny the request.

SB 506 (Effective 1 January 2012) – enables individuals who have received registered warrants as payment from the state to use them toward their tax liability. A registered warrant, otherwise known as an IOU is a form of payment issued to state employees and other state payees when the legislature and governor have not reached a budget agreement. Registered Warrants can be redeemed after an agreement has been made and the budget is signed by the governor or under this new law can be used toward a tax liability owed to the state.

HELPFUL SUGGESTIONS TO MANAGE YOUR MONEY

By taking a few simple steps, each of us can make our money stretch a little further for our families. It takes some planning and commitment, but it pays off in the end. This section contains a few of these steps to get you started.

7 HELPFUL STEPS TO GETTING CONTROL:

1. Balance your Checkbook – How much money do you have on hand?

Date	Type	Description	Deposit	Withdrawal	Balance
9/10/11	BANK	Starting Balance			\$3,000.00
9/11/11	POS	Restaurant Purchase		\$20.00	\$2,980.00
9/11/11	ATM	Cash Withdrawal		\$200.00	\$2,780.00
9/12/11	1278	Payment: Electric Bill		\$80.00	\$2,700.00
9/15/11	BANK	Paycheck	\$2,000.00		\$4,700.00
9/15/11	BANK	Transfer to Savings		\$1,700.00	\$3000.00

2. Hold all future credit card purchases

3. Make a list of all credit cards and consumer debts- this puts everything in one place. Start by paying off your credit card with the lowest balance. Then apply that money to the next credit card.

For example: As soon as I pay off my department store credit card, I will have an extra \$20 a month to put toward my electronics store credit card.

As you move your way down the list, things will start to feel more under control.

Creditor	Balance	Minimum
1. Department Store Card	\$250	\$20
2. Electronic Store Card	\$595	\$65
3. Gas Card	\$980	\$85
4. Major Credit Card 1	\$2,450	\$150
5. Major Credit Card 2	\$2,800	\$175
6. Major Credit Card 3	\$3,100	\$200
7. Major Credit Card 4	\$4,200	\$250
8. Grocery Store Card	\$4,400	\$280
9. Car Loan 1	\$5,000	\$360
10. Car Loan 2	\$6,200	\$400

4. If possible, move some of your higher interest cards to lower interest cards.

“He who fails to plan is planning to fail.”

–Winston Churchill

5. Make a budget (the most difficult, but the most important)

Income	
Wages/ Salary 1	
Wages/ Salary 2	
Total	
Expenses	
Rent/ Mortgage	
Home Insurance	
Heat	
Electric	
Gas	
Water/ Sewer	
Cable/ Satellite TV	
Home Maintenance	
Telephone	
Internet	
Car Payment 1	
Car Payment 2	
Car Insurance 1	
Car Insurance 2	
Gas	
Vehicle Maintenance	
Daycare	
Food	
Entertainment	
Dining Out	
Clothing	
Life Insurance	
Disability Insurance	
Travel	
Medical	
Health Club	
Education	
Credit Card Payments	
Personal Loans	
Gifts	
Charity	
Total Income	
Total Expenses	
Surplus/ Deficit	

6. Calculate your Debt to Income Ratio and determine where you stand.

One way to track the money you are spending is to measure your debt against your income. This is called your Debt to Income Ratio, in other words, what percent of your income does your debt take up?

Step 1. Add up all of your monthly debt expenses (mortgage or rent, car payment, credit cards, and personal loans).

Total: _____ (A)

Debt (A):	Income (B):	Debt to Income Ratio (A ÷ B):
20		
65		
85	90,000 (Annual Salary)	3860 ÷ 8333 = .46 (or 46%)
150	+ 10,000 (Bonuses and Overtime)	
175	100,000 (Total Yearly Income)	
200		
250	100,000 ÷ 12 = 8333	
280		
360		
400 (Credit Cards)		
275 (Car Payment)		
+1500 (Mortgage or Rent)		
3860		
A= 3860 Per Month	B= 8333 Per Month	Debt to Income= 46%

Step 2. Add up your average monthly salary before tax (total yearly income, bonuses and overtime, alimony, etc. (Divided by 12).

Total: _____ (B)

Step 3. Divide them to get your Debt to Income ratio.

$A \div B = \text{Debt to Income Ratio}$

Example:

YOUR FINANCIAL REPORT CARD:

Below 30%	A+	This is a healthy debt load to carry for most people Not bad, but start paring debt now before you get in real trouble.
30 -35%	A-	
35 -38%	A	
38 -42%	B	
42 – 45%	B-	Financial difficulties are probably imminent unless you take immediate action.
45 – 48%	C	
48 – 50%	C-	
50% +		Danger Zone

Use your Debt to Income Ratio to determine where you stand and what your next step will be.

Grade for above example = C

7. Relax- You have taken the first steps toward getting your debt under control.

INCREASE YOUR SAVINGS

“Hope of gain lessens pain.” –Benjamin Franklin

Having a savings account is important. It helps when that unexpected car repair is needed, a new AC unit is needed at home, or some type of emergency occurs. Instead of borrowing money, or charging more on your credit cards, you have saved a little money that can help when these unexpected expenses come up.

HELPFUL TIPS

Evaluate your bank accounts:

Many banks offer High Interest Rewards Checking Accounts, or in other words, free money. While many banks offer a small percent interest on your savings (typically under 1%) you can find banks that offer between 3 and 5%. For example, with \$1,000 in your account that’s an extra \$30 to \$50 a year. The little things add up.

List Your Short Term Goals	Estimated Cost
• Holiday gifts	\$
• New entertainment center	\$
• Upcoming education expenses	\$
• Next summer’s vacation	\$
Estimated Months to Achieve Goal	Months
Total Coast to Achieve Goals	\$
Estimated Monthly Savings Allocation	\$ Per Month

List Your Long Term Goals	Estimated Cost
• Purchasing a home	\$
• Saving for your child’s education	\$
• Planning retirement	\$
• Paying down debt	\$
Estimated Years to Achieve Goal	Years
Total Coast to Achieve Goals	\$
Estimated Monthly Savings Allocation	\$ Per Month

Increase your savings by having a saving goal in mind:

Identify what you want to accomplish with your savings plan.

For each goal, estimate the cost and the amount of time you need to achieve your goal. The above list will help prepare your savings plan.

SOME DEFINITIONS TO HELP YOU EXPAND YOUR SAVINGS PLAN

401K – A retirement plan established by employers to which employees may make tax free contributions. In other words, the employee may defer taxes until the money is withdrawn. Employers offering a 401(k) plan may make matching or non-elective contributions to the plan on behalf of eligible employees.

IRA – A retirement plan established by an individuals to which they may make tax free contributions. In other words, the individual may defer taxes until the money is distributed to them. Contributions to this account are limited annually by the government. However, individuals 50 and over may make “catch-up” contributions at a higher rate.

“Beware of little expenses, a small leak will sink a great ship.” –Benjamin Franklin

Stock – A type of security that signifies ownership in a corporation and represents a claim on part of the corporation’s assets and earnings. There are two main types of stock: common and preferred.

Bond – A bond is basically a loan. Interest is paid to the investor over the length of the bond and when the bond reaches the date of maturity the borrower repays the principle or original amount of the loan. The purpose of a bond is to provide loans to entities that require a sum of money too large for a bank to accommodate. For example, bonds are most often used by companies, states and municipalities, and foreign governments to finance a variety of projects and activities.

General Obligation Bonds – A type of bond used by Cities, States and other municipalities. GO bonds are issued on the assumption that municipalities can repay the debt through taxation or other sources of revenue.

Mutual Fund – A pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, and similar assets. Mutual funds are operated by money managers, who invest the fund’s capital and attempt to produce capital gains and income for the fund’s investors.

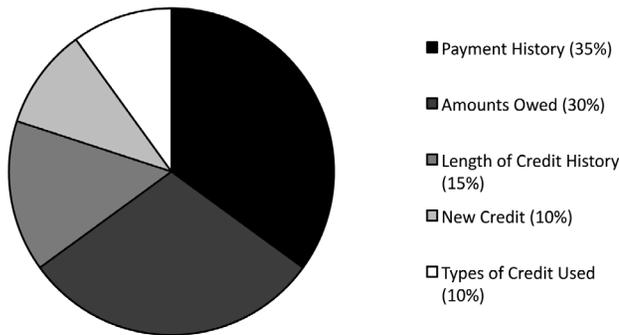
MANAGE YOUR CREDIT

Your credit influences so much of your financial health. Keeping an eye on your credit will make a difference in qualifying for car and home loans, and how much interest you pay on your credit cards. The better your credit score, the more money you can save. Here is some information on what your credit score means, and how you can improve your score if needed.

UNDERSTANDING YOUR CREDIT

Your credit score is a mathematical model based on information contained within your credit report (a 7 year history of your credit habits). It is designed to predict credit risk. In other words, how much of a risk is it to lend you money.

Your Credit Scores are based on 5 Factors:

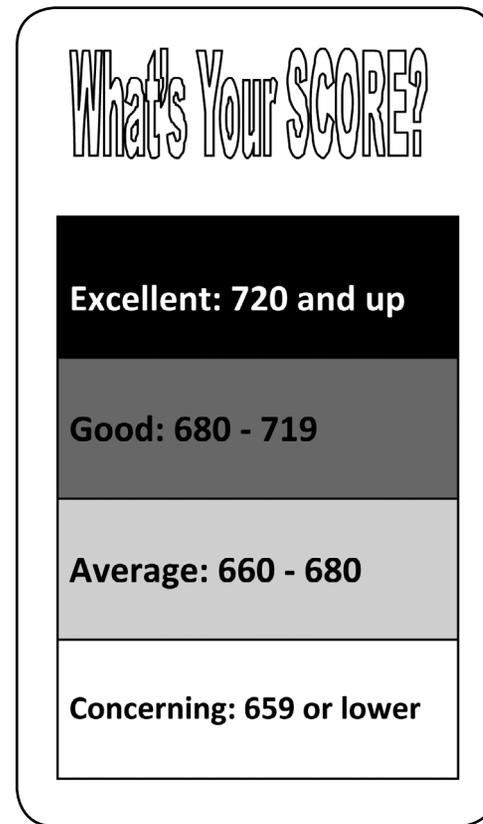


CREDIT SCORE MYTHS

Here are some of the common misconceptions I have heard over the years about credit scores:

Myth	Fact
You only have one credit score	There are 3 credit bureaus that all track your score.
Checking your own score lowers the score	You need to be able to track your score to make sure it's where it should be.
Your age, income, & sex are factors	Your credit score is based on the five factors listed above.
A higher income boosts my scores	Your income is not one of the five factors.
To remove info just dispute it	You can dispute information you feel is incorrect, this does not ensure it will be removed. Your credit score is calculated from information from the last 7 years. Anything prior to that will not be reflected.
Shopping around lowers scores	Your spending habits are not reflected unless they result in a poor payment history or large amount of debt.
Credit card offers hurt my score	These are out of your control and therefore cannot be reflected on your score.
When you get married, your credit scores will change	Your credit score is tied to you as an individual. If you are married creditors can determine your combined eligibility if they so desire.

HERE'S A GENERAL SCALE I HAVE USED OVER THE YEARS TO GAUGE GENERAL CREDIT STANDING:



WHY IT'S IMPORTANT TO HAVE A GOOD SCORE:

Higher credit scores enable you to receive lower interest rates and lower monthly payments.

For Example:

One interpretation of a 30 Year fixed rate mortgage for \$350,000:

Credit Score	APR	Monthly Payment
760-850	3.88%	\$1,647
700-759	4.106%	\$1,692
680-699	4.286%	\$1,729
660-679	4.504%	\$1,774
640-659	4.941%	\$1,866
620-639	5.496%	\$1,986

Creditors are more likely to extend you credit with a higher score as you are a lower risk.

OTHER CREDIT FACTS:

Under the Fair and Accurate Transactions Act (FACT Act) you are entitled to one free credit report a year from each of the three credit bureaus.

Last year American's charged over \$1.5 Trillion to their credit cards and paid \$20.5 Billion in Late Fees

Current Consumer Debts Total \$2.4 Trillion not including mortgages

Current Home Mortgage Debts Total \$13.7 Trillion

STARTING A SMALL BUSINESS

If you're considering starting your own business, here are a few tips to keep in mind. Starting a business can be scary but doing it the right way and starting out with a plan will ensure your success.

TIPS FOR STARTING A BUSINESS THAT WILL SUCCEED

1) LOVE WHAT YOU DO – KNOW WHAT YOU DO

Starting a business will take a lot of time and energy. You must love and be passionate about what you do so you can invest the necessary resources into making your business thrive. However, simply enjoying your work is just the first step. You should only invest your hard earned resources into an industry you know very well.

2) HAVE A PLAN

Start by writing a business plan. Taking this one step will help determine if you have an idea that will succeed – if you don't, you can avoid spending precious time and money. Make sure you do the research: this will ensure that you know the industry, the potential clients, and the possible pitfalls as you start your new business.

3) HAVE A SUPPORT SYSTEM

Starting a business is hard work. If you have someone to support you, bounce ideas off, and listen to the latest problem, it can make all the difference and be the key to success. One thing to consider is to start your business while you are still employed. Having the security of a regular income is just one more essential piece of your support system.

4) GET THE HELP YOU NEED

You may be starting your own business, but you probably can't do every job that is needed to make your business thrive. Don't forget there are professionals out there to help you. For example, if you are not an accountant, hire one. Having the right team will help make you and your business successful.

5) BE A PROFESSIONAL

Even though you are starting a new business, and may not know all the answers, you need to be a professional. This will let people know that you are serious and your business is going to be successful. So, spend the time (and money) to have all the professional items at hand: business cards, letterhead, email, etc.

Visit the Governor's Office of Economic Development at www.business.ca.gov for a guide to starting a business in *California*.

INTERESTING FACTS:

During tough times it is easy to lose track of your perspective on how things are and how they should be. Below are a few interesting facts that help me to bring things back down to Earth and I hope they will do the same for you.

- The square footage of the average American Home has increased by 300% since 1900 when the average square footage of a home was 800 square feet.

<u>Year</u>	<u>Home Size</u>
1900	800 ft ²
1950	983 ft ²
2000	2265 ft ²
2010	2412 ft ²

- Before money was made of bills and coins, these items were used as currency: conch shells, ivory, clay, live animals and grain. As long as it was divisible and scarce, it could be money.
- Why was paper money created? Civil War coin hoarding caused the US government to create paper currency bills for the first time in 1861. Each and every one of the first bills was signed by one of the six people who worked at the US Treasury.
- How many pennies are produced each day? About 30 million. That's 1040 pennies every second!
- A US \$1 bill or a \$10 bill lasts for an average of eighteen months. Five dollar bills last around fifteen months, and twenties kick around for two years. The larger denomination bills can last up to eight years!
- Good thing that the average coin lasts for 25 years, since new pennies cost over 1.67 cents each to make.

CONTACT INFORMATION

Many cities offer various financial assistance programs and counseling services. Your city is also where you will find information on attaining a business license.

REGIONAL DISTRICT RESOURCES:

CLEARPOINT FINANCIAL SOLUTIONS, INC.

Phone: 800-750-2227

TTY: 323-890-9500

Fax: 916-921-0159

Website: www.clearpointccs.org

175 Howe Avenue

Suite 125

Sacramento, CA 95825-3368

Services Offered: Bankruptcy Education, Housing Programs, Debt and Credit Counseling

NATIONAL INVESTMENT DIVISION-HOUSING COUNSELING AGENCY SACRAMENTO REGIONAL OFFICE

Phone: 916-736-2302

TTY: 866-920-3111

Fax: 916-452-2297

Email: djones.nidhca@gmail.com

Website: www.nidonline.org

3400 Third Avenue

Suite 3

Sacramento, California 95817-2811

Services Offered: Pre-purchase Counseling, Post-purchase Counseling, Foreclosure Prevention Counseling, Rental Assistance, Homeless and Shelter Services Assistance, Financial Literacy Education, Reverse Mortgage Education

SACRAMENTO HOME LOAN COUNSELING CENTER

Phone: 916-646-2005

Fax: 916-646-2006

Email: demetra@hlcc.net

Website: www.hlcc.net

1800 Tribute Road

Suite 150

Sacramento, CA 95817-1125

Services Provided: Home Buying Process Education, Credit and Budget Workshop, Home Maintenance Workshop, Pre-purchase Counseling, Energy Efficient Financing Education, Financial Planning Counseling

LOCAL GOVERNMENT CONTACTS:

EL DORADO COUNTY

Phone: 530-621-5830

Email: EDCquestions@edcgov.us

Website: www.co.el-dorado.ca.us

330 Fair Lane

Placerville, California 95667

PLACER COUNTY

Email: customerservice@placer.ca.gov

Website: www.placer.ca.gov

175 Fulweiler Avenue

Auburn, California 95603

CITY OF LINCOLN

Phone: 916-434-2400

Website: www.ci.lincoln.ca.us

600 Sixth Street

Lincoln, California 95648

CITY OF ROCKLIN

Phone: 916-625-5000

TTY: 916-632-4013

Website: www.rocklin.ca.us

3970 Rocklin Road,

Rocklin, California 95677

CITY OF ROSEVILLE

Phone: 916-774-5200

Website: www.roseville.ca.us

311 Vernon Street

Roseville, California 95768

“Each of us needs to make every penny count as we provide for our families during these challenging times. I hope these tips and strategies will help you stretch your dollar.”



Assemblymember
Beth Gaines

6th District

If you are interested in participating in a financial planning seminar with experts from our area, please give me a call.



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