

Financial Planning

A supplement to farragutpress | January 21, 2021

6 Ways
to be
kind to
FOOD
Servers

*Shopping
Locally*

What
is the
50-30-20
approach?

*Get in the habit
of **SAVING**
more each month*

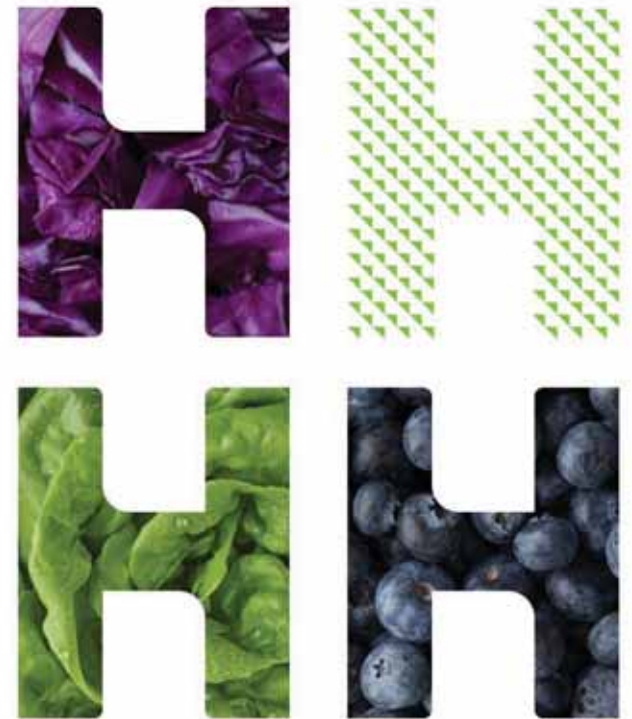


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Get in the habit **of SAVING** *more each month*

Saving is a vital component of financial planning. However, more than half of Americans are saving too little and do not have an accurate grasp of their spending habits.

A recent survey from Intuit Mint Life found that, in 2019, 59 percent of Americans were living paycheck to paycheck and 65 percent didn't know how much they were spending on a monthly basis.

Saving money isn't always easy, but with goals and certain strategies in mind, it's possible for individuals to grow their savings and secure their financial futures.

While there's no magic formula, and the amount of money one should save each month depends on how he or she wants to live now and in the future, the handful of strategies at right can help people save more money each year.

1

- **Follow the 50/30/20 rule.** The popular 50/30/20 rule advocates for allocating 50 percent of your budget to essentials like rent, food and housing, 30 percent for discretionary spending and 20 percent for savings. Many people cannot save 20 percent of their income. In such instances, people can make a concerted effort to save 10 percent of their take-home pay.

2

- **Build an emergency fund.** The credit reporting agency Experian recommends consumers keep between three and six months' worth of expenses in an emergency fund. The fund should cover expenses on the absolute necessities paid each month, like utilities rent/mortgage and groceries.

3

- **Set goals. Savings goals can help a person stay on track and provide motivation to put money away.** Establish separate savings accounts for each goal to reduce the temptation to spend. For example, if the goal is to save more for vacations, then a person can open an account where funds are used exclusively for vacations.

4

- **Automate with your employers' help.** Certain employers allow workers to direct deposit a paycheck into more than one bank account. It's easy to request the payroll manager put 10 percent or 20 percent of a paycheck into a savings account while the remainder is deposited into a checking account. Automated deposits can help individuals get accustomed to living on less.

Various ways to **PAY OFF** **STUDENT** loan debt

Students and families invest heavily in higher education. Many students rely on student loans to finance their educations. In fact, students amassed \$1.56 trillion in student loan debt by 2020.

According to Forbes, American student loan debt is now the second highest consumer debt category, exceeded only by mortgage debt. The Institute for College Access and Success says the average student loan debt is \$32,731, while the median student loan monthly payment is \$222.

Some students feel like paying off student loan debt is impossible. Many loan repayment schedules kick in shortly after graduation, and certain borrowers may not yet be making enough money to afford even the minimum payments on their student loans. Thankfully, there are ways to get out from under student loan pressure.

- **INVESTIGATE INCOME-DRIVEN REPAYMENT.**

IDR will lower student loan payments based on your income, and some plans even promise to forgive any remaining balance once the repayment period is up. That period can take between 20 and 25 years.

- **MAKE A MOVE.**

The Rural Opportunity Zone program encourages Americans to move to rural Kansas to help discourage population decline and to give others the benefits of a lower cost of living. Seventy-seven Kansas counties have been authorized to offer student loan payment incentives.

- **WORK IN PUBLIC SERVICE.**

A Public Service Loan Forgiveness program, or PLSF, enables student loan forgiveness in exchange for working for a nonprofit or working in government.

- **REFINANCE THE LOANS.**

Graduates may not be aware that they can refinance their student loans at a lower rate or choose new loan terms, including variable or fixed rates. Maturity dates can even be renegotiated in certain instances. It's possible to save thousands of dollars in interest by refinancing, particularly if borrowers have a credit score of at least 650.

- **MAKE MORE THAN THE MINIMUM PAYMENT.**

Financial advisor Dave Ramsey says making the minimum payments on student loans will not get them paid off fast, and the interest could pile up as well. By paying more than the minimum payments, you can pay down the principal more quickly. Designate tax refunds and salary increases to pay down student loan debt.

- **ASK FOR HELP.**

Speak with your boss about whether he or she can help pay off student loans. Some employers offer conditional student loan repayment to employees.



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Michael G. Baker
President

Shopping Locally

Is now more crucial than ever

The importance of shopping locally has been emphasized with increasing urgency in recent years. Events like Small Business Saturday and Plaid Friday have brought some much-needed attention to the importance of shopping local, which is even more crucial now as so many small businesses try to survive the pandemic.

A poll from the trade group the National Federation of Independent Business reported that about half of all the businesses in the survey reported a 25 percent drop in sales since the outbreak of the COVID-19 virus, and roughly one in five businesses have seen sales decline by more than 50 percent. If the economic climate does not radically improve, 20 percent of small businesses won't survive.

According to NBC News, small businesses employ 60 million people in the United States, almost half of the nation's private-sector employees. In addition, small businesses generate tax revenues that help communities by funding schools, maintaining parks and contributing to public safety programs. However, based on research from the Federal Reserve Bank of New York, even before COVID-19 spread across the world, only 20 percent of healthy small businesses had sufficient cash reserves to continue to operate if they experienced a revenue loss for two months. Some have been shuttered for much longer.

Individuals looking for everything from clothing to home improvement services to office supplies can look to small businesses to fill those needs.

- *Look for small businesses for any and all of your shopping needs. Chances are items sold by big box retailers also are sold by small businesses. When the options are the same or similar, purchase from a small business instead of its big box competitor.*

- *Readily provide recommendations of small businesses with which you have done business. Too often people are quick to complain about places that have failed them, but those same people don't think to say kind words about companies that went above and beyond. Share great experiences on social media or through word of mouth.*

- *Talk to small businesses owners first if you have an issue. It's tempting to go directly to social media to complain about something, but such complaints can have a dire impact. Always take issues to the manager or business owner first to see if a resolution can be reached. A manager may not be aware of an issue at all. Give small businesses a chance to make it right before taking things public.*

- *If you own a small business, rely on other small businesses to fulfill your needs. Order supplies from fellow small business owners, seek the help of local financial advisors and tax professionals and use local suppliers and delivery personnel.*

Small businesses have experienced unprecedented setbacks due to COVID-19. By supporting small businesses, communities can help them regain stable footing.

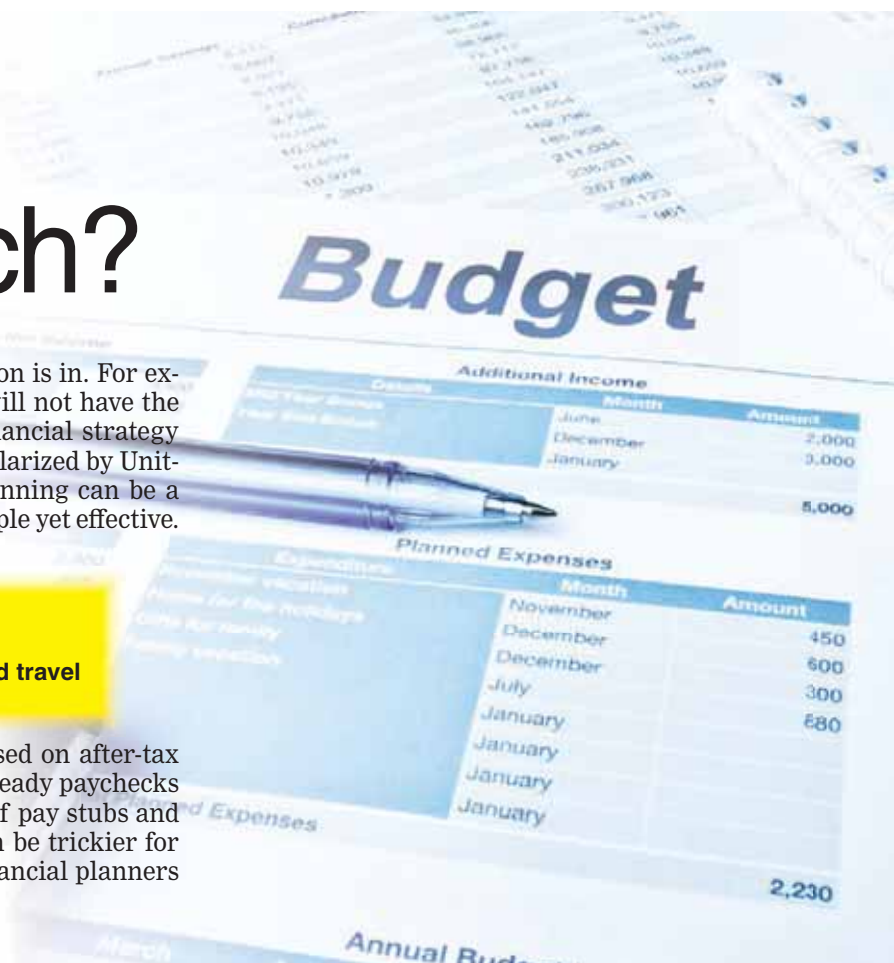


What is the 50-30-20 approach?

Effective financial strategies vary depending on which stage of life a person is in. For example, a recent college graduate working his or her first professional job will not have the same financial strategy as someone on the cusp of retirement. But one financial strategy that people of all ages can look to for guidance is the 50-30-20 approach. Popularized by United States Senator Elizabeth Warren, the 50-30-20 approach to financial planning can be a valuable resource for anyone trying to develop a budget. The approach is simple yet effective. Under the 50-30-20 approach, income is allocated based on this breakdown:

- 50 percent of money is spent on needs, including housing costs, health insurance, car payments, and groceries
- 30 percent of money is spent on wants, including hobbies, dining out and travel
- 20 percent of money is allocated to savings

Proponents of the 50-30-20 approach note that calculations should be based on after-tax income, or what's often referred to as "take-home pay." Professionals with steady paychecks can easily determine their 50-30-20 breakdowns by saving a month's worth of pay stubs and establishing their monthly budget based on what's coming in. The task can be trickier for self-employed or freelance workers, who may benefit from working with financial planners as they seek to create monthly budgets based on the 50-30-20 approach.



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Savings strategies for *Weddings*

The question was popped; the engagement ring presented. What's the next step on the road to the wedding? Saving should definitely be on couples' minds.

A wedding is likely the most costly party couples will ever throw. According to The Knot's 2019 Real Weddings Study, the average cost of a wedding in 2019 was \$33,900. There are many different costs associated with weddings. Some are predictable, while others are unexpected.

Investopedia says the vast majority of couples budget too little for their weddings and also end up spending more than they had planned. Various strategies can make it easier to save for a wedding and avoid a post-wedding financial hangover.

Get informed

It's impossible to budget for a wedding and ultimately save without knowledge of what services and items cost in the region where you live. A wedding in New York City will be expensive, while a wedding in Mississippi will cost a lot less, indicates SuperMoney's guide to wedding costs.

Conduct some research and find out what photographers, florists, transportation providers, reception halls, and wedding wardrobe vendors charge for common services. This will paint a vivid picture of what a wedding may cost in your area.

Flesh out the budget

Once you have gathered estimates, you can then figure out a financial goal. This also is when you can determine where to rein in spending and where you might want to splurge. If having a video memory of the wedding is not a top priority, you can skip videography services. If you have a special flower that you like, you may want to budget more for that bloom even if it isn't in season.

Set up a dedicated savings account

One of the easiest ways to save for big-ticket items like a wedding, home purchase or other financial goals is to use an automatic savings account that may be available through your bank or employer. An automatic savings plan will pull a set amount from a personal checking account into a savings account through auto-draft. The bride and groom can link individual checking accounts to one savings account to contribute jointly.

Avoid overspending

An analysis of your spending habits will likely reveal areas where you can scale back so you can devote more funds to wedding savings. Do you need a takeout coffee in the morning or can you brew a pot at home? Might you be able to scale back on streaming services? Do you feel comfortable buying less expensive store brand groceries over name brands? Small cost savings can quickly add up.

Add up gifts

Factor in deduction of expenses that other people will commit to covering for wedding expenses, but only if you have concrete confirmation. A parent may host the rehearsal dinner. One's relative may offer to pass down an antique wedding gown to wear. But rather than simply removing these gifts from your savings calculations, keep them as a safety net to put toward unforeseen expenses.

Saving for a wedding can be challenging. But various strategies can help couples plan their dream weddings without breaking the bank. ding in 2019 was \$33,900. There are many different costs associated with weddings. Some are predictable, while others are unexpected.



?'s to ask after taking a *Pay Cut*

When will the salary reduction take effect?

This is an important question for any professional to ask, but it can be especially so for workers who use automatic bill pay. You will want to ensure that your accounts have enough money to cover the month's bills before they come due, so don't hesitate to ask when pay cuts will go into effect if that information has not been shared.

How much is my salary being reduced?

Many companies have instituted uniform pay cuts during the pandemic, while others have not. Some may be asking higher paid executives to take more significant, percentage-based pay cuts, while others have postponed bonuses. Reductions can be highly complicated, and employees should not hesitate to ask just how much their pay will be reduced. Knowing what's coming in is an essential component of financial planning, so professionals whose employers have been vague with details can reach out to human resources to determine just how much their bottom lines will be affected.

How long will the pay cuts last?

Long-term financial planning is based on long-term salary expectations, so it's alright to ask if the company has an idea about how long reductions will remain in place. Some may be indefinite, and that knowledge can help professionals reconfigure their budgets so their long-term financial plans stay the course as much as possible.

Will cuts be made elsewhere?

Ask if health care costs will rise as a result of salary reductions. In addition, if the company matches 401(k) contributions, inquire if that will continue. If the company does not intend to continue matching, professionals who can afford to do so may want to increase their own 401(k) contributions to account for the loss of matched funds.

Does the company anticipate additional cuts in the future?

Some companies may be straightforward and acknowledge that the uncertainty surrounding the pandemic makes it likely that future pay cuts will be considered. Others may already have strategies in place that allow them to make the pay cuts a one-time thing. Employees can seek this information to alleviate stress and to inform decisions about their short- and long-term finances. Salary reductions have taken place at many companies throughout 2020. Employees concerned by such pay cuts can express those concerns to their employers by asking some thoughtful questions.

Jessica Phillips, CPA

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Restaurants are vital components of local communities, serving as more than just somewhere to enjoy a great meal. Restaurants are gathering places and have helped people get out of the house during the age of social distancing. Servers are at the heart of the restaurant industry, and there are various ways to show them how much their efforts are appreciated.

1

Leave a sizable tip. Etiquette suggests customers tip servers anywhere between 15 and 20 percent. Because servers today are increasingly putting their health on the line, why not increase that tip to 25 or 30 percent? Such tips can provide some financial relief to servers whose earnings have been adversely affected by the pandemic and a bigger tip lets servers know their efforts are appreciated.

2

Write a thank-you note. Jot a few words of encouragement on the back of the bill or receipt. If time allows, thank the server in person for a job well done.

3

Don't forget school staff. While certain schools are still serving breakfast and lunch to students, others have had to forego in-person dining at school due to local regulations and capacity restrictions. However, food servers and other staff may still be distributing food to those who qualify for financial assistance. Food services is often an overlooked job in the school system and parents can offer small tokens of appreciation to these workers.

4

Be courteous and kind. Food servers experience all sorts of personalities during a typical workday. Being kind and respectful brighten up a server's day.

5

Be a tidy customer. Do your best to leave a tidy table behind when you finish your meal. Collect trash and dispose of it properly. Try to be as neat as possible, stacking dishes and preventing items from falling on the floor so servers and bussers have an easier go of it.

6

Follow restaurant rules. Policies regarding in-person dining and mask usage vary depending on local laws. Follow the rules so you don't put servers' health at risk.

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