



FINANCIAL EDUCATION

Keys to Financial Success

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No one is born knowing how to save or to invest. Every successful investor starts with the basics. A few people may stumble into financial security, but for most, the only way to attain it is to save and invest over a long period of time. There is a cost to waiting, and even saving a little now can add up over time and help you pay for your short and long-term goals.

Becoming financially successful is also important because of achieving a good credit score. It's used by lenders to decide to give you any type of loan, from big purchases like houses and cars to credit cards, cell phone contracts, renting an apartment and even getting a job.

STEPS TO FINANCIAL SUCCESS OUTLINE

1. Make a Financial Plan

- Determine Your Financial Goals
- Know Your Current Financial Situation

2. Create a Budget

- Money to Save, Money to Spend

3. Take Action

- Make a Savings Plan
- Implement Your Plan
- Record Progress



STEP ONE - MAKE A FINANCIAL PLAN

DETERMINE YOUR FINANCIAL GOALS

What are the things you want to save for? Consider,

- A car
- An education
- Emergencies
- Potential periods of unemployment

Make your own list and think about which goals are the most important to you. List your most important goals first. Decide how many years you have to meet each specific goal. When you save or invest, you'll need to determine a budgeting option that fits your time frame.

If you don't know where you are going, you may end up somewhere you don't want to be. To stay on the right course, you'll need a roadmap to get there; **a financial plan.**

Write down what you want to save/invest for and set a goal date.

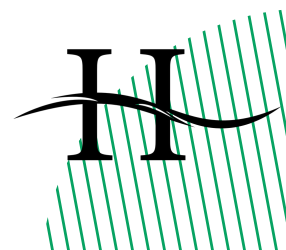
1. _____ Date _____

2. _____ Date _____

3. _____ Date _____

4. _____ Date _____

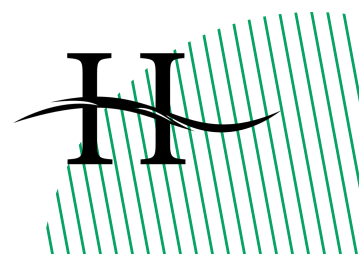
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KNOW YOUR CURRENT FINANCIAL SITUATION

Sit down and take an honest look at your entire financial situation. You can never take your next steps without knowing where you're starting from. A journey to financial comfort is no different. You'll need to figure out on paper your current situation—what you own and what you owe. You'll be creating a "net worth statement." On one side of the page, list what you own. These are your "assets." On the other side list what you owe other people. These are your "liabilities" or debts. If you are a student, this list might not be much yet. You can take into account any loans, assistance from your parents, or income you may be receiving in the future to estimate.

Net Worth Statement	
Assets	Current Value
Cash	_____
Checking Accounts	_____
Savings Accounts	_____
Other Investments	_____
Personal Property	_____
Total	_____
Liabilities	Amount
Credit Cards	_____
Bank Loans	_____
Car Loans	_____
Student Loans	_____
Other	_____
Total	_____



Subtract your liabilities from your assets. If your assets are larger than your liabilities, you have a “positive” net worth. If your liabilities are greater than your assets, you have a “negative” net worth. You’ll want to update your “net worth statement” every year to keep track of how you are doing. Don’t be discouraged if you have a negative net worth. If you follow a plan to get into a positive position, you’re doing the right thing.

STEP 2 - MAKING A BUDGET

MONEY TO SAVE, MONEY TO SPEND

The next step is to keep track of your income and your expenses for every month. Write down what you earn, and then your monthly expenses.

If you are spending all your income, and never have money to save or invest, you’ll need to look for ways to cut back on your expenses. When you watch where you spend your money, you will be surprised how small everyday expenses that you can do without add up over a year. If you are a student, you might not have many of these expenses yet. Ask your parents for an estimate of what they spend on these in a month.

Money In

Monthly Income _____

Savings _____

Emergency Fund _____

Money Out

Rent or mortgage _____

Telephone _____

Utilities _____

Clothing _____

Food _____

Transportation _____

Loans _____

Insurance _____

Education _____

Music _____

Recreation _____

Reoccurring Payments _____

Other _____



STEP 3 - TAKE ACTION

MAKE A SAVINGS PLAN

Now that you know your current financial situation and your monthly expenses, let's take a look back at your goals you created first. In order to reach those goals you will need to make a plan! What you may have been taught to do in the past is use left over money *after* you pay your expenses to split between savings and spending. But this method can usually leave you short cash for saving. So what we will do instead is *save first*.

Decide what percentage of your income you need to be saving to achieve your financial goals by the date that you set. To do this, divide the total cost of the item you want to save for by the number of years you want to have it. Then divide that number by 12 months, the outcome is how much you need to save per month. Example

Goal: I want to save \$15,000 in 5 years.

$\$15,000 / 5 \text{ years} = \$3,000 \text{ a year}$

$\$3,000 / 12 \text{ months} = \mathbf{\$250 \text{ a month}}$

Do this for one or all of your goal items. Keep in mind you may only want to be working on a few financial goals at a time. Once you achieve a few, and then move on to others. This process could take **years**, that's why a plan is so important!

IMPLEMENT YOUR PLAN

Now you know what you need to save monthly. Subtract this from your monthly income before you account for expenses. What is left over from income is now for expenses.

Example;

*Monthly Income \$2,500 - Monthly Savings goal \$500 = **\$2,000 left for expenses***



If you find you don't have enough money left to cover the expenses you listed, see where you can cut back. The first place to start cutting back is nonessentials such as entertainment, shopping, clothes, etc. Of course you could always opt to spend your savings money on these things, but know that it will set you back in your plan to save for the future.

If you cut back the nonessentials and still don't have enough money to cover expenses, you could consider your lifestyle. Maybe living in a smaller house, driving an older car, or working additional hours could contribute greatly to the savings goal you set.

Remember, you can always re-evaluate your goals. There is nothing wrong with wanting to live a more expense lifestyle, just know that savings may be traded for that.

RECORD PROGRESS

Having goals and a plan to reach them means nothing if you aren't staying on track! Be sure to make a method of recording your progress. You could make a written list of a dollar amount to save each month, an excel sheet, or set up an automatic payment from your income to go into a savings. Whichever method you choose, be sure to keep tabs on it monthly.

