Cash Management

Planning for Financial Security

[Name of presenter]
[Title of presenter]
Agenda

1 Basics of cash management
2 Saving and investing
3 Debt management
4 Action steps
Financial warning signs

- No savings or emergency funds
- Not knowing the total amount you owe
- Using cash advances on credit cards to pay other bills
- Being at or near your credit limit
- Using increasing amounts of total income to pay off debts
- Making minimum payments on credit cards
- Collectors are hounding you
- You have been denied credit
Basics of cash management
What is cash management?

Effective management of cash and other liquid assets to meet your financial goals

Efficient management of cash

Liquidity protection

Emergency fund

Tradeoffs

Risk return

Spending/investment risk

Return/time expended risk
Cash management goals

- Establish a college fund
- Afford a comfortable retirement
- Start a business
- Pay off debt
The cash management process

1. Create a budget
2. Determine fixed and variable expenses
3. Monitor and revise your budget
4. Reduce expenses
## Basics of cash management

### 1. Create a budget

<table>
<thead>
<tr>
<th>INCOME</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$2,800</td>
<td>$2,800</td>
<td>$2,800</td>
</tr>
<tr>
<td>Investment gains</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Bonus</td>
<td>$175</td>
<td>$225</td>
<td>$95</td>
</tr>
<tr>
<td>Tips</td>
<td>$350</td>
<td>$500</td>
<td>$275</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$3,325</td>
<td>$3,525</td>
<td>$3,170</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent/mortgage</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$1,200</td>
</tr>
<tr>
<td>Car payment</td>
<td>$375</td>
<td>$375</td>
<td>$375</td>
</tr>
<tr>
<td>Insurance</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
</tr>
<tr>
<td>Student loan</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
</tr>
<tr>
<td>Credit card</td>
<td>$125</td>
<td>$125</td>
<td>$125</td>
</tr>
<tr>
<td>Savings</td>
<td>$50</td>
<td>$50</td>
<td>$50</td>
</tr>
<tr>
<td>Groceries</td>
<td>$150</td>
<td>$225</td>
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<td>$325</td>
<td>$250</td>
<td>$275</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$100</td>
<td>$275</td>
<td>$150</td>
</tr>
<tr>
<td>Personal/misc.</td>
<td>$150</td>
<td>$210</td>
<td>$175</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2,825</td>
<td>$3,060</td>
<td>$2,875</td>
</tr>
</tbody>
</table>
## Basics of cash management

### 2. Determine fixed and variable expenses

<table>
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<th>Fixed</th>
<th>Variable</th>
<th>Total</th>
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3. Monitor and revise your budget

- Compare actual to budgeted expenses
- Look for opportunities to reduce spending and increase savings
- Keep your budget current
How we spend our dollars

Average annual expenditures

4. Reduce expenses

- Determine where you spend your money
- Eliminate unnecessary routine purchases
- Spend less than you make
- Look for inexpensive entertainment options
- Before you buy something new, sell something old
- Use credit cards wisely
- Brown-bag it

Remember, you haven’t saved on a “sale” item if you didn’t need it in the first place
Saving and investing
## Saving vs. investing

**Savings**
- Low risk, focusing on safety of principal and liquidity.
  - Emergency fund
  - Car fund
  - Travel
  - Home improvement
  - College fund (immediate)

**Investing**
- Higher risk, focusing on the return on your money.
  - Retirement
  - Start a business
  - College fund (future)
Pay yourself first!

1. Schedule systematic savings
2. Save increases and bonuses
3. Save any tax return refund
4. Make more money from your bank accounts

Don’t forget to establish a cash reserve!
Participate in your employer-sponsored retirement plan

- **Automated savings**
  - Automatic payroll deduction

- **Tax advantages**
  - Pre-tax growth
  - After-tax growth

- **Employer contributions**
  - Helps increase your savings
Common workplace retirement plans

<table>
<thead>
<tr>
<th>Tax-deferred(^1)</th>
<th>Taxable(^2)</th>
</tr>
</thead>
<tbody>
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<td><strong>403(b)</strong></td>
<td>Public schools and nonprofit</td>
</tr>
<tr>
<td><strong>457(b)</strong></td>
<td>Government and tax-exempt</td>
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<tr>
<td><strong>401(k)</strong></td>
<td>Non-government employers</td>
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<td>Non-government employers</td>
</tr>
</tbody>
</table>

\(^1\)Income taxes are payable upon withdrawal; federal restrictions and a 10% federal early withdrawal tax penalty might apply to withdrawals prior to age 59\(\frac{1}{2}\).

\(^2\)Roth contributions are after-tax contributions.
The cost of procrastination

This hypothetical example compares the total out-of-pocket costs required to fund the retirement goals of an investor if the investor started contributing $300 a month at different ages. This example assumes a 5% annual rate of return. Tax-qualified plan accumulations are taxed as ordinary income when withdrawn. Federal restrictions and tax penalties can apply to early withdrawals. This information is hypothetical and only an example. It does not reflect the return of any investment and is not a guarantee of future income. Investing involves risk, including possible loss of principal. NOTE: $300 in pretax contributions would equal about $400 out of pocket if paid with after-tax dollars.
How taxes could affect your savings plan

Individual income taxes represent the largest component of Americans’ tax bills

In 2016, Americans spent more in taxes than they did on food, clothing and housing combined

Individual taxpayers will spend an average of eight hours—and over $20 billion—filing taxes

Sources: 
1 Tax Freedom Day Facts. Tax Foundation. 
2 Tax Freedom Day 2016 is April 24th. The Tax Foundation, April 6, 2016. 
3 $120 per each of 169 million individual tax returns. 
Find ways to reduce taxes

- Contribute to tax-qualified plans
- Consider strategies in tax deductions, selling assets and equity loans
- Invest using tax-advantaged strategies
- Know tax implications of all financial activities
Debt management
Debt management

Minimize or eliminate debt

Loans

Shop for the lowest rates and the best terms

Don’t borrow more than you can repay on time

Don’t borrow for assets that depreciate
Minimize or eliminate debt

Credit cards

- Negotiate a lower interest rate
- Pay more than the minimum
- Transfer balance
- Pay off card with highest interest first
- Pay from savings
- Build credit without credit cards
Your credit score

A bad credit score could affect your retirement planning

Too much debt to save

May prevent refinancing a home

Could cost you a job
Enrolling in your workplace retirement plan
Enrolling in your workplace retirement plan

Post enrollment: FutureFIT Income Tracker

- Access account information and tools from your workspace
  - Plan details
  - Account balance
  - FutureFIT calculator
  - Smart videos that display personal information
  - Curated educational content
  - Perform change contributions
  - Portfolio asset rebalancing
  …and much more
Post enrollment: Future Income Calculator

- FutureFIT monthly income goal established and gaps identified
- Projection of future income against the goal
- Ability to add financial / spousal information and refresh analysis
- Guidance provided on deferral rate and asset class-level investments
- Each suggestion is actionable on the same screen
Enrolling in your workplace retirement plan

Resources: FutureFIT University

<table>
<thead>
<tr>
<th>RETIREMENT PLANNING</th>
<th>SOCIAL SECURITY</th>
<th>SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>529 SAVINGS PLANS</td>
<td>INSURANCE</td>
<td>OVERDRAFT</td>
</tr>
<tr>
<td>BUILDING EMERGENCY SAVINGS</td>
<td>TAXES</td>
<td>PREPAID CARDS</td>
</tr>
<tr>
<td>CHECKING ACCOUNTS</td>
<td>INVESTMENTS</td>
<td>CREDIT CARDS</td>
</tr>
<tr>
<td>CREDIT SCORES &amp; REPORTS</td>
<td>IDENTITY PROTECTION</td>
<td>ESTATE PLANNING</td>
</tr>
</tbody>
</table>

Additional financial education topics available to VALIC participants:

- 529 SAVINGS PLANS
- INSURANCE
- OVERDRAFT
- CONSIDERING HOME OWNERSHIP
- AUTO LOANS
- BUILDING EMERGENCY SAVINGS
- TAXES
- PREPAID CARDS
- MORTGAGES
- SAVINGS
- CHECKING ACCOUNTS
- INVESTMENTS
- CREDIT CARDS
- ESTATE PLANNING
- FINANCING HIGHER EDUCATION
- CREDIT SCORES & REPORTS
- IDENTITY PROTECTION

FutureFIT University

A Financial Wellness Experience for VALIC Participants - Powered by EverFi

Enroll With VALIC Today!

VALIC is proud to offer its participants access to FutureFIT University, a series of short, interactive courses designed to help improve your financial wellness and help you plan for your financial future. Once enrolled, you’ll also have access to courses geared toward family members of all ages – from grade school to young adults.

Learn More ➔
Action steps
Action steps

- Assess existing spending habits
- Identify ways to reduce expenses
- Set financial goals
- Create a written budget
- Start a savings plan
- Work with a financial advisor
Utilize financial calculators

Action steps

- Savings calculator
- Debt calculator
- Retirement planning calculator
Consider working with VALIC Financial Advisors, Inc. (VFA)

For more than half a century, VALIC has helped Americans plan for and enjoy a more secure financial future.
Benefits of financial planning

- Provides a big picture view of your current financial situation
- Helps identify your financial goals and objectives
- Allows you to understand the impact of your decisions
- Helps ensure your goals stay on track, if reviewed regularly
- Offers you a course of action needed to achieve your financial goals
Financial 360 Plan

Provides a customized analysis of your financial situation
Evaluation

Seminar evaluation form

Date of seminar: __________________ Name of presenter: ____________________________
Would you like to schedule a complimentary consultation?
___ Yes  ___ No

Name: ____________________________________________
Day phone: ____________________________
Evening phone: ____________________________
E-mail address: ____________________________
(Please indicate your preferred contact method.)

Please rate the overall seminar:
Not very good 1 2 3 4 5 Excellent

1. What did you find of particular interest in today’s seminar? ____________________________
______________________________________________________________________________
______________________________________________________________________________

2. How could we improve this seminar? ____________________________________________
______________________________________________________________________________
______________________________________________________________________________

3. What other topics would you like to learn more about? ____________________________
______________________________________________________________________________
______________________________________________________________________________

4. Would any of your friends or associates benefit from this presentation? ____________
If so, may we invite them to a future seminar? __________________________________
Name: ____________________________ Telephone: ____________________________
Name: ____________________________ Telephone: ____________________________
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Cash Management

Planning for Financial Security

Thank you!