Cash Management
Planning for Financial Security
About this seminar

Objectives

➢ To explore the basics of Cash Management
➢ To introduce the benefits of sound financial planning
➢ To provide simple action steps to help you reach your financial goals
<table>
<thead>
<tr>
<th></th>
<th>Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Basics of cash management</td>
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<td>2</td>
<td>Cash management process</td>
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<td>3</td>
<td>Spending tips</td>
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<td>Saving and investing</td>
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<td>Debt management</td>
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<td>6</td>
<td>Action steps</td>
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Basics of cash management
It’s not what you make, but what you keep — and how you manage it.
Basics of cash management

What is cash management?

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
2 Cash management process
Ways to better manage your finances

1. Create a budget
2. Determine fixed and variable expenses
3. Monitor and revise your budget
4. Reduce expenses/increase savings
## Cash management process

### 1. Create a budget

**INCOME**

<table>
<thead>
<tr>
<th></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>$3,800</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><strong>TOTAL</strong></td>
<td>$3,325</td>
<td>$3,525</td>
<td>$4,170</td>
</tr>
</tbody>
</table>

**EXPENSES**

<table>
<thead>
<tr>
<th></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>Groceries</td>
<td>$150</td>
<td>$225</td>
<td>$175</td>
</tr>
<tr>
<td>Utilities</td>
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<td>$250</td>
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<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>$175</td>
</tr>
<tr>
<td>Savings</td>
<td>$?</td>
<td>$?</td>
<td>$?</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>$2,775</td>
<td>$3,010</td>
<td>$2,825</td>
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**BALANCE (INCOME – EXPENSES)**

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$550</td>
<td>$515</td>
<td>$1,345</td>
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</table>

Note: Income includes salary, investment gains, bonus, and tips. Expenses include rent/mortgage, car payment, insurance, student loan, credit card, groceries, utilities, entertainment, and personal/miscellaneous. Savings can include any additional personal expenses not listed.
Cash management process

2. Determine fixed and variable expenses

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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
Cash management process

How we spend our dollars

Average annual expenditures

- Education: 25.4%
- Housing: 18.7%
- Apparel and services: 18.4%
- Transportation: 9.2%
- Entertainment: 8.2%
- Food: 7.3%
- Gifts: 6.7%
- Healthcare: 3.2%
- Other: 2.9%

Cash management process

4. Reduce expenses and increase savings

> Determine where you spend your money

> Eliminate unnecessary routine purchases

Remember, you haven’t saved on a “sale” item if you didn’t need it in the first place
Spending tips

Cut back on spending

➢ Spend less than you make
➢ Eliminate things you don’t use regularly
➢ Look for inexpensive entertainment options
➢ Before you buy something new, sell something old
➢ Use credit cards wisely
➢ Brown-bag it
Spending tips

Did you know?

- Eliminating one latte per week
  Saves $130 a year

- Eliminating one soda a day
  Saves $273 a year

- Eliminating one dinner out a month
  Saves $600 a year
4 Saving and investing
Saving and investing

Pay yourself first!

> Set up systematic savings
> Save increases and bonuses
> Save tax return refund
> Make more money from your bank accounts

Don’t forget to establish a cash reserve!
Saving and investing

Participate in your employer’s retirement plan!

Another option for paying yourself first

- Automatic payroll deduction
- Tax-deferred growth
- Compound interest

Income taxes are payable upon withdrawal on tax-deferred contributions and withdrawals from Roth contributions are tax free if certain criteria are met; federal restrictions and a 10% federal early withdrawal penalty might apply to withdrawals prior to age 59½.
Saving and investing

**Find ways to reduce taxes**

- Contribute to tax-qualified plans
- Take advantage of tax deductions and credits
- Know tax implications of all financial activities
- Invest using tax-advantaged strategies
Saving and investing

The benefits of compounding

Investing $50 a month at 8% annually

Start at age 25
At age 55
$74,518

Start at age 35
At age 55
$29,451

Start at age 45
At age 55
$9,147

This is a hypothetical example only and does not represent any specific investment. The rate of return used in the example is for illustrative purposes only.
Debt management
Debt management

Financial warning signs

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

Loans

> Shop for the lowest rates and the best terms
> Do not borrow more than you can repay on time
> Don’t borrow for assets that depreciate
Debt management

Minimize or eliminate debt

Credit cards

> Negotiate a lower interest rate
> Pay more than the minimum or split payment in half
> Transfer balance to a lower interest card
> Pay off the credit card with the highest interest first
> Use savings to pay off credit card debt
> Build credit without a credit card
  - Make payments on installment loans on time
  - Put at least one household or utility bill in your name
  - Get a secured credit card
Debt management

Your credit score

A bad credit score could affect your retirement planning

- Too much debt to save
- Prevent refinancing a home
- May cost you a job
  - Loss of earning power
  - Inability to eliminate debt
  - Inability to save for retirement
6 Action steps
### Action steps

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Assess existing spending habits</td>
</tr>
<tr>
<td>2</td>
<td>Identify ways to reduce expenses</td>
</tr>
<tr>
<td>3</td>
<td>Set financial goals</td>
</tr>
<tr>
<td>4</td>
<td>Create a written budget</td>
</tr>
<tr>
<td>5</td>
<td>Start a savings program</td>
</tr>
</tbody>
</table>
Action steps

Financial calculators

> Manage finances
  - Personal net worth
  - Tax planning
  - Debt reduction

> Uncover areas for improvement

> Incorporate into overall financial planning
Action steps

Financial planning

> Provides a big picture view of current financial situation
> Helps identify your financial goals and objectives
> Allows you to understand the impact of your decisions
> Will assist you in managing your cash flow to meet financial goals
> Ensures your goals stay on track, if reviewed regularly

<table>
<thead>
<tr>
<th>Financial 360°</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepared for:</td>
</tr>
<tr>
<td>Mary Kelly</td>
</tr>
<tr>
<td>1900 Greensboro Plaza Dr</td>
</tr>
<tr>
<td>Houston, TX 77050</td>
</tr>
<tr>
<td>Presented by:</td>
</tr>
<tr>
<td>Richard Galvan</td>
</tr>
</tbody>
</table>

Plan snapshot

- Your current composite portfolio
- A supported investment management platform for 2011 – 2018

- Probability of success
- Target return
- Realized return
Consider working with a VALIC financial advisor

> A financial advisor can help you:

- Prioritize your investment goals
- Determine the time horizon needed to achieve your goals
- Determine a financial strategy to meet your goals

For more than half a century VALIC has helped Americans plan for and enjoy a secure retirement.
Action steps

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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THANK YOU

Cash Management