

BECOMING FINANCIALLY PREPARED



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- Concepts and opinions expressed herein are based on my personal experiences, understanding and faith
- Outcomes will vary by individual participants – no specific outcomes are guaranteed
- I am not a certified financial planner or investment advisor

Presentation Agenda

- Overview
- Goals
- Financial Tools
- Benefits / Blessings
- Helpful Hints

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Overview - Perspective

- **We are children of a loving Heavenly Father**
 - He is independent
 - He is self-reliant
 - He can bring organization / purpose to things that are in chaos
 - He is mindful of all his children – especially the poor, needy, marginalized
 - He delights in reducing unnecessary suffering
 - He expresses His love for us through commandments
 - He loves to mentor and teach His children
 - Our “First Estate” learning: in councils, classrooms, ideas, concepts
- **Our “2nd Estate” learning: hands-on laboratory of experiences**
 - Working through trials and hardships
 - Acting in faith, making mistakes, correcting, learning, retrying
 - Using the tools He gives to bring organization to the chaos of mortality
 - Showing our love for Him by obeying his commandments
 - Testing our reaction to the suffering and needs of others

Overview – Self Reliance

- **Trick Question: Which is better?**
 - Sheltered life of abundance but without progress (Garden of Eden)
 - Life of limited resources & many trials but with ability to progress (mortality)
- **Key Elements of Self Reliance**
 - The ability, commitment and effort **to act**
 - **To provide necessities** (“sufficient for our needs”)
 - For **self and family**
 - And be better able to serve and **care for others**
 - **Figuring it out** for ourselves – mortality is a great learning laboratory
 - **Using the tools**, resources, abilities, counsel, commandments, gifts
 - Following **spiritual promptings** and developing eternal Divine attributes
- **General areas of focus for Self Reliance**
 - Growing **spiritual** strength and faith
 - Developing **physical** and **emotional** strength
 - Gaining **education** and **employment** skills
 - Increasing **temporal preparedness** – including finances

Overview – Why Prepare Financially?

- The Lord invites us to be prepared
- Latter-day prophets have advised us to prepare
- Preparation reduces fear and anxiety in our families
- Helps us endure mortality's shocks and uncertainties
- Frees us from bondage of interest, debt
- Enhances our perspective on what is really important
- Teaches us eternally important Divine attributes
- Lowers distractions from fulfilling the 1st great commandment
- Magnifies our ability to fulfil the 2nd great commandment
- Teaches us to be self sufficient and be able to lift others
- Elevates our faith, gratitude, love for God and neighbor

Overview – All things are spiritual

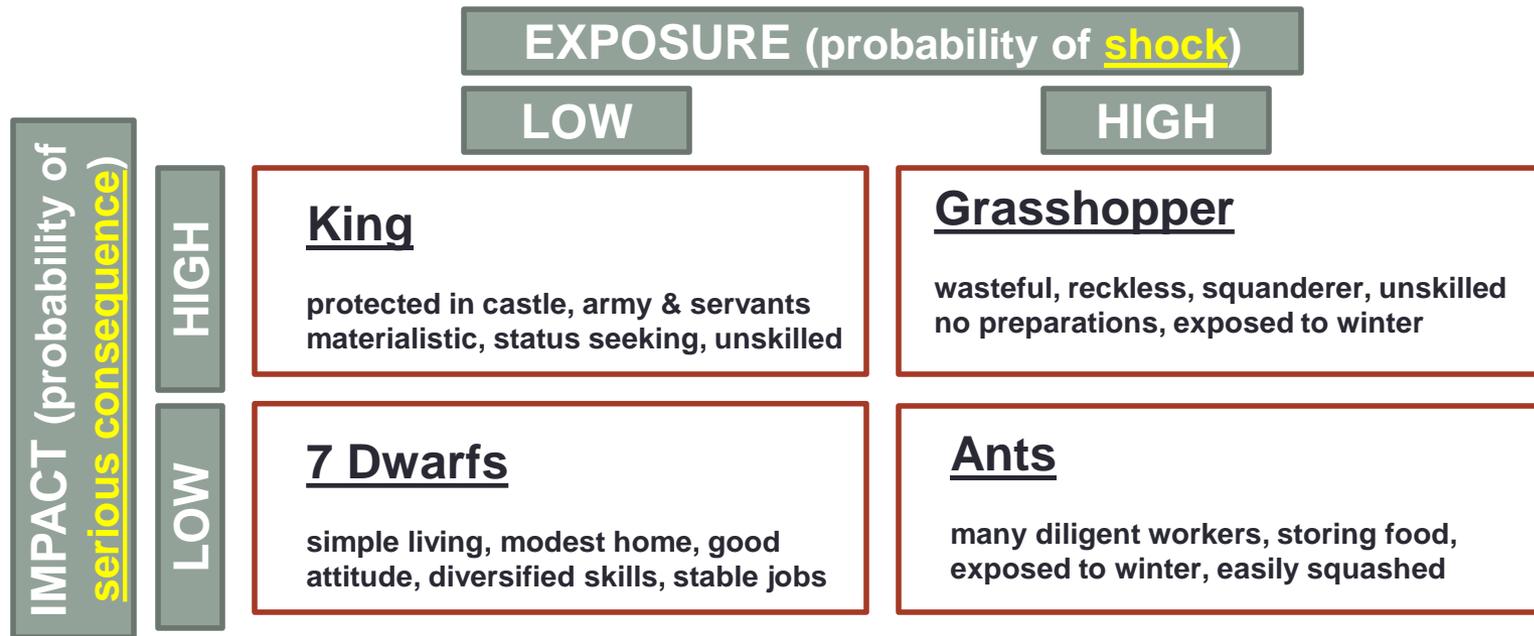
- “All things unto me are spiritual...no temporal commandment gave I unto [man], for my commandments are spiritual.” (D&C 29: 34)
- “If ye are prepared, ye shall not fear.” (D&C 38: 30)
- “Bring ye all the tithes into the storehouse...and prove me now herewith, saith the Lord of hosts, if I will not open you the windows of heaven and pour you out a blessing...” (Malachi 3:8-10)
- “For what is a man profited, if he shall gain the whole world, and lose his own soul? (Matthew 16: 26)
- “For the poor shall never cease out of the land: therefore I command thee, saying, Thou shalt open thine hand wide unto thy brother, to thy poor, and to they needy, in thy land.” (Deut 15:11)

Overview – Recent Prophetic Counsel

- President Russell M. Nelson
 - “...**the darker signs of the times are intensifying**...The future is always uncertain. Weather changes. Economic cycles are unpredictable. Disasters, accidents and illness can change life quickly. These actions are largely beyond our control...We should learn from the past and prepare for the future. **Now is the time [to act]**...”
- President Thomas S. Monson
 - “**We live in turbulent times**. Often the future is unknown, **it behooves us to prepare** for uncertainties...I urge you to pursue your education and learn marketable skills...”
“Let us be self reliant and independent. Salvation can be obtained on no other principle”
- President Gordon B. Hinckley
 - “...life is fragile, peace is fragile, civilization itself is fragile. **The economy is particularly vulnerable**. We have been counseled concerning self-reliance, concerning debt, concerning thrift...I urge you as members of this Church to **get free of debt** where possible and to have a little **laid aside against a rainy day**. ”
- President Spencer W. Kimball
 - “Live within your means and not beyond them...Purchase your essentials wisely and carefully. Strive to save a portion of that which you earn. Do not mistake wants for basic needs... There is strength and salvation in this principle. ...**Preparedness, when properly pursued, is a way of life**...”

Overview – Vulnerability Matrix

Where are you on this matrix? Where do you want to be?



Probability of Shock: risk of uncontrollable economic shock, exposure to risks

Probability of Serious Impact: risk that a shock will have significant consequence

Source: Marriot Alum Magazine, Summer 2004, "Reducing Economic Vulnerability"

Overview – Preparedness Planning

- **Identify risks and assess / measure our vulnerability**
 - Potential financial risks: loss of job, investment decline, weather catastrophe, disability, death, etc.....
 - Evaluate each for likelihood (frequency) and for significance (severity)
- **Prepare plans for risks with highest frequency and severity**
 - Focus on top risks – don't get overwhelmed addressing all risks at once
- **Items to consider in each plan**
 - Risk prevention (how to avoid or reduce probability)
 - Risk mitigation (how to reduce impact of an actual loss)
 - Risk response / recovery (post-loss action steps to restore normal life)
- **Risks profiles change over the seasons of life**
 - Newly married, just out of college, children, retirement
 - So, risk plans should likewise change

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Goals – A little test

In 10 seconds, list your top three financial goals.

Without clearly defined financial goals, how do you know if you are progressing to where you want to be?

Goals – Plans, Strategy, Guideposts

- **General areas of focus for financial preparedness**
 - Debt reduction, savings, education, employment, financial tools, investment, retirement, spiritual, attribute building, teaching children
- **Monitored goals have higher probability of success**
 - Written down, reviewed, measured, evaluated, adjusted, restarted
 - Don't get distracted. Rejoice in small, simple, steady progress
- **Family established**
 - Counsel and labor together, guided by the Spirit, joint commit to act
 - With gentleness, meekness and love-unfeigned – not imposed edicts
 - Seek counsel from divinely appointed sources
- **Change over the seasons of life**
 - Newly married, just out of college, children, retirement
 - Short-term (<5 years) Mid-term (5-10 years) Long-term (>10 years)

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Financial Tools - Basics

- **Basic financial tools**

- Budgets with comparison to actuals
- Debt reduction schedules
- Balance Sheets
- Payment calculators (for mortgage, car loans)
- Retirement nest egg calculators
- Risk prevention / mitigation / reaction plans
- “What if” scenarios

- **These are powerful tools**

- Practice and learn how to use them
- Teach them to family – especially teenagers leaving the nest
- Use existing free templates or develop your own spreadsheets
- Keep copies to compare / track progress over time

Financial Tools – Free Access

- providentliving.churchofjesuschrist.org
 - Free financial tools
 - On line - readily accessible
 - No spreadsheet skills needed
 - No financial background required
 - Input specific facts regarding your situation
 - Input various assumptions to run “what if” scenarios to help planning
 - Teach family how to access and use these templates
- personalfinance.byu.edu – beginner, intermediate, advanced class
- moneymap.aarp.org – free budget template, savings planners
- ramseysolutions.com – some free tools - debt reduction calculator
- templates.office.com – balance sheet and budget templates
- Many other sources of **free** financial tools – no need buy any

Financial Tools – Free Templates

- **providentliving.churchofjesuschrist.org template tools**
 - How soon could I pay off all my debts?
 - How much should I save for emergencies?
 - Where is my money going?
 - How long will it take to pay off my credit card?
 - What if I pay a little extra each month on my loan?
 - Would spending less and saving more make a difference?
 - Should I refinance my home mortgage?
 - How much should I save for retirement?
 - Are my current retirement savings adequate?
 - How much retirement income will I have if I save regularly?

Financial Tools – Debt Reduction Calc

- **A simple approach to getting out of debt**
 - Attacks the power of compound interest
 - Eliminates debt much faster than simply making minimum payments
- **Provident Living Template** How soon could I payoff my debts?
 - Easy instructions – no financial background, no spreadsheet experience
 - You input information about debts: balances, interest rates, payments
 - You decide how much more (if any) you can pay each month (even small amounts help)
 - The calculator pays off highest interest rate debt first (minimum payments on others)
 - After the highest debt is repaid, the same aggregate payments are used to repay the next highest rate debt, then the next highest, etc.
- **Compound Interest**
 - “Thems that understands it, receives it – Them that don’t, pays it.”
 - Interest is a faithful servant, but a terrible master

Financial Tools – Debt Reduction Example

	CC 22%	CC 15%	Car 8%	Mortg 5%	Total
Balance	5,000	10,000	25,000	100,000	140,000
Min Payment	100	225	475	1,800	2,600
Increase by \$100	200	225	475	1,800	2,700
After repay 1 st	0	425	475	1,800	2,700
After repay 2 nd	0	0	900	1,800	2,700
After repay 3 rd	0	0	0	2,700	2,700

Concept:

- Voluntarily increase payment a little on the highest interest debt
- After repayment of the 1st debt, use the same funds to repay 2nd
- After repayment of the 2nd debt, use the same funds to repay 3rd – continue on

Benefit:

- Get out of debt in substantially less time
- Save thousands in interest expense - reducing compound interest impact

STAY OUT OF
HOT WATER



CREDIT CARD DEBT CAN REALLY TURN UP THE HEAT.
 ESCAPE THE PAIN OF DEBT BY SAVING FOR THE THINGS YOU NEED.
 (SEE 1 TIMOTHY 6:10.)

PHOTOGRAPHY BY VILBERT C. WARD/BL. ELECTRONIC COMPOSITION BY MARK G. BLAD

NEW ERA MAY 2003

Credit card debt can really
 turn up the heat in life

Escape the pain of debt by
 saving for the things you need

See 1 Timothy 6:10

**“We think we own the things
 we acquire with debt, but in
 reality those things own us.”**

Compound interest:

- a powerful servant, but
- a merciless taskmaster

Financial Tools - Budgets



- **A plan to guide where your earnings are spent / saved**
 - Start by accumulating expenses / payments for several months
 - Combine expenses / payments into broad categories
 - The more categories, the greater power of budgets
 - Charitable, housing, food, utilities, savings, interest, fun, taxes, etc.
- **Use a budget template tool**
 - Budgets are not just expense diaries – they should guide behavior
 - Decide which expense categories to reduce or increase
 - Apply the principle of “sufficient for our needs”
 - Apply the principle of “discernment” when making purchase decisions
- **Compare actuals to budgets and adjust as needed**
 - Adjust budgets for different seasons of life, varying needs
 - Comparisons facilitate discussion – help distinguish needs from wants
 - Compare month-to-month (to keep on track) and compare year-to-year

Financial Tools – Budget Example

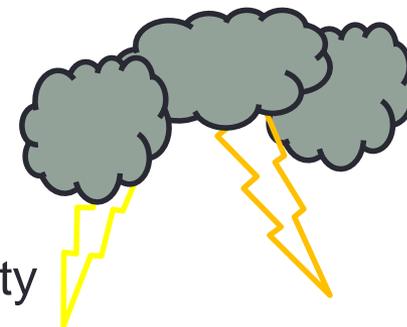
Actual	\$ %		1 st Budget	\$ %		2 nd Budget	\$ %	
Income	100		Income	100		Income	100	
The Lord	10		The Lord	10		The Lord	12	
Housing	30		Housing	30		Housing	35	Mortgage payoff
Food	25		Food	22		Food	25	
Con Debt	15		Con Debt	20		Con Debt	0	Debt free
Tax Util Ins	10		Tax Util Ins	10		Tax Util Ins	10	
Discretion	8		Discretion	4		Discretion	6	
Savings	2		Savings	4		Savings	12	

Accumulate current outflow
(actual diary of expenses)
Group by category
More categories = better results

Decide which categories to increase / reduce
Prioritize debt reduction and savings
Compare actual to budget monthly / annually
Revise budget as you progress

Financial Tools – Disaster Recovery Plan

- **Pre-developed plan of action to implement upon disaster**
 - Developed, agreed to, written, reviewed with family
- **Plans address potential risks impacting your family**
 - Weather (tornado, hurricane, earthquake, fire, freeze)
 - Loss of employment
 - Death of breadwinner
- **Pre-planned action steps may include**
 - Where to gather if separated – medical care accessibility
 - Access to insurance, savings, other family resources
 - Terminate services (gym, subscriptions, mowing, cable, phones, salons)
 - Change of plans (stay-cations, community college, part-time jobs)
 - Sale of assets (2nd car, boat, garage sales, house, pets)
 - Different action steps for different severity of disaster
 - Pre-decided action steps will help avoid contention



Financial Tools – Balance Sheet

- A snapshot of your financial position at a given time
- Reflects assets, liabilities, net worth, leverage ratios
- Use fair values for assets. List in order of liquidity
- Helpful in developing financial plans and identifying risks
- Compare from year to year to see progress, adjust plans

Assets	\$		Liabilities	\$
Cash	1,000		Credit Cards	5,000
Car	10,000		Student Loan	10,000
Investment	5,000		Car Loan	5,000
House	50,000		Mortgage	<u>45,000</u>
Retirement	<u>15,000</u>		Total Liabilities	65,000
Total Assets	81,000		Net Worth	16,000

Assets =
Liability +
Net Worth

Financial Tools – Balance Sheet Analysis

Justin & Ida School - Family Balance Sheet

Assets	\$	Liabilities	\$
Cash	500	Credit Cards	500
Car	1,000	Student Loan	25,000
Investment	500	Car Loan	0
Household	400	Mortgage	<u>0</u>
House	0	Total Liabilities	<u>25,500</u>
Retirement	<u>0</u>		
Total Assets	2,400	Net Worth	(23,100)

Justin and Ida have 3 children and just moved to Plano with new job.
 Justin has a master of accountancy degree
 Justin is now employed with large CPA firm

What advice would you give them? **What goals** should they focus on?

Financial Tools – Balance Sheet Analysis

Ben & Lyven Dahilife - Family Balance Sheet

Assets	\$	Liabilities	\$
Cash	1,000	Credit Cards	20,000
Cars	70,000	Student Loan	10,000
Investments	5,000	Car/boat Loans	70,000
Boat, toys	15,000	Mortgages	<u>190,000</u>
House	200,000	Total Liabilities	<u>290,000</u>
Retirement	<u>20,000</u>		
Total Assets	311,000	Net Worth	21,000

Shock liquidity
is far
TOO LOW

Debt to Equity
ratio is far
TOO HIGH

Ben and Lyven have 3 children and have worked in Plano for 10 years. Ben has a degree in computer sciences and is manager of a high-tech comp. The family enjoys nice vacations, new cars, keeping up with the “__?__”

What advice would you give them? **What goals** should they focus on?

Financial Tools - Savings



- “Wealth is not what you earn – it’s what you keep”
 - Saving is an intentional action – it doesn’t just happen.
 - Savings is paying yourself
- **Savings purposes**
 - Helps recover from emergencies (storms, health, accidents)
 - Allows compound interest to work for you rather than against you
 - Enhances the possibility of achieving longer-term goals
- **Savings questions that financial tools can help answer**
 - How much of my earnings should I be saving?
 - How much should I have in emergency funds?
 - How much do I need for retirement?
- **Saving time frame and seasons of life**
 - Short-term (for emergencies)
 - Mid-term (for non-routine expenses – car, appliances, education)
 - Long-term (for home, children’s education, retirement, legacy)

Financial Tools – Divinely Appointed

- **Scriptures**

- Study the Lord’s warning of latter-day events
- Study prophetic counsel on how to prepare
- Use as a source for developing preparedness plan
- Studying invites the Spirit’s promptings for actions, goals, next steps

- **Study “Topical Guide”**

- Almsgiving, Debt, Education, Family Managing Finances, Last Days, Poverty, Prepare, Riches, Tithing, Wealth, Welfare

- **Study “Gospel Topics”**

- Debt, Education, Emergency Preparedness, Family Finances, Gardening, Gratitude, Tithing

Financial Tools – Other Resources

- **“Family Finances” section under Gospel Topics**
 - Many conference talks, scriptures, financial tools, videos
- **providentliving.churchofjesuschrist.org**
 - Resources and ideas on preparedness, emergencies, food storage
- **“Prepare Every Needful Thing” booklets**
 - Family Finances
 - Family Home Storage
- **Self Reliance Courses**
 - Group study of Finances, Employment, Education
- **“Life Help” section in Gospel Library**
 - Finances, Self-Reliance, Preparedness, Employment, Education
- **“Gospel Media” section in Gospel Library**
 - Many videos and podcasts on preparation and family finances

Financial Tools – Other Items & Tools

- Preparation for end of life - will, living will, estate planning
- Taxes – timely file, be honest, tax planning
- Insurance (house, car, medical, life)
- 72 hour kit for emergency “bug-out”
- Long-term food storage (basics at Home Storage Center)
- Other emergency needs (cooking, power, temp shelter)
- Safeguard documents (electronic copies)
- Education (self, children, grandchildren)
- Enhance skill sets (study, practice, learn from others)
- Self-reliance groups, gray-haired family, successful



Financial Tools - Summary

- **Financial tools are powerful and essential**
 - Accelerate financial preparedness and self reliance
 - Identify risks and help guide us on what to focus on next
 - They absolutely work if properly applied
- **Get started now**
 - Set goals for when you will implement certain financial tools
 - Explore / practice the available free financial tools
 - Use these tools to set / adjust your financial goals
- **Start with a budget** and discuss with all the family
- **Develop balance sheet** – compare year-end to year-end
- Develop / review **risk reduction plans**
- **Teach** teenage and college children how to use these tools

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Benefits / Blessings - Overall

- Builds our confidence before the Lord
 - Learning to receive spiritual promptings – learning to “Hear Him”
 - Obedience, strengthens trust and faith, gratitude for blessings
- Enhances our peace, contentment, resilience to changes
 - “If there is any one that can bring more peace and contentment into the human heart, and into the family, it is to live within our means. If there is any one thing that is grinding and discouraging and disheartening, it is to have debts and obligations that one cannot meet.” (President Heber J. Grant)
- Reduces fear and anxiety (“if ye are prepared ye shall not fear”)
- Helps us develop eternally-important divine attributes
- Magnifies our capacity to fulfill the 2nd great commandment
- Refines our ability to discern what is sufficient / important
- Teaches the “Law of the Harvest”
- Prepares us for life in the Millennium (Zion-like society)

Benefits / Blessings – Eternal Attributes

Divine Attributes

- Discipline, self control
- Patience, prioritization
- Stewardship, thrift
- Sacrifice
- Faith in God, hope
- Serve, charity, empathy
- Peace, resilience
- Eternal perspective

Adversary Attributes

- Selfishness
- Impulsiveness
- Mismanagement, waste
- Greed, covetousness
- Mistrust, despair
- Dependency, indifferent
- Fear, vulnerable
- Myopic, procrastination

These are “principles of intelligence” we take with us at death

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Helpful Hints – Learn, Decide, Act

- “The Lord’s way has always included self-reliance and service to our neighbor in addition to caring for the poor...**This isn’t a program of ‘give me.’ This is a program of ‘self-help.’**...What this means is that, **in large measure, you’re going to have to figure it out for yourself.** Every family is different...**There is no one-size-fits-all answer.** It is a self-help program where individuals are responsible for personal self-reliance [using] resources of personal prayer, God-given talents and abilities, our families, various community resources, caring support of Quorums and Relief Society...This will lead us through the inspired pattern of self-reliance.”
- (President Dieter F. Uchtdorf, October 2011)

Helpful Hints - Develop Action Plan

- **Start preparing a written action plan this weekend**
 - Counsel and labor together in love and righteousness
 - Brainstorm what you want to focus on first – then establish goals
 - Apply principles of gentleness, meekness, love unfeigned
 - Seek guidance from the Spirit on what to include in your plan
 - Set preliminary dates for follow-up, completion, adjustments
- **Keep a positive attitude** – obeying commandments is joyful
 - An attitude of gratitude that the Lord is warning us of dangers
 - Joyfully inspire family members and neighbors to prepare financially
- **What promptings have you received by attending today?**
 - Respond quickly to the Spirit's promptings
 -

Helpful Hints – Act on Controllables

- **Things largely out of your control** – be aware of, not fearful
 - Economy, weather, employer stability, geopolitical risks, market swings
- **Things largely in your control** – **ACT ON THESE**
 - Recognize and follow spiritual promptings – scriptures, prophets
 - Return to the Lord His due – tithing, care for poor
 - Pay yourself – save 12% - 15% or higher (max out 401(k)s)
 - Evaluate lifestyle – reduce expenses, ignore the “Joneses”
 - Adjust routine purchases – find bargain prices, never pay with credit
 - Eliminate credit card debt now. Reduce other debts ASAP
 - Monitor progress with tools - budgets, balance sheets, debt reductions
 - Enhance education – study financial concepts, use financial tools
 - Investment choices – understand and live within your risk tolerance

Helpful Hints – Retired or Almost?



- **Experiment with retirement templates**
 - “How much should I save for retirement?” – providentliving website
 - “Are my current retirement savings adequate?” – providentliving website
 - Study, counsel, seek Spirit for the balance between continued asset accumulation v having enough health, time left to do other service
- **Re-evaluate your investment risk profile**
 - No time left to recover from significant losses
 - Don’t let financial matters distract from other service opportunities
- **Mentor those who are still in the battle**
 - Gentle nudges – not imposing on their agency
- **Globally increasing numbers of poor and needy**
 - Refugees crises increasing. Adequate food storage to share?
- **Consider numerous senior missionary opportunities**
- **Move the work forward for those on the other side of the veil**
 - You will meet your “cousin’s cousins” soon (Elder Gong – April 2022)

Helpful Hints – Captain Moroni's Example

- Remind / inspire of the “why” (defense of family, freedoms, duty to God, friends)
- Seek and follow prophetic counsel
- Develop a battle plan, adjust it as needed, follow through on the plan
- Apply smart strategies and adjustment then as needed
- Preparation doesn't just happen – constant effort is required
- Don't go to places where the enemy is stronger
- Don't be enticed by the enemy to leave your high-ground defenses
- Prepare multiple lines of defense
- Prepare adequate supplies for a long-term battle
- Rely on the support of righteous friends
- Stay vigilant – don't let down your guard
- It is easier to preserve your stronghold positions than it is to retake them
- Resolve internal conflicts quickly – be united in preparations / defenses
- **NEVER STOP PREPARING** – even during short peaceful lulls of life

Helpful Hints – Summary

- Identify and evaluate the potential financial **shocks / risks**
- **Develop plans** to address financial exposures
- Use **financial tools** to guide planning and track progress
- **Stick with it** – adjust, correct, retry, don't stop preparing
- **Follow promptings** of the Spirit
- Remember what is really happening in mortality

You can become better prepared financially

Conclusion

“The Lord has spoken of our day in sobering terms....The Lord reassured us ‘If ye are prepared ye shall not fear.’ What a promise! It is one that can literally change the way we see our future...Preparation is our key to embracing this dispensation and our future with faith...For decades, the Lord’s prophets have urged us to store food, water, and financial reserves for a time of need... I urge you to take steps to be temporally prepared. But I am even more concerned about your spiritual and emotional preparation. The more self-reliant we are – temporally, emotionally, and spiritually – the more prepared we are to thwart Satan’s relentless assaults... **The future will be glorious for those who are prepared and who continue to prepare...Let us embrace the future with faith!...As you prepare to embrace the future with faith, these promises will be yours! I so testify.**

- President Russell M. Nelson (November 2020 Conference)

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