

**Helpful Hints, and Financial Tips**  
**To Gain Financial Freedom**  
*By Jamie Miner*

This information was compiled in the hope that it may be useful in expanding someone's knowledge, or giving a person a starting point to financial freedom. We would all love to make more money, but it is our responsibility to become good stewards over the money we do have before we can expect God to give us an increase. I have compiled this information using many sources of literature and the experience I have gained in the mortgage industry for the last six years. Some of the sources I used for this text are:

Sound Mind Investing by Austin Pryor, and Larry Burkett; Debt Proof Living, by Mary Hunt; Suze Orman's Financial Guidebook by Suze Orman; Rich Dad, Poor Dad by Robert T. Kiyosaki; and the Millionaire Next Door. I would recommend any one of these books if you are interested in looking at finance from a different perspective or just would like some confidence knowing you are on the right track.

The topics covered in this Text are:

1. Creating a Budget
2. Eliminating Debt
3. Life Insurance
4. Disability Insurance
5. Freedom Account
6. Emergency Fund
7. Investing
8. Know your Credit
9. Solicitation "Opt Out" credit list

I hope this helps someone. Please feel free to contact me about these or other topics.

Please contact me at: [Jamie\\_m41@yahoo.com](mailto:Jamie_m41@yahoo.com) I will contact you back as soon as possible.

## **Creating a Budget**

When creating a budget you want to list out all of your monthly obligations on a piece of paper. List out the minimum monthly payments with balances, and the interest rates for all your loans, as well as all other monthly bills you may have. Also include utilities, cable, food and phone bills, etc. The object for this is to actually see how much money you spend every month and where it goes. Try to be as detailed as possible and total this amount up. After you have done this, you will also want to list how much your net paycheck is every month. This will allow you to compare your debts and your income. Hopefully you will have more on the income section than the debt section. If not, by listing your monthly bills out on paper you can begin to decide which bills are luxuries and which bills are necessities, then simply eliminate them from your budget. Another possibility is to list your bills into 2 categories: the bills you will pay on the 1<sup>st</sup> of the month and bills you pay on the 15<sup>th</sup> of the month. This may help you prioritize which bills need to be paid first. The object of this budget is to write down your income and debts and get organized, so whatever works for you and your family will be just fine.

**GIVE** – I truly believe that success comes from helping others. If you help out enough other people get what they want you will also get what you want. So give some of your money to charity or churches, give some of your time to someone less fortunate than yourself, and you will not only feel better for doing it but you will grow from the experience.

**ALLOWANCES** – This is an interesting idea for those of you who are trying to create a budget and limit your spending. The idea is to give yourself a certain amount of money each month, and do not let yourself get any additional money if you run out. When you are on a fixed spending amount you will soon realize the difference between a “want” and a “need” This will also help you track your spending, so that you don’t over spend on something that you could wait until you have enough to purchase it without taking from another area in your budget

<u>Name of Bill</u>	<u>Monthly payment</u>	<u>Balance</u>	<u>Interest Rate</u>
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Tithes			
Offering			
Mortgage or Rent			
Auto Payment			
Auto Insurance			
Credit Card #1		From	
Credit Card #2		the	
Credit Card #3		Lowest	
Credit Lines		to the	
		Highest	
Student Loans		Balance	
Life Insurance			
Disability Insurance			
Daycare			
Water			
Electricity			
Gas			
Home Security			
Home Phone			
Cell Phone			
Allowance			
Haircuts/Hairstyles			
Oil Changes			
Food			
Household items			
Clothing			
Miscellaneous			

**Total Monthly Bills**

**Total Monthly Income**

***Proverbs 21:5 The plans of the diligent lead to profit as surely haste leads to poverty***

## Eliminating Debt

There are two ways to organize your monthly budget in regard to debt. The 1<sup>st</sup> way is to list your bills from highest to the lowest interest rates. The 2<sup>nd</sup> way is to list your bills from the lowest to the highest balance. Either way you choose you should list all of your credit cards and loans by one of these ways, and pay minimum payments on all of your bills except one. With the money left over from your monthly budget you should direct it to one bill.

From the reading that I have done recently, I would concentrate on paying all of the additional money from your budget to the lowest balance. When bill #1 has been paid, you would then take the money you were paying monthly to bill #1 and add this to the minimum payment to bill #2. You would do this until you have paid off all of your debt, which includes Credit Cards, Student Loans, and Auto Payments.

The reason these books have suggested paying the lowest balance debt 1<sup>st</sup> is for several reasons:

You need to start small, gain some confidence and see some success. How great would it feel to say that you paid off 4 bills in one year? Many people who will be most interested in this package that I have put together need a starting point, and some need confidence that they are on a plan to get out and stay out of debt. Financially it may make the most sense to pay the one with the highest interest, but if the debt with the highest interest rate is also your highest balance you may not pay off that balance for 4 years. In the meantime you may have \$500, \$1000, \$2000 balances waiting for some attention. The likelihood of you getting frustrated is more probable than finishing your mission to be debt free.

If you were going to start a diet but someone told you that the diet would help you lose 10 pounds, however you would not lose a single pound for 3 years would you get excited about the program? Would you give up after 6 months with no results? How about after 1 year with no results? Maybe 2 years? What if there was another diet program that you would see results your 1<sup>st</sup> month and continue to lose small amounts of your weight, but on a consistent basis? Do you think you might be more likely to stick with the diet if you saw your shape getting smaller? Do you think you might feel good about your program if people noticed your weight lose and complimented you on your progress?

The 2<sup>nd</sup> reason is that if you send minimum payments to all of your bills except the one with the lowest balance, your debt will be paid off in a similar period of time as if you paid it to the highest interest rate. So if the bills will be paid off in a close period of time, why not use the program that will give you some immediate success and confidence. Whichever program you choose for your family will be fine, as long as you choose a program to get out of debt. The only way you can hurt yourself is if you don't make a decision to get out of debt and change your situation.

*Proverbs 14:15 A simple man believes anything,, but a prudent man gives thought to his steps.*

## **The Freedom Account**

After your debt has been paid, you will need to set up an account to keep you from going back into debt because of unexpected expenses. The challenge for this fund is to save for the unexpected expense. If you do this well you should never be in a situation where you will be forced to spend money that you do not have saved. The 1<sup>st</sup> step will be to compile a list of expenses that may come up during the year that you do not currently budget for monthly. This list may include tires for your car, contacts, glasses, vacations, birthday presents, Christmas allotment, wedding gifts, baby showers, etc. Let's face it, every year these things come up, but where do we find the money to pay for it? Usually from credit or we take it from something else. Each year you will modify this list and the goal is to save as closely to the amount of expenses that you forecasted. The 2<sup>nd</sup> step is to maintain the amount of money in this account so that you will always be prepared for the unexpected. This money should be kept separate from the money you use for your daily bills. A savings account might be an ideal place for this account.

**Proverbs 21: 20 In the house of the wise are stores of choice food and oil, but a foolish man devours all he has.**

## **The Emergency Fund**

Your emergency fund is designed to set up a safety net in case you were to have a sudden **loss of income**. No one wants to think about losing their job but it is a reality that is very possible and we need to be more prepared. Your goal for this fund is to save up for a minimum of 3 months of your total monthly bills. Your ultimate goal will be to grow this account to 6 months worth of bills. This account should be kept in an account that will give you a larger return than a savings account, but not in an account that you cannot withdraw from without receiving a penalty like an IRA, or CD. A type of account that fits this description would be a money market account. You can set up one of these with your local bank. This will give you a decent return and the ability to withdraw the money if you have a loss of income. This account should be only used to pay your bills until you have the chance to get into another job that fits your needs. After you find another job that will maintain your lifestyle concentrate on building that account back up to the proper amount.

*Proverbs 6: 6-8 “Go to the ant, you sluggard; consider its way and be wise! It has no commander, no overseer or ruler, yet it stores its provisions in summer and gathers its food at harvest.”*

## **Investing**

After you have paid off your debt and saved up for your contingency and emergency fund it is time for you to start preparing for your retirement and your children's education. When you do this I would suggest setting up an appointment with a **"fee only" certified financial consultant**. This is important because some consultants although they are qualified to give you advice, will get paid based on the investments they advise you to buy. This is a conflict of interest in my opinion. Unless you know the consultant it may be difficult for this person to advise you for what investment will be best for you and your family without them considering what is most profitable for them. A fee only consultant will get paid a one time only flat fee for advice on different investments opportunities. In this way the only interest the consultant has, is to listen to your goals, and direct you to the best possibilities for only your family. If you are interested in searching for a fee only advisor, contact the National Association of Personal Financial Advisors, by calling 1-888-fee-only or visit their website, [www.napfa.org](http://www.napfa.org) to find a planner in your area.

**Proverbs 12:15 The way of the fool seems right to him, but a wise man listens to advice.**

## Life Insurance

Life insurance is not for you. It is for those you love. If you have a spouse or child and you were to pass away, you should have life insurance to make sure that they are taken care of. Life insurance is not designed to set up the surviving spouse so that they never have to work again. It should be used so that the deceased can have a proper burial and the surviving family can pay off enough bills to live comfortably on one income, or the children will have enough to pay for future college expense that a one income parent can not afford. There may be several other reasons, but these are the main ones.

There are two basic types of life insurance:

**Term Life** - With this type of insurance, you will pay the monthly premium and the insurance stays in force as long as you pay. If you die, a set amount goes to your beneficiary. There is no cash built into this type of insurance, only a death benefit and is relatively a cheap policy.

**Whole Life** – This type of insurance has a savings plan attached to your term life insurance. Be careful because the savings benefits are usually inflated and never guaranteed. This insurance also costs three times as much as term life insurance of the same amount of death benefit. Typically upon death, if your beneficiary wanted to access the savings portion that has been built up, they would have to forfeit the insurance portion. In turn, if they wanted to take the insurance portion, they would have to forfeit the cash balance you have accumulated.

Having described why you should have insurance, let's talk about how much insurance to buy and what type of coverage you should get. My research suggests that you should purchase enough coverage to pay off the debt left behind to your surviving family, and education expense. For instance if you had some credit, or loan debt of \$20,000 and a mortgage balance of \$80,000 dollars, with 1 child but not much in savings. I would suggest taking out a Term policy for \$250,000 which should be more than enough to pay off the remaining debt, college expense, a proper burial, and give the surviving spouse enough money to allow him or her time to adjust before having to go back to work. It is important to mention that a \$200,000 policy would probably be enough to work for this scenario, however at \$250,000 and above, insurance tends to become cheaper. Mortgages are similar in this way where a 15 year fixed mortgage will have a lower interest rate than a 30 year fixed mortgage. A good rule of thumb is 5 or 6 times your income.

Consider that a term life insurance policy will probably accomplish your insurance needs. Many insurance agents will suggest that you purchase the type of insurance in which some of your monthly premium goes to the insurance portion, and rest of your monthly premium goes to an investment portion, which will give you a cash balance. Remember what we talked about earlier when we discussed commissioned

advisors and Fee only advisors. An insurance agent is a commissioned advisor, and they will benefit more if you take out an investment insurance policy, than if you took out a regular term policy. When you talk to your fee only financial advisor ask him or her what they think you should take, and I am sure they will tell you to take out a term policy. The problem with investment insurance policies are that most of them don't allow you to access the cash portion **and** the death benefit which is the face value of the policy. You usually can only access one or the other. Another problem is that the return on the investment portion is usually substantially lower than the market could produce on your own through the advice of your fee only advisor. The last major problem with this type of insurance is that if you surrender, or cancel the policy after a certain amount of years, let's say 4 years, you may not have a single dollar of the cash value accrued. In this case you would have paid a very high premium and received nothing in return but have been covered by an expensive insurance policy.

Example:

Person #1 pays \$80.00 dollars per month on an investment insurance policy for \$250,000 and then surrenders their policy after the 4<sup>th</sup> year, with no cash value accrued.  
 $\$80 \times 12 \text{ months} \times 4 \text{ years} = \underline{\$3,840 \text{ total}}$

Person # 2 pays \$22.00 dollars per month on a Term Life insurance policy for \$250,000 for 4 years.  
 $\$22 \times 12 \times 4 \text{ years} = \underline{\$1,056 \text{ total}}$

Both people were covered for 4 years for the same amount of coverage but Person #2 paid \$2784.00(or \$58 per month) less than person #1. Both people have the same cash value at the end of the 4<sup>th</sup> year or if person #2 was wise he or she would see a fee only financial consultant and invest the money they would have saved.

Remember Life insurance will only be necessary until you have saved up enough money in your investment portfolio to pay for your proper burial; any debts left behind to your surviving family, and educational expenses. Once you have saved enough money in your investment account to provide for all these after any penalties you may incur from early withdrawal, you should cancel your term policy because you will not need it. Term Policies become very expensive the older you get so the quicker you save enough money in your investment the better off you will be, and the more money you and your family will save.

## **Disability Insurance**

One out of three people become disabled for 90 days or more in America today, according to the Life Insurance Marketing and Research Association. Forty-eight percent of mortgage foreclosures are a result of a disability. Because of this Disability Insurance is probably more important than life insurance. Having said that, it is important to note that it is not a common policy for people to purchase. Most likely, because it is a much more expensive policy than life insurance coverage. For instance disability coverage may cost \$50 to \$80 dollars per month. This may sound like a lot of money, but if you think what you and your family do if you could not work for the rest of your life, you would realize that you really can't live with out it. Social Security Disability is your only other option and this may be a significant decrease in income than you were used to, and probably not enough to support your lifestyle as it was before your disability. With disability coverage you receive the majority of your salary for a certain period of time (Short term disability) or until you turn 65 (Long term disability).

Think about it. We will ensure our car and home but not our income. Disability Insurance is income protection, and 33% of us will have a disability that will force a loss of income according to statistics. If a person generated \$30,000 at 25 years old and worked until they were 65 years old (40years), that person would generate 1.2 million dollars in their career. Isn't a million dollars, and your family's security worth insuring?

## CREDIT

Establishing good credit is something that we all can control. If you pay attention, and stay on top of it, you can benefit from good credit by getting the best interest rates for loans and allowing you to take advantage of all of your options. Your credit is scored by 3 main credit agencies; Transunion, Equifax, and Experian. They will develop a score for your credit based on your pay history and credit depth. The score typically ranges from 350 to 850. The higher the score the better the credit grade. Typically, a score below 600 would be considered below average. A score of 600 would be considered average, and a score of 640 and above would be considered above average. A score above 700 would be considered excellent. The factors that make up the FICO scores are these:

Payment History	(35 percent)
Outstanding Debt	(30 percent)
Length of Credit History	(15 percent)
Recent Inquiries on credit	(10 percent)
Types of credit in use	(10 percent)

Finance company loans generally lower your score.

These are some steps you can take to make sure you establish, and maintain good credit:

Maintain at least 3 positive trade lines with good pay history for 3 years to firmly establish your credit.

Try not to carry balances to close to your credit limits

Try not to allow companies to check your credit too often. Too many inquiries in a short period of time can have a negative effect on your credit scores.

Cancel any credit accounts you do not absolutely need, or have paid off, and contact all 3 credit agencies to make sure they update the information correctly.

Check your credit reports annually for any discrepancies, or that all your information is being reported accurately.

Pay all Collection accounts – There is such a thing as a non collectable debt, which occurs when you have reached the statute of limitations for your particular state. Having said that, your credit will still reflect a collection account that has not been paid, even though you have exceeded the collection limit. Lenders will consider this when evaluating credit. Lenders look at your credit and try to develop the character of the customer and how likely they would be to pay back the loan they are applying for. If you

have made an attempt to pay a collection account especially after the legal limit for collection status, many lenders will consider that and give you a better rate than your credit may deserve. It also works the other way as well. Customers have also received lower rates than their credit scores indicate, because of their lack of character in paying their collection accounts.

**Romans 13: 7-8 Give everyone what you owe them: If you owe taxes, pay taxes; If revenue, then revenue; If respect, then respect; If honor, then honor. Let no debt remain outstanding, except the continuing debt to love one another.**

## **REMOVING ITEMS ON YOUR CREDIT REPORT**

The credit agencies report independently from each other, so you must call each one and make sure that each agency removes the items in question.

**Equifax**      **800-685-1111**

**Trans Union** **800-916-8800**

**Experian**     **888-397-3742**

You will hear an automated system. This system will ask you if you want to purchase your credit report for about \$9.00 for each one, or if you have been denied a loan you will have an option to obtain a report for free. Put in your personal information, address, and social and they will mail it out to your home within 8 to 10 days. When you receive the report at your home there will be a phone number to speak to a live representative. There will also be a credit report number on the credit report you received. You will need this to give to the representative.

When you call the new number on your new report and speak with the representative, tell them which item has been paid, or should not be on your credit report. They will research it, and remove it from your credit history. They will send you a report confirming the item has been removed within 30 days.

## **Solicitation Opt Out Credit List**

If you have ever wondered why you receive so many pre-approved solicitations, a junk magazine, or telemarketing calls, is because your name and information has been sold to companies who pay the credit agencies for that information. This is the reason why it is so difficult for people to know, fix or ask questions about their own credit; we are not the customer. The credit agencies do not stay in business by helping us. They stay in business by helping companies know about our spending habits. If you would like some more privacy in this regard, the numbers and addresses listed below may help you in your search:

If you would like to “opt out” from credit card solicitations:

Call 1-800-353-0809. This is a completely automated system that will ask you some personal questions to identify yourself. This process takes about 3 months to stop the solicitations once you have contacted this number.

If you would like to “opt out” of direct mail and magazine solicitations, you will have to write a letter giving you complete name, name variations, and mailing address to:

Mail Preference Service  
Direct Marketing Association  
P.O. Box 9008  
Farmingdale, NY 11735

If you would like to “opt out” from telephone solicitations, you will write a letter providing your complete name, address, and phone number with area code to:

Telephone Preference Service  
Direct Marketing Association  
P.O. Box 9014  
Farmingdale, NY 11735