



U.S. Department
of Veterans Affairs



Financial Follies

Trends to Avoid

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Overview



Current Trends & Strategies:

- Savings
- Debt
- Insurance
- Retirement



Saving Trends



Emergency fund-less:

- A \$500 unexpected expense causes 57% to borrow, sell or use credit card ¹
- 69% have less than \$1K in savings²
- National savings rate of 5.7%³
- Nearly half of Americans living paycheck to paycheck⁴

- 1-Bankrate MoneyPulse survey, January 2017
- 2-Fortune.com. GoBankingRates survey 9/9/16
- 3-Bureau of Economic Analysis, June 2017
- 4-Center for Financial Services Innovation



Savings Strategies



- Recognize life happens
- Establish appropriate account
- Make it automatic (allotment, transfer, round up)
- Start small and build to at least 3-6 months of expenses
- Segregate & earmark



Debt Trends

- In July 2017, Federal Reserve reported credit card debt topped a trillion dollars¹
- Average household carrying balance owes over \$16K²
- Average new car loan amount and length—over \$30K and nearly 69 months³
- In April 2017, average FICO credit score-700⁴

1-Federal Reserve, G.19, July, 2017

2-USAtoday.com, April 4, 2017

3-Experian, State of Automotive Finance Market, Q1 2017

4-Fico.com, July 10 2017



Debt Strategies

- Credit Card Debt: Assess, Attack, Avoid
- Car purchases:
 - 5-year loan rule
 - 10%-15% of gross on transportation
 - Used, CPO vs. new
- Credit scores:
 - Know where you stand
 - Understand factors and myths
 - Work it



Insurance Trends

- Over 60% of Americans have no life insurance or just basic group policy¹
- Only 41% of renters had renters insurance²
- Low state mandatory liability limits:
 - Texas (30/60/25)
 - Missouri (25/50/10)
- Homeowners insurance misunderstood

1-BestLifeRates.org, May 2017

2-Information Information Institute, 2016 III Poll



Insurance Strategies



- Rule #1: Ensure insurance coverage keeps pace with life changes
- Use calculators or calculations for life insurance need (LIFE)
- Assess liability coverage – see Rule #1
- Dig into the details of homeowners coverage and investigate flood coverage



Retirement Trends



- Responsibility shifts to employees
 - Disappearance of pensions
 - Changes to military retirement
 - Social security & Medicare changes
- Only 1 of 3 millennials investing in stock market³
- 401(k) loans drop to lowest level in seven years¹
- 47% report less than \$25K in retirement savings²

1-Fidelity Investments, Fidelity Retirement Analysis 2/2/17

2-Employee Benefit Research Institute, 2017 Retirement Confidence Survey

3-Bankrate, MoneyPulse 7/6/16



Retirement Strategies



- Be the exception: Have a plan
- Take advantage of opportunities
- Leverage pay increases/future income
- Tax diversification
- Start early (now)—leverage power of compound returns
- Market risk isn't the only risk



Q&A



Questions