Finances and Legalities

Finances: In this context, finances covers everything from your bank account to insurance policies to legal documents covering powers of attorney, wills and such. It can be easy, once this is understood, to see how finances affect many other areas. Toward this end, there is a whole section of the workbook that will help you think through whether, where, and for whom you have the documents and information in place.

Here's some idea/activities to get you looking at your financial ideas, needs and plans:

- How do you make decisions regarding money? From your head or heart? It's good to kow, and there's no one answer that's best.

- Be sure to include documents on who you'd llike to raise your kids, if appropriate, and on end of life issues.

- Help keep this part of your Personal Safety Net organized by gathering and placing these in a place where you, and those you want to have the information, will be able to access it.

Finances

- Banking
  - Where is my bank? Is there more than one?
  - Is there a particular person who knows me?
  - Is there a local branch?
  - What are the account numbers
  - Copies of Checking statements (past & present)
  - Copies of Saving or money market statements
  - Copies of Brokerage and/or investment account information
  - College savings information (509 Plan)
  - Copies of Credit union accounts statements
  - Copies of Credit card statements
  - Safe deposit boxes & keys
  - Loans & Promissory notes outstanding (debts owed)

- Investments –
  - What and where are they?
  - Is there anyone to contact?
- Copy of your current bills
- Appraisal or inventory of valuable items
- Charitable donation preferences
- Mortgage documents
- Prior years' tax returns
- Property and school tax records
- Safe & combination
- Social Security Card
- Veteran's administration paperwork

Insurance

- Insurance Representative(s) –
  - CPA/Accountant
  - Business liability/consultation
  - Casualty

    - Disability
    - Flood/earthquake
    - Health
    - Life
    - Property/Home/Mortgage
    - Travel
- Document(s)/Paperwork/Policies & Numbers –
    - Business liability/consultation
    - Casualty
    - Disability insurance
    - Flood/earthquake
    - Health
    - Life
    - Property/Home/Mortgage
        - Or rent?
        - Do I hold a mortgage for another/other property?
    - Travel

- In-home assisted living insurance paperwork

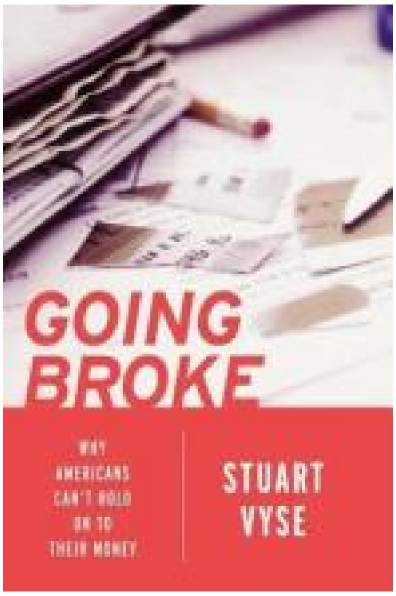
Legalities

- Birth/death certificates
- Passport(s)
- Info on Who holds Power of Attorney
    - Back-up person
- Last Will & Testament
- Letter of instruction to executor re: the commemoration of your life/funeral
- Cemetery plot deed
- Burial/Funeral instructions
    - Burial and funeral wishes - Wishes related to organ donation should be clear. If you wish to donate, clarify if it's also OK for heirs or hospitals to sell organs.

Resources:

Keeping An Eye On Your Money: What Kind of Shopper Are You?

Are you a shopping addict, overconfident consumer, status seeker or a smart spender? Being honest with yourself is the first step to pinpointing a problem. Look at why you buy. And if you're not quite the model of perfection, don't fret, but you may want to pick up Stuart Vyse's, *Going Broke: Why Americans Can't Hold On to Their Money* (Oxford University Press, $25).



[1]Vyse says there's no question that "who we are affects the way we approach spending." And Dilip Soman, professor of marketing at the University of Toronto, says we're trained to measure ourselves by our possessions; "we shop to find things that enhance our self-image or social status."

Soman and Vyse helped identify qualities that manifest themselves in particular types of spenders: Shopping addict, Overconfident consumer, Status seeker and Smart spender. After you read over the information, we've added a little test that may help you decide why and how you shop.

THE SHOPPING ADDICT
1. Do you shop to feel good when you've had a bad day?
2. Does finding a great deal really get your blood pumping?
3. Do you shop when you don't need anything?

Buying makes some people feel better about themselves. They often use shopping to compensate for gaps in their lives, says Vyse. Shopping addicts often view shopping as a competition and may rationalize a purchase by saying it was a bargain. Soman says these spenders likely hit the same stores.

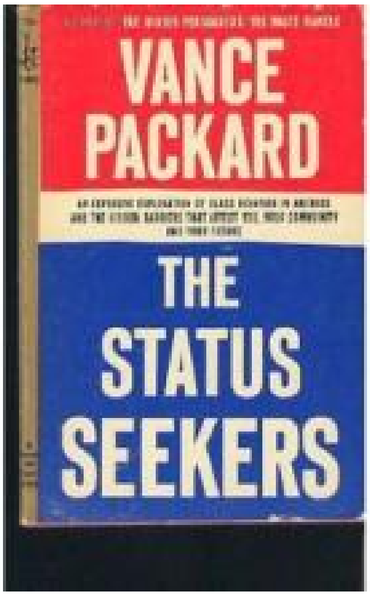
Advice: Get a life. No, really. Find other activities that offer the same feelings of accomplishment and self-worth without the cost, such as sports or volunteer work. Be aware that shopping addicts sometimes fall into a vicious cycle of buying, feeling bad about it and then buying more to feel better.

[2]OVERCONFIDENT CONSUMER
1. Do you neglect to think about where the money's coming from before you buy something?
2. Do you make large, spontaneous purchases?
3. Do you use your credit limit as a guide for your spending?

We all try to be optimistic about the future. But overconfident consumers wear rose-colored glasses when it comes to how they'll pay tomorrow for what they buy today. They have little or no savings, and Soman notes they often overestimate future earnings based on credit limits. An overconfident consumer is more likely to buy big-ticket items.

But buying now and paying later only works "in a perfect world, where you do everything on time and have no bumps," says Vyse.

Advice: Don't push your credit limit. Save for big purchases, and build up an emergency fund.



[3]**THE STATUS SEEKER**

1. Do you frequently compare your belongings to those of others?
2. Do you have to have the latest "in" thing?
3. Do you feel bad when you can't have what others have?

Status seekers are willing to go into debt to achieve a desired standard of living, says Vyse. And if their income falls, they can't ratchet back their lifestyle. They always have to own the latest, greatest stuff, and they figure that if their neighbors have a BMW, then they deserve one, too.

The biggest problem with keeping up with the Joneses is that "people tend to compare themselves to the wrong Joneses," says Soman.

Advice: Adopt a lifestyle within your means. And if you strive for more, acquire it through savings, not debt.

[4]THE SMART SPENDER

Smart shoppers can easily differentiate between needs and wants, and mostly stick to buying what they need. Though they may splurge occasionally, they comparison shop whenever possible to get the best price.

Smart shoppers also have their wits about them regarding the long-term effects of their purchases. They don't buy if they don't know where the money will come from and it follows that they pay off their debt monthly. Smart shoppers stockpile their extra cash in savings so they have a cushion for unexpected expenses.

Advice: Keep up the good work! And try to pass along your good habits to a friend.

[5]A SHOPPER’S TEST: (pick which one in each case that represents you)

Question 1: When do you feel like shopping?
A. When I've had a bad day -- I need to treat myself.
B. When I'm feeling good -- I deserve it.
C. When my friends get new things -- I need them too.
D. When I need something.

Question 2: Do you have a shopping routine?
A. No. I shop where I find what I need at the best price.
B. Sort of. I shop when my balance drops below my credit limit.
C. Sure. I shop wherever American Express is accepted, usually upscale places.
D. Yes. I hit my favorite stores first.

Question 3: What kinds of things do you buy?
A. It varies. Just something now and then to take the edge off.
B. I mostly buy necessities and splurge on occasion.
C. Big stuff. My new flatscreen is awesome!
D. Name brands, nice suits, an iPhone, the works.

Question 4: Do you comparison shop?
A. Sure, if by comparison shop you mean comparing myself to others.
B. No need to. The best product is usually the most expensive one.
C. Yes. I rarely buy without seeing what else is out there.
D. Of course! It gives me a high to find the best deal.

Question 5: Do you think about where the money is coming from before you buy?
A. No. My credit limit is high enough that I don't worry.
B. Not really, as long as I love what I'm buying.
C. Rarely. I just rely on credit if I don't have the cash. I don't want to look poor.
D. Yes. I try not to spend money I don't have.

Question 6: How do you rationalize your debt?
A. What debt? I pay my balance in full each month.
B. I'll pay it off. Meanwhile, it feels so good to buy
C. I'll make plenty of money in the future to pay it off.
D. I'm not worried. It's the cost to have what I deserve.

Question 7: What do you think about saving?
A. I spend so much, I don't usually have money left over to save.
B. Saving is for people who won't have more money in the future.
C. I'd like to save, but it's hard enough to keep up with my credit card payments.

D. It's important to have a savings cushion, so I work hard to save what I can.

Adapted by Personal Safety Nets® from “What Kind of Spender Are You” *by Jessica Anderson, published by Kiplinger’s Personal Finance Magazine.*

Where's the Money Go?

[6]A look at "How The Poor, The Middle Class And The Rich Spend Their Money," by Planet Money, illuminates recent data from the United States Department of Labor's Bureau of Statistics, which conducted a Consumer Expenditure Survey. The results (which may be obvious to many)show **poor and middle income families spend a much larger share of their budget on basic necessities such as food at home, utilities and health care than do wealthy households.**

Rich families are able to devote a much bigger chunk of their spending to education, and a much, much bigger share to saving for retirement. They do not, however, give a bigger share of their income to charity. Though their dollar donations are possibly larger, the percentage given is likely to be smaller. Interesting, eh?

After paying basic expenses, the lowest income group has spent 96.3% of their income, leaving 3.7% of disposable income. The middle income group has spent 95.6% of their income, leaving 4.4% of disposable income. And the highest income group has spent 92.8% of their income, leaving 7.2% of disposable income. If we use real numbers, needless to say, the poorer we are, the less we will have for discretionary use.

[7]This got us to thinking about Paul Navone, a mill worker in New Jersey, who never made more than $11 an hour. He started off earning 75 cents an hour at the age of 16, and almost immediately started saving as much money as he could. He only shopped at thrift stores and never owned a TV or a telephone. He never married or had children, and his only "extravagances" were breakfast at McDonald's and used CDs. He saved enough to pay cash for a home, living in half and renting out the other half and, in due course, acquired two more rental properties and started investing with a brokerage. He lived his whole life in a small, modest house.

Eventually he started giving away his money away - to schools because he wanted his money to produce value, and schools were the perfect choice. He ultimately gave almost all his money - over $2 million - to a community college and college preparatory school.

Stories like Paul's got us to thinking that what's missing from the above study is information on income donated to charities by each of the economic groups. So we sought out the research, and found some stunning findings.

[8]The latest study on "philanthropic giving," conducted by the Chronicle of Philanthropy using tax-deduction data from the Internal Revenue Service, showed that that **middle-class Americans give a larger share of their income to charity than the wealthy**. In fact, households earning between $50,000 and $75,000 a year, give an average of **7.6 percent** of their discretionary income to charity.

That compares to **4.2 percent for people who make $100,000 or more.** In some of the wealthiest neighborhoods, with a large share of **people making $200,000 or more a year, the average giving rate was 2.8 percent.**

Religion is the big factor here. "Regions of the country that are deeply religious are more generous than those that are not," the Chronicle said. The Chronicle of Philanthropy study suggests that **wealthy people who live in mixed-income areas give more and are more empathetic than those who live in exclusively wealthy enclaves.**

In 2001, Independent Sector, a nonprofit organization focused on charitable giving, found that households earning less than $25,000 a year gave away an average of 4.2 percent of their incomes; those with earnings of more than $75,000 gave away 2.7 percent.

The IRS system provides that those who itemize receive a hefty tax break to make charitable donations, **a deduction that grows more valuable the higher they are on the income scale.**

Dr. Paul K. Piff, of the University of California, Berkeley, and the Institute of Personality and Social Research, who conducted a similar study, not only found that found that **lower-income people were more charitable, but that they were also more generous, trusting and helpful to others than were those with more wealth.** Lower-income people were more attuned to the needs of others and more committed generally to the values of egalitarianism. Piff said, "Wealth seems to buffer people from attending to the needs of others."

In fact, a 2007 report from the Center on Philanthropy at Indiana University found that **only a small percentage of [9] by the wealthy was actually going to the needs of the poor; instead it was mostly directed to other causes** - cultural institutions, for example, or their alma maters - which often came with the not-inconsequential payoff of enhancing the donor's status among his or her peers.

There may be something that can be done to help this situation. Piff found **that if higher-income people were instructed to imagine themselves as lower income, they became more charitable. If they were primed by, say, watching a sympathy-eliciting video, they became more helpful to others** - so much so, in fact, that the difference between their behavior and that of the low-income subjects disappeared. And fascinatingly, the inverse was true as well: when lower-income people were led to think of themselves as upper class, they actually became less altruistic.

Let's end on a high note with the story of Jack MacDonald, who died at age 98, last September. Though he worked as an attorney for three decades, and earned a modest living, **he spent his life clipping coupons and riding the bus. MacDonald lived in a one-bedroom apartment and was known to family as quirky and eccentric, but always true to himself - acting on his convictions to do the most good with his money.** While he made regular contributions to charities, he was able to amass wealth by investing. So, with no biological children of his own, nor a wife (he'd married in 1971. His wife died in 1999), Jack left the results of all his scrimping, saving and investing - $187.6 million - to three Seattle-area charities.

[10]The moral of the three stories? **It's never too early or too late to give to others - and giving need not just come from the pocketbook.** Do what you can do to make a positive difference - give of yourself! Creating a compassionate community, whether locally or internationally, is up to you...me...US.

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