228: Financial Planning in 10 Steps

Full Episode Transcript

With Your Host

Jen Riday

Vibrant Happy Women with Jen Riday

228: Financial Planning in 10 Steps

You're listening to the Vibrant Happy Women podcast, episode number 228. I am talking about financial planning today, I know, right? Stay tuned.

Hi, I'm Jen Riday. This podcast is for women who want to feel more vibrant, happy, aligned, and alive. You'll gain the emotional, physical, and spiritual tools you need to get your sparkle back and ensure that depression, anxiety, and struggle don't rule your life. Welcome to the Vibrant Happy Women Podcast.

Hey my friends, welcome back to Vibrant Happy Women. We are talking about finances today. Did you know that women face a lot of challenges financially that men do not? On average, women tend to earn less than men and work fewer years. We as women tend to stay at jobs for shorter periods of time, work part-time more often. We interrupt our careers to raise children.

Nothing wrong with any of that, but as a consequence we as women are less likely to qualify for company sponsored retirement plans. We are less likely to receive full benefits from those plans, even if we qualify. And did you know, women live on average four years longer than men and we're going to need a larger retirement nest egg than men. So we need to think about finances, specifically, people are living longer.

I know, if you're anything like me you don't want to get to retirement age and feel like you're poor, that you can't have any fun, that you can't travel to the Vibrant Happy Women retreat with me.

So another stat I want to share is that women tend to invest more conservatively than men. Women tend to lose more income than men following a divorce. Women over the age of 65 are 40% more likely than men in the same age range to live on or below the poverty level, crazy, right? Well, that's not what we're going for, we're vibrant happy women and we want to do what it takes to take ownership of our lives, financially included. So we're going to talk about that today.

I'm going to give you 10 steps that if you follow, I feel that you will have a comfortable retirement, you will build up your nest egg. You will be in charge of your finances and have what you need. A lot of times, I've spoken with many, many women and they think their husbands are going to take care of it. They think their husband's retirement plan will cover it.

But I want you to think about what happens to you if there's a divorce or a death, or a disability, or a spouse has a job loss. I want you to set all of your previous ideas aside and commit right now to believe this new mantra. Here it is. I take ownership of my life and finances. No more sitting around hoping it works out. No more thinking that your spouse is going to take care of you. We are vibrant happy women and we take ownership of our lives and our finances. So how are we going to do that?

Well, step one, I want you to think about, maybe journal about later, but think about it now, what do you want financially? How much income would you like to have? How much would you like to have in savings? What would you like to be able to spend that money on? And that is for the present. And then think ahead depending on your age, what do you want to experience at age 40, age 50, age 60, age 70?

Just set some goals, so get a vision of how you want to live. Do you want to be living paycheck to paycheck? Or do you want to feel like you can set some aside and you'll always have enough to pay for the things you need, to feel a sense of abundance, something to journal on.

Step two, we're coming back to this rule, do not leave your finances up to your spouse, period. Remember, I take ownership of my life and finances. Now, you might experience a bit of fear when you think that thought, that's okay. We are learning about EFT tapping in the Vibrant Happy Women

Club. And if you are there with us in the club, great, tap that thought down and tell it doesn't feel scary. If you feel scared about that, I'm scared to take ownership of my life and finances, do some EFT tapping and get rid of that limiting belief.

And create that new belief, I take ownership of my life and finances. This is absolutely true for me. This is so true, and what happens when I believe this thought, I take ownership of my life and finances, my actions follow. We cannot take a new action if there is not a positive empowering belief backing it up in our brain. Our brain will sabotage us every single time. You must have a new belief and a new thought first. So practice, I take ownership of my life and finances.

Okay, step three, think about the ways you earn money, do you enjoy it? I know, you're thinking, Jen, that's a little bit crazy and demanding. I mean maybe I just need to earn some money, who says I need to enjoy it? We as vibrant happy women want an abundant life. And part of that abundance is feeling abundant with what you're doing with your time, doing the things you enjoy, doing the things that build you up, that empower you, that lift you, that inspire you, that excite you, that is living in an energy of abundance.

And if you're at a job where you leave every day feeling drained, undervalued, unimportant, micromanaged and so on, maybe, just maybe, God/the universe will help you find something better. And I know that to be true. But I want you to play with the idea that perhaps God, the universe, something higher than you has something better in mind for you. And when you start to entertain that possibility, things will start to happen, like a line of dominoes, you would be surprised.

So do some journaling, what would you enjoy? What are your gifts and talents? What lights you up? What are you passionate about? One of my passions as you know is this whole vibrant happy women world, being on this podcast, interacting with the likes of you amazing women who are listening. I created the Vibrant Happy Women Club where I get to talk about my favorite topic in the world, self-help, and this month, finances, loving it.

And recently I created the Vibrant Happy Women coach certification. So if you're looking for something meaningful that involves self-help and helping others and making a difference, keep that in mind, becoming a coach. It's a very viable career. I have loved it, and the 20 students who have enrolled so far are all very, very excited to get started earning income for themselves.

Remember, this goes back to rule number two, take ownership of your life and finances. Maybe that means having a career, earning some income, doing something that you love, not just sitting around relying on your partner or someone else to take care of it for you.

Alright, number four, you knew this was coming, have a budget. Now, before you freak out, I'm going to offer two suggestions. Number one, a Google Sheet, Google Sheet is free with any Gmail account. Whenever you open your Gmail account you'll see those dots that look like a Rubik's cube. Click there, you'll see a Google Sheet, it's a spreadsheet. You can open it up; you can even find a template for a budget in there.

The goal is to track it and I find it's easiest to track it where someone else is adding up the numbers. I don't want to sit there calculating my numbers every night. So I do mine in a Google spreadsheet. Now, another great option, I'm not going to weigh this one is either better or worse. But You Need a Budget. They have an app and they have an online version and they'll just connect to your bank accounts very securely, don't worry about that, and track it for you. You create your little categories.

I'm thinking if you want it simple and easy go with You Need a Budget. If you're pretty good with spreadsheets already or you want to have a little more control and finesse over how you set it up, go with a Google Sheet, very, very simple. Both could be accessed from your phone, whenever you make a purchase you just track it right in there. The cool thing about You Need a Budget is when you make a purchase, it's going to track it for you because it will see the money come right out of your bank account, really, really cool.

Okay, so budgeting, You Need a Budget or a Google Sheet and you can find examples online of how to set those up.

Number five, donate a percentage to a charitable cause. Some people call this doing a tiving. I do a tiving which is 10% I donate to charity, this allows me to believe that there is abundance, because I always have enough to give and I give it right off the top before I spend any of it. And I believe that the ripple effect, things come back to me in proportion to my generosity.

Now, some of you think, oh, I can barely live, I'm living paycheck to paycheck. I know a ton of people that say the same thing. And many people do a tiving for a religious purpose and treat it as a must, just choose a percentage and treat it as your must. I have enough to donate this percentage and give it off the top, no matter what, as a commitment to yourself, to honor a rule of giving and generosity, trusting that more will come back to you. Abundance is definitely a give and take type of scenario.

Okay, number six, this one you might be surprised, I'm putting before anything else, insurance. Look, in life we think it should 'go smoothly', we should have a good life and save some money and accumulate some things, and have a car, and be able to pay for college and all of that. Now, that's kind of 'the American dream', we'd all love it. But the reality is, think about it, the reality is you will face a job loss, or you will have a divorce, or you might face a disability, you might face a death, things happen.

To think that you're going to go through life without things happening is crazy, because no one does. Everyone has a health crisis, or a death, or a disability, or a divorce, or a job loss, something big that's going to give you a financial hit. It will happen to everyone. So step number six is to be adequately insured in all ways. The people who suffer serious financial setbacks are the ones who don't have adequate insurance. Hands down, there's story, after story, after story.

For example, someone who doesn't have health insurance could get cancer and you've seen the stories of people with hundreds of thousands of dollars of medical bills. And many times people don't recover from those things without declaring bankruptcy. So I recommend you have home or renters insurance, of course, car insurance. Health insurance is a must. And then of course, life insurance for yourself and your spouse, disability insurance and even umbrella insurance, let me talk about those.

Home and renters insurance, well, things happen, a tree fell on our deck, luckily we had home insurance, it was no problem, we paid our deductible and they paid the rest. We had hail and slight tornado damage once, we got a new roof. We got a new siding, it was beautiful. Home and renters insurance, if you rent you want to protect the things inside that apartment. Your landlord is not going to do that for you.

Car insurance, easy peasy, I mean my son is 19. He has been in a number of accidents. I keep driving home that he must be insured, because I said, "What if you hit someone and you injure them and they suffer bodily injury or they have a hospitalization, or what if you go off the road and crash into a building? That's $40,000 plus dollars to pay for that building or more, you need someone else to cover that." And insurance for your car is important.

Okay, so health insurance, that's a given. Nobody has perfect health, some people would beg to differ but I think it's important to have it. You might decide to figure out the version that works best for you. Now, a little bit about life insurance. Plan your life expecting that at least one of these major events is going to happen to you, job loss, divorce, disability, death or health problems, because one of those happens to everybody.

So, assuming, being safe, that a death is going to happen to you or your spouse, how would the survivor live? Well, my husband's provided more income for a lot of years, so we have a significantly larger life insurance policy for him; I think about two million dollars. And we calculated what I would need to live while I was still raising the kids, and that seemed like enough.

Now, if I were to die at the time we were getting our life insurance policies, we realized my husband would need to keep working and we would need someone to come in and nanny for all of our kids, all six of them. So we got me, I think, a $500,000 policy, maybe 250,000, enough to cover watching all the kids while they were still living at home, and so my husband can work, so before and after school care and summer care.

So that's how it's done, plan for these things, job loss, divorce, disability, death and health problems. Have a plan; assume they're going to happen, because they tend to happen to everyone. Instead of thinking why me, just recognize, look around, these things are happening to everyone, at least one of them.

Okay, now, a final thought on umbrella insurance. This is really actually quite cheap, mine is $9 a month. This is adding an extension, a bigger sum of money to cover anything huge that might happen. Let's say I'm in a car accident and it's really big and my accident, I'm at fault, I've caused a ton of damage, someone has died, they decide to sue me. I've got this umbrella policy to back me up. It's a one million dollar umbrella policy that will cover and add extra insurance to anything else that could happen.

Or let's say my kids bring some friends over, they're doing dangerous things with our swing where they do that every day, they jump off of this little play structure and I swear, someone's going to break their leg. Some mean and nasty parents decide to sue me and my homeowner's insurance isn't going to cover and then they're going after my personal assets. Luckily I have this umbrella insurance policy to fall back on. So I feel really, really well insured. And if these any of these big emergencies happen, job loss, divorce, disability, death or health problems, I'm covered. I'm not going to be financially destroyed.

Okay, moving on to number seven, after you're adequately insured then get an emergency fund together. Crazy, right, you would have thought I would put those in the opposite order. Not exactly true. Those big financial hits can happen at any moment and you want to be covered. And as soon as you've gotten those in place and they're not terribly expensive, just lock 'em in, security, peace of mind, then start building that emergency fund. You want to have as much money saved as would cover you for six to twelve months of living expenses.

An emergency fund is particularly good if you suffer the financial hit of a job loss. And you have enough with an emergency fund to live on for six to twelve months.

One way to do this is like that charitable giving, the 10% tithing, or whatever percentage you choose is to choose a percentage you're going to save towards your emergency fund every single paycheck, not negotiable. In fact, just set it up in advance, your charitable giving comes out the same way taxes come out, the same way your emergency fund savings comes out, before you spend a dime, all of that is handled. You can set it up automatically to withdraw and it's beautiful.

Okay, so after we have – I'm going to go back through all the list, identify what you want now and in the future. Number two, take ownership of your life and finances. Number three, have a career and earn money doing something you enjoy. Number four, budget, number five, charitable giving, number six, insurance, number seven, emergency fund.

Then after all of that we're going to go to paying off debt. Now, something like half of Americans are in significant credit card debt. And right now during Covid, Suze Orman, one of my favorite people in the finance world says, "Don't worry about your debt." More important is to have some cash on hand, have that emergency fund, that's why I ranked emergency fund ahead of paying off debt.

But let's assume you have a job and you still have income and you're working on paying off debt. It's really quite simple, pay off the highest interest debt first, that's one strategy. And then take that payment and apply it to the next debt and the next debt until you have no debt. Or start with your smallest debt payment first and then take that, apply it to the next one, and the next one, and the next one until you have paid them all off. You get to choose.

Now, when that is all said and done you've gotten down to zero debt, maybe you consider having only one credit card or maybe you don't use credit at all, I don't know. I recommend having one because you want it to build up your credit score. If you're really struggling with debt, contact a credit counseling service. They will communicate with the credit card companies on your behalf and can usually negotiate a zero percent interest or a two percent interest, something quite low and doable, so you don't feel like you're about drown in your debt.

One more thing about debt, debt is a heavy word, isn't it? Maybe rename it to something less heavy because we want to feel high vibe. Maybe you call it a blessing in advance. So pay off those blessings that you have in advance, you used that money to buy something, it was a blessing in advance, pay those off. And then you can move on to step number nine, retirement.

Alright, the average American has no retirement savings. Does that feel heavy to you? Now, I know you're listening, that means you're kind of an empowered woman, you believe in being vibrant and happy. You've heard me say that we're going to take ownership of our life and finances. So a big step of that is I want you to commit when you've knocked out those other steps, taking that 10% of emergency fund money or an additional 10% and putting it towards your retirement.

I want you to save for your own retirement, taking ownership of your life and finances, not counting on a spouse, because what about death, what about divorce, what about disability? Own your life and plan for your retirement. Almost no women are planning for retirement. But we, vibrant happy women are going to do this, taking ownership of our lives and finances.

So we need a mantra for this, how about this, saving is more fun than spending? Kind of juicy, right? Saving is more fun than spending, because it means we're empowered. It means we're owning our lives. It means we are – I have to say this, we're bad assed women. Owning and saving is more fun than spending. I like it. Savings is more fun than spending.

Here's another one, paying myself first shows the universe/God that I'm committed to wealth and value myself enough to receive more. Do you, you women listening, do you value yourself enough to save for your retirement, to save for you future travel, and fun, and connection, and health, and eating, and all the things you're going to need?

Now, here's a story, you might think you can't afford this, but Theodore Johnson worked for UPS, he never made more than $14,000 a year. And yet when he retired he was worth 70 million dollars. Let me repeat, he made no more than $14,000 a year working for UPS, yet when he retired he had 70 million dollars. How did he do it? He took 20% of his money and put it straight into an investment account. And then five decades later it had compounded to 70 million dollars.

Now, how did he decide that he could afford to save that 20%? Well, a friend said to him, “Hey, if you were taxed that 20% they would just take it out of your account and you would never see it and you wouldn’t even think anything of it. So why don’t you just create a tax for yourself?” And he thought that makes sense. So he set it up to take that 20% out of his paycheck, it went automatically into account, he never paid attention to it. I mean it was managed but he didn’t spend a lot of time thinking about it, taxing himself and then 70 million dollars. That is amazing.

So I want you to do that for yourself, I want you to own your life and finances.

Okay, how much do you need? Well, you can go on a website, bankrate.com or do a Google search for bankrate.com retirement calculator. I am there right now, bankrate.com/retirement/calculators.

Anyway, you can Google it. It’s so fun, you put in your current age, you put in the age you want to retire, you put in the income you are earning for yourself, just do this for yourself, be in charge of your life and your finances. You put in how much, what percentage you’re going to put towards retirement out of every paycheck. You put in your current savings amount if you have it, your expected income increase, maybe your salary goes up by 2% a year or something. You put in how much income will you need at retirement.

Now, experts estimate that you’ll need 80% of what you’re making now when you retire, so you put that number in. And then how long are you going to be retired? Say you want to retire at 60, you can live, make it a long estimate, say you live to 95, you're needing 35 years of retirement. You plug all of that in and you'll see the exact amount you need to save to live comfortably in your retirement. Now, in my experience, most women are aiming way, way, way too low.

So I'm going to put some numbers in here right now for us, these are not real numbers. Let's say you are 40 years old and you'd like to retire when you are 70 let's say. Let's say your annual income is 75,000, I'm just going to pick random numbers. You want to save 10% a month. You currently have about $10,000 saved. You expect to get an increase of 2% in your salary each year, so that will account for inflation. You'll probably have 25 years of retirement, assuming you live to 95. How much will you need?

Okay, so saving 10% a month you will have $871,000 when you retire at age 70 and your retirement will run out at age 78. Well, you know you're going to live till 95, you need more. So what if we up that retirement amount to 20% a year? Let's see what we get. Alright, we're doing better now. This says you will have 1.67 million when you retire, it will last until you're 87, but you're going to live till 95, we've got to keep going.

So you have some options here, you see, I need to increase my income or maybe you start to look at other sources of retirement income like Social Security, maybe you're a teacher and you have a pension, you can figure this all out. But my point is start saving now, just save a percentage, it's going to get you way better off in the long run than if you did nothing.

Okay, next, where do you put that retirement money, 10% a month or more? Well, put it in an IRA, put it in your company's 401(k), these are retirement accounts. If you're self-employed there are special retirement accounts that give you tax savings. Just put it in something geared for retirement. The nice thing is they have penalties if you take it out early which will help you keep it where it needs to be.

228: Financial Planning in 10 Steps

Okay, I recently started to save for retirement. I did all of these steps, except I had never locked in retirement because I was planning on using my husband's. He is a federal employee and well, luckily for us he will have really great retirement. So I thought it was enough to just say, "Oh, well, I'll just use his." But I've had this nudging, and I want to be an example for all of us that I need to take ownership of my life and finances. So I am now investing for my own retirement. And I recommend you invest in an index fund.

An index fund is essentially managed in a way that it has the least fees. That means they match up, they choose stocks; create a portfolio that just matches the S&P 500 Index. Now, you don't need to know what that means but essentially it's big companies, the biggest 500 companies in the US and it kind of matches up with those. So those companies tend to match the stock market. You're going to just have good solid gains over time. But the best part about an index fund is that your fees will be lower.

Did you know, 1% in fees will over time because of compounding, cost you 10 years of retirement savings? That is crazy. Index funds are easy, you don't have to think about them and they have the lowest fees, so invest in an index fund. And make that account a retirement account, so there is a fund that you're investing in, it's sitting within an account that's geared towards retirement.

Now, you might be tempted to think you need to know a bunch of stuff about the stock market and to get in and out and to time your investing. That's total nonsense, it's an ego thing, it's a testosterone thing. I don't know what it is. Some people think they're good at that game. It's kind of like gambling.

But Warren Buffett, one of the wealthiest men in the world has said, "Huge institutional investors viewed as a group have long underperformed the unsophisticated index fund investor who simply sits tight for decades. A major reason has been fees. Many institutions pay substantial sums to consultants who in turn recommend high fee managers, and that is a fool's game." Across the board, wealthy, wealthy people will recommend you invest in an index fund through your own account and leave it alone.

You don't need a financial advisor to help you, they will take a fee. They will recommend you invest in other funds that will take a fee. They like to all pretend that they're going to get you more money than an index fund when in fact they will not.

Okay, now, once your money is invested, leave it. Bull markets will happen, bear markets will happen, ups and downs will happen. But historically that S&P 500 Index as all, you know, the NASDAQ, all the indexes have gone up over time, your money will increase, especially if you leave it at least 10, 20, 30, 40 years.

Now, there's a really cool fact I want to share. When the market goes down, don't freak out, get excited. The best time to invest in the stock market in a mutual fund is always within two weeks from a low point in that market, historically. They can look back across time; the best time to invest is always within two weeks from a crash. So when it crashes, get excited and put even more money in there, it's the way to grow it. Don't ever, ever, ever take it out, your money's fine, historically it always goes up.

Okay, for me, I'm shooting to have two million at retirement. That would be enough for me to live comfortably for the time I plan to be retired. I don't plan to retire for quite a long time, because I love what I do. Probably I'll be retired for about 20 years, two million should cover me. So if you're aiming for around two million or more, you're going to be fine. Now, you might sit here and think, Jen, that's crazy.

Look, wealth is a compounding game. It's not about putting two million in. It's about just saving that 10 or 20% and leaving it alone long enough that time works in your favor. It compounds and the time is what builds the wealth, the interest grows, and grows, and grows, and grows, it builds on itself, time will make you wealthy.

I just sat down with this bank rate retirement calculator with my 15 year old. He's been reading a book by Tony Robbins called Money Master The Game. And he understands at his age at age 15, if he simply invests just 10% of every penny he earns he will be a multimillionaire by age 55. He's turned in his form, he's got it all set up with his job to just take out that 10%. I'm so proud of him. I'm so excited for him.

Alright, that was the nine steps, now, the final one, number 10 is to budget some money for fun. You can't do all that and have no fun. We need fun in our lives, so budget some money for fun, even if it's just a little family movie night, going out to eat during Covid, maybe it means ordering in, but have a little budget for fun.

Now, there are some bonuses, schedule time for financial check-ups, name your beneficiaries on all your accounts for savings, retirement and otherwise, of course, have a will. Check your credit report every year.

And go ahead and do an analysis of your assets and liabilities. Assets are the things you own like a house, a car, a savings account, investment account. And liabilities are debts that you have, maybe you owe money on your house, you owe money on your car, you have credit debt. Subtracting those liabilities from those assets, subtracting what you owe from what you own gives you your net worth.

So my friends, those are the 10 steps and bonuses for being financially fit. And we want to do this as vibrant happy women, remember our big mantra; I take ownership of my life and finances. So to recap, number one, know what you want now and in the future financially. Number two, take ownership of your life and finances. Number three, do what you enjoy and earn that income doing what you love. Number four, budget, either with a Google Sheet or You Need a Budget.

Number five, charitable donation, a thiving, something, decide on a percentage, show the universe that you're willing to give away and you know that you'll get some back.

Okay, number six, insurance, plan for death, divorce, disability, job loss or a health problem. One of those happens to everybody, plan for it. Get insured for those things. Number seven, have an emergency fund, six to twelve months worth of your income. Number eight, pay off your debt or your blessings in advance, pay those off. Number nine, retirement savings, save 10% towards retirement. And number 10, plan for fun.

These are my steps, these are my tips, I hope you do them and message me, email me at support@jenriday.com and let me know how it goes.

Now, if you're listening and you're thinking, Jen, I don't even have enough income to do all of that, come back to that statement, I take ownership of my life and finances. If you earn a 100 pennies you can always save 10 of those pennies, you can always donate one to 10 of those pennies. You show that there's always going to be more pennies.

And worst case scenario, go get a job driving for Uber Eats or Uber, or Panera. Panera is always looking for delivery drivers. I know this because my son is driving for him right now. You can find ways to earn that extra income to make this work for you. Take ownership of your life and finances.

Thank you so much for listening today. And I will see you again next week. Until then make it a vibrant and happy and financially fit week. Take care.

228: Financial Planning in 10 Steps

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