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Personal Finances 801

Advanced topics for graduate and professional students





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Review

- *Be a Financial Champion – Recruiting a Winning Team of Financial Advisors*
- *Starting a Business for Professional and Graduate Students*
- *Are You Fully Covered? A Stripped-Down Look at Insurance*
- *A Financial Rx for New Doctors – Maximize Your Money During Residency* ²


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Be a Financial Champion

Recruiting a winning team of financial advisors

Developed in association with Nic Ourso and Morris Nichols
Tax and Financial Guidance Center, LLC

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What you will learn

- Need for financial advisors
- Types of financial advisors
- Financial advisor characteristics
- Choosing qualified advisors

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Need for Financial Advisors

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Why you need financial advisors

- Provide expertise
- Manage your short-, mid-, and long-term financial goals
 - insurance to manage risk
 - investments
 - tax planning
 - asset allocation
- Look at “complete picture”
- Help you make educated financial decisions

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Types of Financial Advisors

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Financial advisors

- Bankers
- Real estate agents
- Lawyers
- Certified Public Accountants
- Employee benefit counselors
- Life insurance agents
- Estate planners
- Investment advisors/financial consultants
- Stock brokers

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Financial Advisor Characteristics

Credentials

- Not required by federal or state law
- Best known credential is Certified Financial Planner (CFP)
 - www.cfp-board.org
- Chartered Financial Consultant (ChFC)
 - American College in Pennsylvania
- Must be registered with SEC or state of practice to sell or manage assets

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Characteristics & qualifications

- Financial advisors should:
 - pay attention and respond to your needs
 - explain information until you understand it
 - be someone with whom you feel comfortable

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Choosing Qualified Advisors

Begin with you

- Assess your financial goals
- Review your current financial situation
 - income
 - debts
 - insurance
 - cash reserves
- Consider your investment capabilities and risks

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Be prepared

- Read personal finance publications
 - *Worth*
 - *Smart Money*
 - *Kiplinger's Personal Finance*
- Become familiar with financial planning strategies and terminology

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Ask for recommendations

- Dependable sources
 - successful friends
 - business colleagues
 - other trusted professionals (lawyer, banker, accountant)
- Advisors should meet *your* needs

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Search guidelines

- Determine credentials
- Check advisor's community experience
- Obtain references
- Find out who will handle your account
- Request examples
- Determine if advisor belongs to trade organizations

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Fees and commissions

- Find out how the advisor is compensated
 - fee only
 - fees and commissions
 - how much commission is paid on what products
 - commission only

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Questions



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Be Your Own Boss

What you should know before you start your own business

Developed in association with Nic Ourso and Morris Nichols, Tax and Financial Guidance Center, LLC

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What you will learn

- Why you need a business plan
- What you should consider when starting a business

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Why You Need a Business Plan

Why you need a business plan

- Increase your chance for success
- Blueprint and communication tool for your business
- Device to help you, the owner, set out how you intend to operate your business
- Road map to tell others how you expect to get there

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What You Should Consider When Starting a Business

Refer to New Business Checklist

Items to consider

- Owner expertise
- Budgets
- Sales/income and expenses
- Owner compensation
- Advisors & business relationships
- Operating facilities & equipment

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Items to consider

- Business formation – type of entity
 - Limited Liability Company (LLC)
 - S Corporation
 - C Corporation
 - Sole Proprietorship
 - Partnership
- Seek advice when deciding how to form your business
 - lawyers
 - tax consultants

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Items to consider

- Accounting/record-keeping systems
- Financial reporting
- Payroll registration certificates/ licenses
- Personnel
- Fringe benefits
- Inventory
- Insurance and bonds


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Questions



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Are You Fully Covered?

A stripped-down look at insurance

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What you will learn

- Understanding different types of insurance
- Selecting an agent
- Choosing and maintaining a policy

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Types of Insurance

Types of Insurance

- Life insurance
- Disability insurance
- Health, long-term care insurance
- Professional liability insurance
- Office ownership/renter's insurance
- Workers' compensation
- Employee benefits

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Types of Insurance

- Personal asset insurance
- Car insurance
- Renters and homeowners insurance
- Umbrella liability insurance

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Selecting an Agent

Types of insurance agents

- Independent agent
 - works with several companies
 - can offer more personalized coverage
- Direct writer
 - works for one company
 - can offer lower premiums

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Choosing an agent/company

- Ask peers to refer qualified agents
- Seek quotes for several types of policies from various companies
- Search insurance rating services
 - AM Best Company - www.ambest.com

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Choosing and Maintaining a Policy

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Risk assessment process

```

    graph LR
      subgraph "The Insurance Process"
        Insured[Insured] -- RISK --> InsuranceCompany[Insurance Company]
        InsuranceCompany -- MONEY --> Insured
      end
  
```

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What to ask

- What does the policy cover/not cover?
- What happens if my coverage increases or decreases?
- What is the length of coverage?
- How do I renew an expired policy?
- How do I change my coverage if my risks or insurance needs change?

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Choosing a policy

- Review entire policy
 - price
 - coverage
 - terms

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Maintaining your policies

- Contract between you and the insurance provider
 - keep up your premiums
 - fully understand your plan
- Reassess your insurance needs annually

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Premiums and deductibles

- Premiums
 - could be periodic expense
 - save for monthly
 - may need to use student loan funds
 - loss could be greater than loan interest
- Deductible
 - higher premium = lower deductible (vice versa)
 - be prepared
 - budget deductible as periodic expense, place in emergency fund

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Questions




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A Financial Rx for New Doctors


Maximize your money during residency

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What you will learn

- How to develop a healthy budget
- How to tame credit card and other debt
- How to manage your student loan debt
- How to initiate a savings plan

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Developing a Healthy Budget

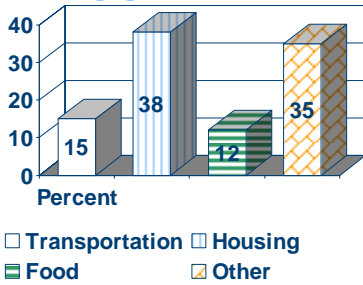
Refer to [Monthly Spending Plan Worksheet](#)

Determine your financial goals

- Set SMART goals:
 - Specific
 - Measurable
 - Attainable
 - Realistic
 - Timely

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Spending guidelines



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Student loan debt

- Check out your student loan debt:
 - NSLP's Loan Summary
 - www.nslp.org, "Students & Borrowers" section
 - National Student Loan Data System (NSLDS)
 - www.nslsds.ed.gov
- Calculate your repayment
 - NSLP's Student Loan Repayment Calculator
 - www.nslp.org, "Students & Borrowers/Calculators" section

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Build a savings cushion

- Emergency fund for unforeseen life events
 - injury, car accident, illness
- 3-6 months of living expenses is ideal
- Try saving \$5 a day


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Taming Credit Card and Other Debt


Get organized

- Get organized
- Focus your payments
- Contact your creditor for options
- Consolidate your credit card and other debt
- Automate your payments
- Move your due date
- Stop charging

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Managing Student Loan Debt

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Can't make your payments?

- Avoid default and serious consequences
 - lose eligibility for future student aid
 - lose federal and state income tax refunds
 - lose your professional license
 - have your wages garnished
- Contact lender about repayment options
 - deferment
 - forbearance
 - consolidation
 - repayment plans

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Initiating a Savings Plan

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Power of compounding interest

- What can saving \$5 earn over a lifetime?
 - begin saving at age 27
 - \$140/month invested in mutual fund with 9% return
 - at age 65, you'll have \$548,727

Check out Bankrate's "Compound Interest Calculator" at <http://www.bankrate.com/brm/news/sav/2006savmq/savings-calc.asp?caret=18>


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Mutual funds

- Company uses investors' funds to purchase stocks and/or bonds
 - investors own very small shares of these investments
- Great way to diversify long-term investments
- Fees can vary widely
 - look for "no-load" or commission-free
 - index funds are least expensive (i.e. Standard & Poor's 500 Index)

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Investing for your retirement


- Invest in your hospital's 401(k) or 403(b) plan
 - hospital may provide match for your contributions
 - try to set aside 10% - 15% of your earnings
- Individual Retirement Account
 - traditional IRA
 - Roth
- Invest in stocks, bonds, real estate, other investments

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Questions




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NSLP Financial Literacy Online

Find these presentations and more at:
www.nslpflonline.org



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More information

National Student Loan Program
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Lincoln, NE 68508
800-735-8778 www.nslp.org

Financial Literacy, ext. 6858
nslpfinancialliteracy@nslp.org

Business Development, ext. 6618
pamv@nslp.org

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Benjamin Franklin Award

Know of a truly outstanding on-campus financial literacy program?

Nominate them for NSLP's Benjamin Franklin Award!

More information online at www.nslp.org.

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Thanks for attending!

*Note - This checklist is not intended to be, nor can it be, considered a complete listing of all considerations. There is no substitute for competent and timely professional advice.

Prestart-up Considerations

- Have you tested the market to determine if there is a need for your business?
- Have you evaluated the risks that you are assuming?
- Have you prepared a three-year projection for income, expenses/cash receipts, and disbursements?
- Have you calculated how much to charge for products or services in order to cover costs of goods, overhead, your compensation and profits?
- Have you worked in a business like the one you want to start?
- Do you feel that you have all the necessary experience?
- Have you considered the competition?
- Do you know how much it will cost to get your business started and how you are going to get the money?
- How much of your own money can you invest in the business?
- Are you the kind of person who can manage a business?
- Have you found a proper location for your business?
- Do you have the support of your family?
- Can you run the business by yourself or do you need a partner/manager?
- Have you prepared a quality business plan?

Formation of the Business

- Should you operate as a sole proprietorship, a partnership, a corporation, or a limited liability company?
- Have you arranged for or completed the legal formation of the entity as required?
- Are you keeping minutes of important business decisions?
- Should you have a buy-sell agreement with other co-owners?

Business Relationships and Policies

- Have you established a relationship with:
 - a banker?
 - a lawyer?
 - a CPA?
 - an insurance agent?
- Do you have an advertising/promotional/marketing campaign?
- Have you established a credit policy for your clients/customers?
- Does your profession have a code of ethics? If so, are you familiar with the rules and regulations?
- Have you looked into all necessary legal matters?

Operating Facilities and Equipment

- Once you find the building, can you adequately remodel it and stay within budget?
- Do you know how much it will cost to acquire the equipment needed?
- Should you lease or purchase the building?
- Should you lease or purchase warehouse space?
- Should you lease or purchase equipment?
- Do you have all the required permits/zoning to operate your business?
- Have you contacted the utility companies to have all appropriate utilities turned on?
- Have you considered telecommunication needs?

Personnel

- Have you determined your staffing needs?
- How will you recruit and hire employees?
- Have you determined how much your employees will cost, including taxes and fringe benefits?
- Have you established personnel policies regarding dress codes, timekeeping, etc?
- Have you considered how to train employees?
- If uniforms are to be worn, who should provide them?
- Do you have an organizational chart?
- Do you have a job description for each employee?
- Are you familiar with labor laws and regulations regarding minimum wage, overtime pay, etc?
- Do you have Form I-9, Immigration Form, on file for each employee?
- Do you know how to process the termination of an employee?

Payroll, Registration, Certificates, and Licenses

- Have employees filled out Form W-4 and related state documents regarding their marital status and exemptions for payroll tax withholding purposes?
- Have you applied for a Federal Identification Number?
- Have you registered with the state for tax identification numbers?
- If incorporated, have you filed your initial franchise tax return?
- Have you applied for city and county tax numbers?
- Do you have all required professional licenses and permits?
- Have you filed for city/county occupational licenses?

Fringe Benefits

- Have you considered a retirement plan?
- Have you considered employee bonuses?
- Have you considered providing medical and/or life insurance?
- Have you considered your policies concerning vacations, sick and holiday pay?
- Have you considered providing company automobiles/trucks?
- Have you considered other benefits?

Insurance

- Have you considered the cost of Worker's Compensation insurance?
- Do you need a Fidelity Bond?
- Do you need professional liability insurance?
- Do you need a construction bond or any other bond?
- Do you have adequate general liability insurance?
- Do you have adequate property and casualty insurance?
- Do you have adequate life insurance?
- Do you have adequate disability insurance?
- Do you have adequate medical insurance?
- Do you have adequate automobile/truck insurance?

Tax Considerations

- Have you consulted with a qualified tax advisor regarding general tax matters?
- Have you considered year-end of your business?
- Have you considered doing some mid-year and year-end tax planning?
- Who is preparing your quarterly and annual payroll tax returns?
- Are you preparing your monthly sales tax returns?
- If applicable, who is preparing your retirement tax return?
- Depending on the form of your business, are the proper income tax returns being prepared?
- Do you have good documentation/records to support your business tax transactions?
- Do you know the rules regarding when a payroll tax deposit is required?
- Do you have a system in place to make payroll tax deposits?
- Are you making your required estimated income tax payments for your business and yourself?
- Have you considered the proper form (sole proprietorship, partnership, regular corporation, S-corporation) of your business from the tax viewpoint?
- Have you investigated the tax law regarding the usage of automobiles/trucks for your business?
- Have you investigated the tax law regarding documentation for travel, meals and entertainment expenses?

Accounting System

- Have you prepared an operating budget?
- Do you have a system to compare actual results with budgeted results?
- Do you know how to prepare financial statements or have you retained someone else to do so?
- How often are you going to prepare financial statements?
- Do you know how to read financial statements or do you have someone to help you interpret them?
- Do you have a system for properly filing and keeping records?
- Have you established a system of internal controls to help protect business assets?

Financial Reporting Considerations

- Have you determined if you need externally-prepared financial statements? If so, do you need compiled, reviewed or audited financial statements and when do you need them?
- Are you aware of the key numbers, financial ratios and percentages to use in monitoring your business progress?
- Have you considered the proper mix of debt and equity for the funds that you invest in your business and any other key ratios?

Inventory and Cost of Goods Sold

- Have you determined what you will sell?
- Have you determined how to produce your products and what will be required to do so?
- Do you know how much to order and the cost of the items?
- Do you know who your suppliers will be and what their payment terms are? Have you compared several suppliers?
- Do you have a system in place to control the inventory level? Do you have too much or too little?
- Do you have adequate anti-theft procedures?



How to Use the Monthly Spending Plan

- A. Determine your consistent net income (take home pay) for each paycheck – weekly, every other week, or twice a month.
 - If you are married, you and your spouse’s checks may fall within different weeks, so plan expenses accordingly.
- B. Enter your monthly budget amount for each category. The amount should be close to the amount discussed with your counselor.
- C. List expenses that are paid:
 - by a certain date
 - decide which paycheck this falls under and fill in the amount — you may have to save from several checks
 - each month but not by a certain date
 - groceries
 - gas, etc.
 - periodically within a twelve month period
total expenses divided by 12 = amount needed each month
 - gifts
 - clothes
 - car insurance
 - car registration
 - maintenance, etc.