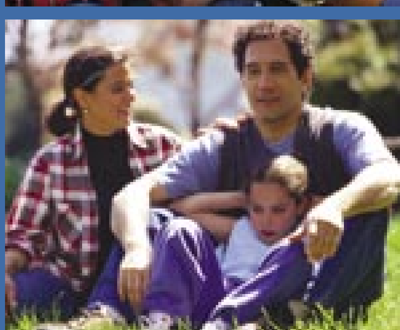
Taking Charge

10 smart tips for your family's Financial Security

1 2 3 4 5 6 7 8 9 10



LIFE℠

A NONPROFIT ORGANIZATION

Taking Charge

10 smart tips

Financial security is the comfort of knowing that your family's standard of living is secure even if a life-changing event occurs. It is also about having the means to achieve your most important goals, like buying a house or sending your children to college.

For most people, financial security comes from a combination of savings, insurance and investments that are accumulated over time. But how do you go about creating a plan that will ensure a financially secure future for your loved ones? Where should you start? How do you balance all of the competing financial priorities?

Knowing what to do with your money and whether you're making the right decisions doesn't need to be a huge source of stress. A little information can go a long way toward helping you achieve greater financial peace of mind.

Whether you've just begun to evaluate your family's long-term financial needs or you already have a game plan in place, here are some important principles to keep in mind when evaluating the state of your family's financial security.

1. Protection first.
2. Life insurance is a must.
3. Save money regularly.
4. Make home ownership a priority.
5. Keep debt in check.
6. A simple investment strategy often works best.
7. Plan for your children's education.
8. Understand your employee benefits.
9. Make the tax laws work for you.
10. Get help from a professional.

How many of these issues have you thought about recently? If you're like most people, probably not enough. That's why it's a good idea to set aside time every year to make sure your financial plans are keeping up with all of the changes in your life.

Now is as good a time as any to take charge of your family's financial situation and we hope this brochure helps you accomplish that.

Financial Security Reality Check

Do you have good answers for all of these questions?

- *How long could you be out of work before paying the monthly bills would be a problem?*
- *If you were to die tomorrow, would your family members have enough money to maintain their lifestyles or would they have to begin making financial sacrifices almost immediately?*
- *How much of your take-home pay is earmarked for savings?*
- *Do you feel like you're on track to save enough money for your kids' college education?*
- *When is the last time you reviewed the investments in your 401(k) plan?*
- *Is the balance on your credit card statement growing or shrinking?*

This brochure is a service of the Life and Health Insurance Foundation for Education, a nonprofit organization dedicated to helping consumers make smart insurance decisions to safeguard their families' financial futures.

Learn more at www.life-line.org

LIFE℠
A NONPROFIT ORGANIZATION

Taking Charge
10 smart tips

1 Protection First

The first step in strengthening your family's financial future is to face some worst-case scenarios. **What would happen if you or your spouse became sick or injured – or died?** What if you lose your job? You'll need some ready financial resources – emergency savings, life, health and disability insurance – to fall back on. These are the building blocks of your financial security, and they should be in place before you begin to tackle savings issues like college and retirement.

2 Life Insurance is a Must

Here is a simple rule of thumb: **If someone will suffer financially when you die, you need life insurance.** Even if you don't work outside the home, you still provide services that are expensive to replace, like child care and household chores. If you are a breadwinner, life insurance can replace some or all of your income. It can also help cover funeral costs, wipe out debts, pay off your mortgage and fund longer-range needs like college or retirement.

If you're a business owner, a properly structured life insurance program can safeguard the finances of both your business and your family.

How much life insurance is enough? LIFE's website, www.life-line.org/howmuch, provides a Life Insurance Needs calculator to help you figure it out.

Life Portrait

The Zunigas

Joel Zuniga, a tree pruner, and his wife, Melania, a housekeeper, have worked hard to earn their share of the American dream. They have savings accounts here and in Joel's native Costa Rica; Treasury Bonds for their children's education; and a newly purchased home. However, it wasn't until they each bought $250,000 life insurance policies that the couple felt at ease. "I'm much more tranquil knowing my family would be protected if something happened to either of us," says Joel.

1 2 3 4 5 6 7 8 9 10

William, Melany, Joel, Patzy and Melania

3

Save Money Regularly

Make savings part of your monthly budget. **The power of compound interest can really add up.** Just $25 a week set aside over 15 years builds a nest egg of more than $31,000, assuming an average 6% annual return.

Don't just plan to save the "extra." There's rarely any extra.

There are many simple ways to save consistently. Your employer may offer a stock or retirement savings program funded by regular contributions from your paycheck. Many mutual funds allow you to invest in shares on a regular basis. This is called dollar-cost averaging, and it can be a good way to build long-term wealth.[1]

1 2 3 4 5 6 7 8 9 10

4

Make Home Ownership a Priority

Owning your home can be a great way to build savings. You'll get a tax deduction for the interest you pay on your mortgage, reducing your annual tax bill. And as you pay down your loan over the years your equity – the value of your investment – will grow. **Home equity can be an important part of your net worth, and its value is likely to hold up even when stocks and bonds are doing poorly.** A tip about homeowner's insurance: When insuring your home, the key is to cover its replacement cost, which is not necessarily the same as the price you paid or the amount of your mortgage loan.

[1] Dollar-cost averaging does not guarantee a profit nor remove the risk of loss in a declining market.

Taking Charge
10 smart tips

1 2 3 4 5 6 7 8 9 10

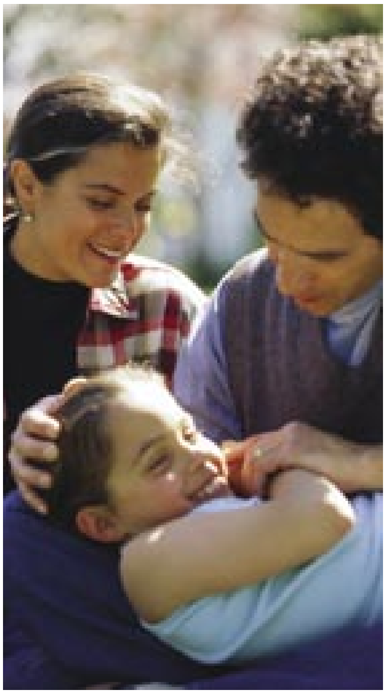
5 Keep Debt in Check

Nothing saps the health of a savings program more than too much debt, especially credit card debt. Avoid it whenever possible. It's expensive! **If you need to reduce credit card debt, try consolidating it onto the lowest-rate card you can find.**

Consider a credit counselor if your bills have gotten out of hand, but choose carefully. Some charge excessive fees. Try negotiating with creditors yourself. Some may be willing to reduce what you owe rather than risk writing off the entire debt.

6 A Simple Investment Strategy Often Works Best

Investing doesn't have to be complicated or difficult to understand. In fact, the best strategy may be a simple one that is easy to implement and maintain.



One way to begin is to consolidate all your accounts into a single monthly statement so you always know at a glance where you stand.

If you have already gotten started, make sure you don't have too much of your wealth in one type of investment – your employer's stock, for example. **Diversification is a key to steady gains.** Owning mutual funds that hold a broad selection of stocks and bonds is a good way to help reduce investment risk.

Will, Collins and Jake

Life Portrait

The Bakers

Collins Baker thought her husband Sam's job as a financial analyst would pay well enough to allow her to stay home after the birth of their first son. But his salary didn't grow as fast as expected, and debts piled up. So they turned to a professional financial planner, who helped them stabilize their situation. They took out a home equity loan to pay off their credit card bills, and Collins went back to work as a career counselor. Now they're working on controlling their spending. "It's an ongoing process," says Collins.

Taking Charge
10 smart tips

Life Portrait

The Randells

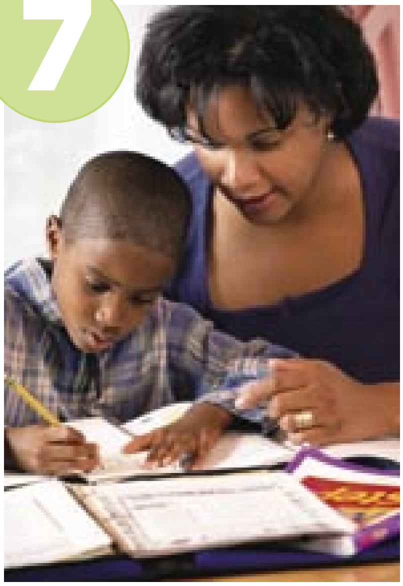
With 3-year-old twin boys and two other sons, ages 6 and 8, Annie and Dave Randell know they are facing a tuition crunch down the road. All four kids could be in college at practically the same time. But Annie, who works part-time in the fashion industry, and Dave, who is in advertising sales, think they'll be ready. They have opened a 529 college savings plan for each child, and are contributing to them regularly. "I think saving little by little over the years is the smartest option out there," says Annie.

Will, Mac, Dave, Annie, Harry and Freddy

1 2 3 4 5 6 7 8 9 10

7 Plan for Your Children's Education

Don't miss the opportunity to invest in a Section 529 college savings plan.[2] **Contributions are tax deductible in many states, and money can later be withdrawn from the plan tax-free to pay for a wide variety of educational costs.** Grandparents and other relatives also can contribute to the plan and, in many cases, get tax deductions of their own.



Every state has at least one 529 plan. You aren't limited to your own state's offerings, so shop around. You also may want to look into other tax-advantaged college savings plans, like Education IRAs and UGMA/UTMA Custodial Accounts. This is an area where an evening's research on the Internet can really pay off.

8 Understand Your Employee Benefits

Many employers provide valuable protection through group life, health, disability and dental benefit plans. You should know what they cover and how they work so you can decide how much additional insurance you may need to buy on your own. **And take advantage of your company's 401(k) retirement savings plan.** Many companies match employee contributions to these plans. That's like getting free money!

[2] Investors should consider the investment objectives, risks, and charges and expenses associated with municipal fund securities before investing.

Taking Charge
10 smart tips

9

Make the Tax Laws Work for You

Putting money into a 401(k) or a 529 plan is a very sensible way to reduce your taxes. **Every dollar of taxes saved is another dollar you can put toward your savings.** Learn more about these kinds of plans as well as other tax-advantaged opportunities, like health care and dependent care flexible spending accounts and permanent life insurance.

10

Get Help From a Professional

Even a simple financial game plan can benefit from an extra set of eyes, especially if they belong to an insurance and financial professional. **Find an expert to help you develop a strategy or evaluate what you already have in place.** Ask a friend or relative you trust to recommend someone or get a referral from a trusted advisor like an attorney or accountant.

Making sound choices regarding your insurance coverage and investments is the most important thing you can do to help protect your family's financial security. Take charge now.

LIFE INSURANCE ISN'T FOR THE PEOPLE WHO DIE. IT'S FOR THE PEOPLE WHO LIVE.

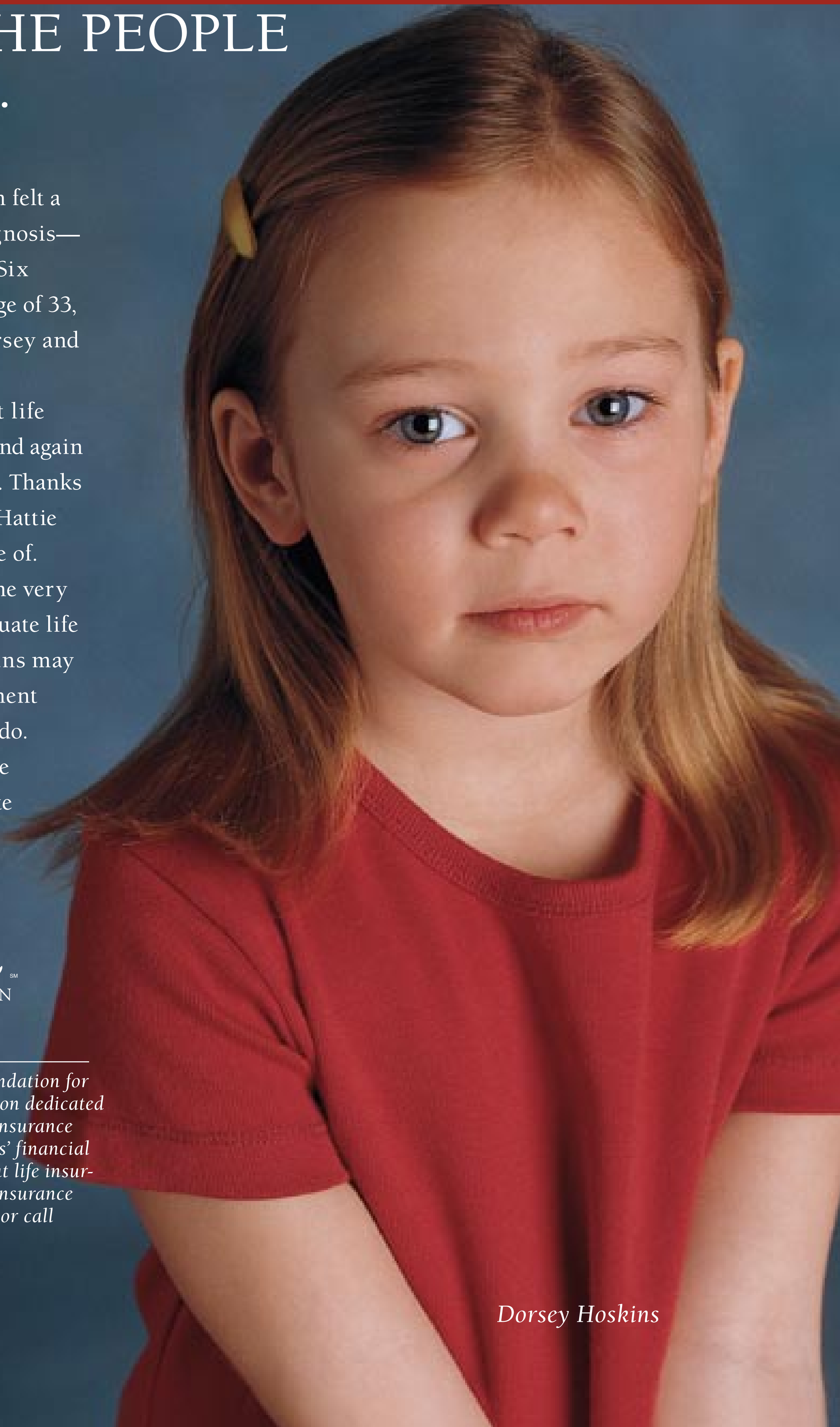
Dorsey Hoskins' father Bryan felt a tingling in his arm. The diagnosis—an inoperable brain tumor. Six months later, he died at the age of 33, leaving his wife to raise Dorsey and her sister Hattie.

Fortunately, Bryan bought life insurance when he married, and again when his daughters were born. Thanks to Bryan's foresight, Dorsey, Hattie and their mom are taken care of.

Are you prepared should the very worst happen? Without adequate life insurance, your financial plans may be just a savings and investment program that dies when you do. Consult a qualified insurance professional to help you create a plan that will continue to provide for the ones you love.

LIFE℠
A NONPROFIT ORGANIZATION
www.life-line.org

The Life and Health Insurance Foundation for Education is a nonprofit organization dedicated to helping consumers make smart insurance decisions to safeguard their families' financial futures. For more information about life insurance or tips on finding a qualified insurance professional,visit www.life-line.org or call 1 888-LIFE-777.



Dorsey Hoskins