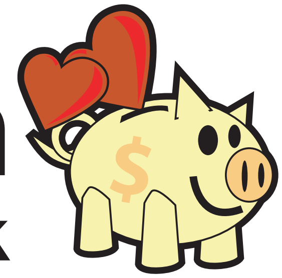
Couples & Cash
Online Seminar Workbook



The Motley Fool
Fool.com
AOL keyword: Fool

Welcome to Your Couples & Cash Workbook!

Think of this workbook as your constant companion throughout the seminar — albeit one that's not quite as lovable as your real-life counterpart. What you'll find in these pages will guide you and your honey through everything you'll need to know about handling your finances together. Each seminar lesson has a corresponding workbook chapter. (No peeking ahead!) When you look back at the money issues you've tackled together during this seminar (and kept track of in this document), you'll discover a carefully crafted financial roadmap that will serve you both for years hence.

Before You Get Started

Before you get going, you may want to begin searching for some important and helpful documents that will come in handy in upcoming lessons. If you can't find everything right now, don't fret — you can always do a little estimating. Just remember that the more complete the picture you have of your finances, the better you'll be able to plan. Here's what you'll need. Check off each item as you track it down:

- [ ] Your checkbook
- [ ] Current bank and credit card statements
- [ ] Latest pay stub
- [x] A sense of humor
- [ ] Last year's income tax return
- [ ] Your investment account statements. Gather for both your employer-sponsored plan and any individual investment accounts, whether they are IRA or non-IRA accounts.
- [ ] Lots of chocolate. The good stuff
- [ ] Statements from any other debts and/or investments you have
- [ ] Three sharpened number-2 pencils — even better if they have those cool rubber grips on them
- [ ] Your will, living will, and durable power of attorney, if you've got 'em

Couples & Cash Workbook Key

Next to each task you're asked to complete (like fill out a chart, answer a question, discuss something with your beloved, feed the dog) you'll find a symbol representing its level of difficulty.

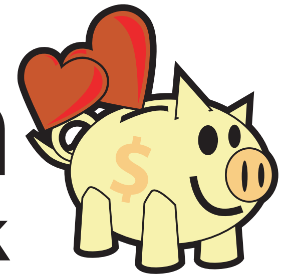
Indicates an assignment that's as easy as frolicking through the park (after stretching out and waiting the required 20 minutes after a meal, of course). It shouldn't take you much time at all to complete. And it may even bring a smile to you and your sweetheart's faces.

This exercise is no more difficult than making a shopping list or assembling a kite — well, a kite that has several moving parts, that is.

Like renewing your driver's license or filling out your taxes, this task might not be a bundle of laughs to do. But when you're done with the assignment, you'll have accomplished something that's tangibly worthwhile.

So, couples, without further ado, let's get to work!

Couples & Cash
Online Seminar Workbook



Lesson 1: Getting Busy

We hope you feel relieved after reading Lesson 1. No, you're not the only couple that can turn something as small as a missing can opener into a big fight about who is better with money. And yes, even people who work with money issues all day have personal issues when they return home to talk finances. We've all been there, and we'd rather not go back. That's why your homework for this lesson is to start a financial conversation that's unlike any you've had before (meaning, one that's amusing and painless).

We've included two exercises below to get you started. This is not a time for you to forge a bond stronger than Sooper Dooper Glue. And it's also not the time to bicker about your answers. We're simply sending you on a fun fact-finding mission.

After you've completed the quick quiz, compare answers and note where you agreed and disagreed ("hot topics," if you will). As you proceed through the lessons, you and your partner can refer back to your personal list of hot topics and tackle these areas of tension when you are ready.

For those of you who have — right at this moment — screaming kids waiting for dinner or a dog scratching at the door for his evening walk (or if you're just completely unmotivated at this point to talk about money with your honey), simply tackle the "cheat sheet" below and go feed those kids! Voila! You'll have had your first conversation about money for this seminar!

No dog to walk? Move on to the Fooly-wed Game!

CHEAT SHEET: MAKE SOME SMALL TALK

1. Reminisce about your first date. Who paid? Where did you go? What was the price of a gallon of gas that year?

2. How much loose change does your partner have in his/her possession right now? (The person who guesses the closest gets to keep all the change.)

3. If your partner had $10 to burn, what would he/she spend it on?

4. Doesn't your beloved look adorable?

The Fooly-Wed Game — Partner One

Remember *The Newlywed Game*? We've created the fun, financial version for you and your partner. The only things missing are the cardboard signs (we'd like to discourage smashing objects on loved ones' heads). Take a few minutes to answer each of these questions. Don't peek at one another's answers. The fun part of this exercise is comparing your responses at the end. (We've provided two copies of the quiz for those without a Xerox machine handy.)

1. Who is responsible for balancing the checkbook?

   ____

2. Who is the long-term planner?

   ____

3. When was the last time you made financial whoopee? Or at least talked about your finances?

   ____

4. On a scale of 1-5 (1 is "not very" and 5 is "very"), how important is it that you and your partner:

	Not Very				**Very**
• cut coupons?	1	2	3	4	5
• go to the gas station with the cheapest gas?	1	2	3	4	5
• rent videos instead of going to movies?	1	2	3	4	5
• comparison shop?	1	2	3	4	5

5. How much is too much to spend:
   - on going out to dinner? $__________
   - without talking to your partner first? $__________
   - on a gift (for each other, for children, for relatives and friends)? $__________ for each other $__________ for relatives $__________ for children
   - on a vacation? $__________

6. If your main squeeze were a superhero, which superhero would he/she be?

   ____

7. If you inherited $10,000, it would be most important to: 1) pay off debt; 2) buy a new car; 3) invest the money; 4) take a vacation; 5) throw an awesome party for the rest of your relatives so that they, too, can see what a great and worthy niece, granddaughter, nineteenth cousin you are (circle one).

8. When do you expect to buy your next car? Will it be used or new? What kind?

9. What are your top three long-term financial goals?

10. Who shot J.R.?

Results!

Great! Now it's time to take your financial temperature.

- Able to get through the first five questions without an argument? Congratulations! You two could put the "gold" in golden years. Jump on the Couples and Cash Discussion Board and tell the rest of us the secret to your great relationship.
- Laughed some, cried some, yelled a little bit? You're communicating, all right! Lesson 2 can help you and your partner to find less volatile ways to get fiscally fit.
- Was your financial whoopee less satisfying than you'd hoped? Share your experience with other couples on the discussion board — they can offer suggestions and encouragement. Above all, stick with it — the next lesson is all about how to improve your communication.

The Fooly-Wed Game — Partner One

Remember *The Newlywed Game*? We've created the fun, financial version for you and your partner. The only things missing are the cardboard signs (we'd like to discourage smashing objects on loved ones' heads). Take a few minutes to answer each of these questions. Don't peek at one another's answers. The fun part of this exercise is comparing your responses at the end. (We've provided two copies of the quiz for those without a Xerox machine handy.)

1. Who is responsible for balancing the checkbook?

   ____

2. Who is the long-term planner?

   ____

3. When was the last time you made financial whoopee? Or at least talked about your finances?

   ____

4. On a scale of 1-5 (1 is "not very" and 5 is "very"), how important is it that you and your partner:

	Not Very				**Very**
• cut coupons?	1	2	3	4	5
• go to the gas station with the cheapest gas?	1	2	3	4	5
• rent videos instead of going to movies?	1	2	3	4	5
• comparison shop?	1	2	3	4	5

5. How much is too much to spend:
   - on going out to dinner? $__________
   - without talking to your partner first? $__________
   - on a gift (for each other, for children, for relatives and friends)? $__________ for each other $__________ for relatives $__________ for children
   - on a vacation? $__________

6. If your main squeeze were a superhero, which superhero would he/she be?

   ____

7. If you inherited $10,000, it would be most important to: 1) pay off debt; 2) buy a new car; 3) invest the money; 4) take a vacation; 5) throw an awesome party for the rest of your relatives so that they, too, can see what a great and worthy niece, granddaughter, nineteenth cousin you are (circle one).

8. When do you expect to buy your next car? Will it be used or new? What kind?

9. What are your top three long-term financial goals?

10. Who shot J.R.?

Results!

Great! Now it's time to take your financial temperature.

- Able to get through the first five questions without an argument? Congratulations! You two could put the "gold" in golden years. Jump on the Couples and Cash Discussion Board and tell the rest of us the secret to your great relationship.
- Laughed some, cried some, yelled a little bit? You're communicating, all right! Lesson 2 can help you and your partner to find less volatile ways to get fiscally fit.
- Was your financial whoopee less satisfying than you'd hoped? Share your experience with other couples on the discussion board — they can offer suggestions and encouragement. Above all, stick with it — the next lesson is all about how to improve your communication. .

Lesson 2: Pre-Game Warm-Up

Before talking money with your honey, it helps to have a few ground rules. It may sound hokey to some of you, but what if there weren't any rules for a football game? What would happen if they just made up rules for the presidential election as they went along? It could mean weeks and weeks of indecision and chaos! Likewise, you shouldn't go into your discussion without having thought about what's important to each of you, what you want to get out of the conversation, and how you'll deal with problems as they arise. Anticipating problems and heading them off at the pass is your first step to healthy co-mingling.

We've hashed out why most couples need ground rules to have productive financial conversations. Now it's time to make up your own ground rules and figure out what you'll do when an argument rears its ugly head.

The Bare Essentials

For those of you who don't have time to create your own ground rules from scratch, take a look at the Brokamps' list. (Their rules appear in Lesson 2, but we've copied them below.) Scratch out the ones you don't agree with, and add your own. Oh, and correct any misspellings you encounter.

- Agree to try.
- Accept equal responsibility for changing your lives around.
- Don't play the blame game.
- Be honest.
- Be realistic.
- Take a break if your conversation gets heated and unproductive.

Baring It All

If you'd prefer to start at the very beginning (it's a very good place to start) and create your own rules, a few creature comforts will make the task more pleasant.

Hit the Ground Running

Pick out the setting for your money talk. Choose someplace new: maybe a park, your bedroom, a cozy Italian restaurant? (We discourage talks on roller coasters and at restaurants where they serve any dish that is ignited at your table.)

Setting:

Everyone thinks better with food, especially yummy food like ice cream or chocolate. Plan what you'll serve or let a chef do the work.

Refreshments:

RELATIONSHIP REPAIR KIT

Prepare for the post-game fall-out. Make an Emergency Relationship Repair Kit. Take a toolbox (or any old box) and place inside items that will help you get over a spat with your honey. You may want to include coupons for eating out, a pair of movie tickets, some old love letters, a poem, or a joke book. Plan to fail, then plan to rebuild. Then go to the Discussion Board and post your ideas — what did you put in your repair kit? And who do you think is poised to win the next Super Bowl?

The Rules

Now to the meat of the matter: your ground rules. To customize your list, consider how you communicate as a couple. Maybe your list is only one item long (i.e.: "Don't you dare bring up that bad perm I got in the '80s!" or "Let's not bring up that $50 I blew in one hand at the casino during our honeymoon."). If so, great! Some folks may need a longer list. Whatever your needs, make sure they relate to how you as a couple have conversations. As a first step toward compromise, alternate who gets to propose each rule.

Ground Rules:

1.

2.

3.

4.

5.

6.

Extra Notes:

Good work, team! Now that you've agreed on your ground rules, you're ready to tackle the Big Game.

Lesson 3: The State of the Union, Part 1

Before you can plan for the future, you need to know where you stand right now. How much do you have? How much do you owe? When you put it all down in black and white, it's called a balance sheet. Don't get too intimidated by the worksheet that follows — we've included a cheat sheet as well if you just want to jot down the key numbers.

To begin, you'll want to get all the account statements and other paperwork you'll need to add up your assets and liabilities. There's a list at the beginning of the workbook, but we've repeated the items you'll need for this lesson below.

- [ ] Checking account statement(s)
- [ ] Credit card bill(s)
- [ ] Retirement account statements (i.e., IRA and/or 401(k) statements)
- [ ] Mortgage statements
- [ ] Brokerage records
- [ ] Savings account/CD/money market account records
- [ ] Any outstanding loans or other debt (where a balance is owed)

Once you have those in hand, you're good to go! You can head to the Cheat Sheet on page 12 for a quick-and-dirty sense of your net worth. Or, if you want to be more precise, you can use the complete worksheets we've included.

Remember, this is just about recording facts and figures. It's probably not the best time to make judgments about one partner's pile of credit card debt or another's ransom-size balance due in student loans. After all, that's all in the past. This exercise is about setting the stage for the future. It probably couldn't hurt to have your ground rules handy in case any tensions do arise!

NET WORTH CHEAT SHEET

Want a ballpark estimate of where you and your sweetheart stand financially? Here are a few leading questions that'll give you a pretty good picture of where you are. If you have a sense of some of these figures, it shouldn't take you more than 6 minutes and 34 seconds to fill out. Feeling more motivated? Tackle the "Full-Blown" balance sheet on the next page.

- Guesstimate how much you have in various bank accounts (checking, savings, money-market)

  $ ______________________________

  $ ______________________________

  $ ______________________________

- Give a ball-park amount for how much you have in brokerage and retirement accounts (this includes stocks, bonds, mutual funds, IRAs, 401(k)s, etc.)

  $ ______________________________

  $ ______________________________

  $ ______________________________

- What's an approximate figure for how much your home, cars, and any other valuable items are worth?

  $ ______________________________

  $ ______________________________

  $ ______________________________

- Now add 'em up. These are your assets.

  Total $

- How much do you owe? (Include mortgage, car loans, credit cards, and any other miscellaneous debt.) Don't pull out the calculator, just estimate. These are your liabilities.

  $ ______________________________

  $ ______________________________

  $ ______________________________

- Ok, now take the number you got for your assets and subtract your liabilities. Whatever's left over is your (approximate) net worth.

  Total Net Worth $

Full-Blown Net Worth Statement

Want to go into a little more detail? Then fill out the net worth worksheet below. In this case, we've also included "his and hers" columns if you're interested in tracking your net worth that way (some unmarried couples or those with previous marriages may choose to go this route). But you can only use those two columns if you promise to be nice about it.

Our Net Worth

ASSETS

Cash:	Ours	His	Hers
Checking accounts			
Savings accounts			
Cash in brokerage accounts			
Money market accounts			
CDs			
Long-term Savings/Investments:			
IRAs			
401(k)s, 403(b)s, SEPs, etc.			
Taxable stock, bond, mutual fund accts.			
Other investments			
Exercised stock options			
Cash value of life insurance			
Fixed Assets:			
Housing			
Jewelry *			
Cars *			
Total Assets			

LIABILITIES

Short-term Debt:	Ours	His	Hers
Credit cards			
Bank loans and lines of credit			
Store charge accounts			
Long-term Debt:			
Mortgage			
Home-equity loans			
Student loans			
Car loans			
Total Liabilities			

Total Assets - Total Liabilities = Net Worth

* optional

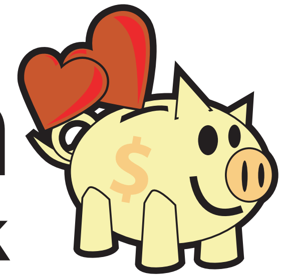
Lesson 4: The State of the Union, Part 2 (His, Hers, Ours)

Did you finish filling out the worksheets from the last lesson? (Circle the appropriate answer below)

NO

We thought not. It was a big job, after all. But it's probably one of the most important things you'll take away from this seminar, so we're giving you a little extra time to finish it. (Woohoo!)

If, for some miracle, you didn't find the answer that best applies to you above, well, we're suitably impressed. Treat yourself to a night off!



Lesson 5: Setting Priorities

Priorities are probably going to vary greatly from couple to couple (and likely even between two partners!). But whether you're looking to buy a castle in the Scottish highlands or pay off a credit card, there are some simple steps you can take to figure out what goals are most important to you and how to achieve them.

Some common goals are listed below. Even if your goals aren't on this list, it will at least get you thinking about what your own list of goals might look like.

- Buy a home (or a vacation house)
- Get out of debt
- Have/adopt a child
- Live on one salary
- Retire early
- Send a child to private school/summer camp/college
- Start a business
- Get a new car
- Get a new chin
- Change careers
- Take a dream vacation (from the aforementioned children)
- Go to graduate school (to show off the aforementioned new chin)
- Remodel the kitchen

Goal-Setting Free-For-All

Now it's your turn! Together, jot down all the goals that you have:

1. ______________________
2. ______________________
3. ______________________
4. ______________________
5. ______________________
6. ______________________
7. ______________________
8. ______________________
9. ______________________
10. ______________________
11. ______________________
12. ______________________

That's a lot of goals! And most likely, not all of them are realistic (well, you might suddenly become a famous rock star, but let's play it safe for now and assume that you won't suddenly master the *schwah* sound on your electric ukulele). To narrow down your list, talk through some of the questions below with your partner:

Q: Do you have debts to pay off? How important is it to pay off that debt as soon as possible? For example, you probably want to pay credit card debt off as soon as possible, but you may choose not to put extra money toward your mortgage. As a general rule of thumb, debts with interest rates in the double digits should be paid off before you do anything else.

Q: Are the necessities taken care of? These could include establishing an emergency fund, fully funding an IRA or 401(k) account, getting life-insurance policies, etc. The reason? Without an emergency fund, for example, your savings plan could be completely thrown off course by an unexpected expense.

Q: What major life events are you expecting in the next three to five years? Is your income likely to change in any big ways — going back to school, changing careers, having one of you become at stay-at-home parent, retirement?

Real Goals for Real Couples

Now that you've gotten some more perspective on how your "wish list" matches up with reality, have each partner write down his/her top-five list separately and then compare notes.

Take a look at what you agree about and talk through any disagreements. Compile a new list of joint goals. (You can have more than five, of course, but that's a good number to start with.)

Partner 1:

1. ____________________

2. ____________________

3. ____________________

4. ____________________

5. ____________________

Partner 2:

1. ____________________

2. ____________________

3. ____________________

4. ____________________

5. ____________________

RED FLAG!

There's real potential for tempers to flare when setting goals. Why? Many couples disagree about what they want versus what they need, and who has the right ideas about the financial health of their union. Don't let your conversation disintegrate into heated chaos. Use the ground rules you worked on in Lesson 2 to keep your conversation civil, try to find some common ground no matter how small (you both like the color navy blue, right?), and take a break if things get too heated.

Common Ground Goals

1. ________________________________
2. ________________________________
3. ________________________________
4. ________________________________
5. ________________________________

Whew! Go get some ice cream!

What's It Gonna Cost?

Now, on to step 2: How are you going to pay for these dreams? Looking over your list, you'll probably notice that some of your goals are short-term in nature and some are longer-term plans. Maybe you want to travel to Bora-Bora next year, but aren't planning to buy a new house for at least five years, and don't think you'll be retiring for another 20 years.

Figure out how much you need to save to achieve each goal, then break that amount into monthly (or even per-paycheck) figures — and be sure to factor in any cash you've already saved toward each goal. So maybe you need to save $100 a month toward the vacation, $300 toward a house, and $200 toward retirement.

Of course, no one can predict the future — if you get a pay raise, bonus, or win the million bucks on *Survivor VIII*, you'll want to reexamine your savings plan.

RUNNING THE NUMBERS

Not sure how much you'll have to shell out for that silver Mercedes? Check out the related links below for articles and online calculators that will show you what it will take to pay off debt, save for a house or car, or finance your little one's Ivy League education.

Related Links:

Online Calculators
www.Fool.com/calcs/calculators.htm

Paying for College
www.Fool.com/money/
payingforcollege.payingforcollege.htm

Foolish Retirement Savings
www.Fool.com/retirement

Use a chart like this to keep track of how much you need to save toward each goal. Heck, go ahead and write down your info right here!

Goal 1: ________________________________

Date to achieve it by: ____/____/____

Total cost: $______________

Cost per month (or per paycheck): $______________

Goal 2: ________________________________

Date to achieve it by: ____/____/____

Total cost: $______________

Cost per month (or per paycheck): $______________

Goal 3: ________________________________

Date to achieve it by: ____/____/____

Total cost: $______________

Cost per month (or per paycheck): $______________

Goal 4: ________________________________

Date to achieve it by: ____/____/____

Total cost: $______________

Cost per month (or per paycheck): $______________

Goal 5: ________________________________

Date to achieve it by: ____/____/____

Total cost: $______________

Cost per month (or per paycheck): $______________

Hmm... all that saving can really add up. What if you don't have enough money to save for each of your goals? Well, you can reduce the cost of your goals — that could mean axing a goal or two from your list, scaling back on some of your goals (a week in the Caribbean instead of buying your own island), or extending the length of time before you expect to achieve a goal.

Or... you can increase the amount you save. How? We're glad you asked! All this goal-setting and saving will be for naught if you don't keep track — both of what you're saving and what you're spending. And that means the big B — budget — which, not coincidentally, is the subject of our next lesson.

Couples & Cash
Online Seminar Workbook

The Motley Fool
Fool.com
AOL keyword: Fool

Lesson 6: ...And Budget Makes Three

Repeat this Foolish money mantra: The best budget is the budget that works. Put it to music if you must ("Sewanee River" or "We Wish You a Merry Christmas" will do). True, a more detailed budget is more accurate. However, each couple must decide whether that detail, and accuracy, is worth the time and trouble.

As a guideline, we offer two approaches: the "**Whole-Baked**" version for those eager-budget beavers, and the "**Half-Baked**" version for those meager-budget beavers. (At the end of this chapter are the actual budget worksheets.)

Remember, the real purpose of a budget is to make sure you achieve your goals. Look back on the goals you created in Lesson 5 to help you fill in the savings goals in your budget.

Tracking Your Spending

Before creating a budget — i.e., a plan for where your money will go — it helps to have an idea of where your money's been. If most of your purchases are made with credit cards, debit cards, and checks, your job will be easier. If you deal mostly in cash, or you feel you have a general idea of how much you spend monthly on each category, fill in the "Actual" column on the next pages with your estimates.

Whole-Baked suggestion: Review your statements for the past four months, calculate a monthly average, and fill in the worksheet.

Half-Baked suggestion: Review your statements for the past month (or week, or — for the truly under-cooked — three days) and fill in the categories. Finish painting the garage.

As you track your expenses to see if you're sticking to your budget, don't be surprised if you discover that your estimates aren't accurate. Fool David Braze, whom you'll meet in Lesson 8, tells the story of how he and his wife tried to create a cash flow statement for their first budget. According to Dave, "We argued most vehemently about the amounts we were spending in various expense categories." So, for the next 60 days, Dave and Betty Jo recorded each and every time they opened their wallet or pocketbook. The result? They were both wrong. "We thought we knew where the money was going, but the truth of the matter was we didn't. It took the written record to show us that."

Projecting Your Budget

Once you have filled in the “Actual” column, analyze the data. Are you sufficiently funding your goals? Is there a considerable amount of money going to stuff that doesn’t add much to your quality of life? Discuss the categories with each other and fill in the “Budget” column.

Whole-Baked suggestion: Fill in each category. Calculate how much more you’d have if you could cut 5% from your variable expenses (e.g., food, clothing, entertainment).

Half-Baked suggestion: Fill in each category. Change the kid’s diaper and do another load of laundry.

Sticking to It

It’s important to review your spending to see if you’re staying within your budget, but how often is up to you. Monthly reviews may work best for the first few times so you can see whether you have set a realistic goal for each category. But if monthly won’t work for you, find a review schedule that will.

Having trouble remembering to go over your budget? Pick an event that will help signal that it’s time for a review. Maybe you’ll choose to review when a particular credit card bill comes in, when your son remembers to clean his room, or on every third equinox. It’s up to you.

Whole-Baked suggestion: Every month, review your accounts and calculate whether you are staying within your budget. For all cash purchases, keep the receipts and add them to your monthly totals.

Half-Baked suggestion: Choose two or three categories that you think could use the most trimming (e.g., food bills or phone bills) and monitor those monthly. Review your entire budget quarterly (i.e., every three months). Clean out the fridge. Those eggs don’t look so good.

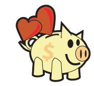
Tip: Make copies of the budget sheets that follow for ongoing monthly (or yearly or “never again, so long as I breathe”) use.

WHOLE-BAKED BUDGET (Monthly)

PERIOD ENDED ____/____/____

	Actual	Budget	First Review
Income:			
Salary/Wages	$	$	$
Commissions/Bonus			
Interest/Dividends			
Business/Partnership income			
Pensions			
Social Security			
Trust distributions			
Alimony/Child support			
Tax refunds			
Other income			
TOTAL INCOME	**$**	**$**	**$**
Expenses:			
Savings	$	$	$
List Goal #1			
List Goal #2			
List Goal #3			
List Goal #4			
List Goal #5			
Housing:			
Rent/Mortgage			
Heat/Light/Water			
Telephone			
Trash removal			
Maintenance			
Insurance			
Real estate taxes			
Improvements			
Automobile:			
Loan payment			
Insurance			
Gas and oil			
Maintenance			
Other/commuting costs			

	Actual	Budget	First Review
Expenses (continued):			
Laundry and cleaning			
Clothing purchases			
Furniture			
Medical/Dental care and insurance			
Entertainment			
Dining out/Take home food			
Groceries			
Personal care			
Business/Professional expenses and allowances			
Child care expenses and allowances			
Tuition/Educational expenses			
Child support and alimony			
Vacations			
Gifts			
Donations to church and charity			
Life/Disability/Other insurance			
Loan payments			
Credit card payments			
Income taxes (Federal and State)			
Social Security taxes (and Medicare)			
Miscellaneous out-of-pocket expenses			
Other (list):			
TOTAL EXPENSES	**$**	**$**	**$**
CASH SURPLUS (DEFICIT)	**$**	**$**	**$**



HALF-BAKED BUDGET (Monthly)

PERIOD ENDED ____/____/____

	Actual	Budget	First Review
Income:			
Salary/Wages/Commissions/Bonus	$	$	$
Interest/Dividends			
Other income			
Total Income	**$**	**$**	**$**
Expenses:			
Must-Pay Bills	$	$	$
Housing (rent/mortgage/maintenance)			
Utilities (gas/electric/heating oil/ water/phone)			
Groceries			
Medical/Dental			
Insurance			
Child Care			
Transportation (car payments, gas, bus, etc.)			
Essential Clothing (not the diamond tiara)			
Savings Goal #1			
Savings Goal #2			
Loan Payments			
Leftovers			
Eating Out			
Vacations			
Entertainment			
Gifts and Charity			
Savings Goal #3			
Savings Goal #4			
Savings Goal #5			
Non-essential clothing (includes boas)			
Miscellaneous out of pocket			
TOTAL EXPENSES	**$**	**$**	**$**
MONTHLY CASH SURPLUS (DEFICIT)	**$**	**$**	**$**

The Baby Budget

If neither of the Baked budgets is to your liking, we again draw your attention to the top-down approach mentioned in the lesson. Essentially, the formula is: Income - Fixed Expenses (*including savings*) = Discretionary Money. Just doing this will prove enlightening and useful.

BABY BUDGET (Monthly)

PERIOD ENDED ____/____/____

	Actual	Budget	First Review
Income:			
Salary/Wages/Commissions/Bonus	$	$	$
Interest/Dividends			
Other income			
Total Income	**$**	**$**	**$**
Expenses:			
Must-Pay Bills	$	$	$
Housing (rent/mortgage/maintenance)			
Utilities (gas/electric/heating oil/ water/phone)			
Groceries			
Medical/Dental			
Insurance			
Child Care			
Transportation (Car payments, gas, main, bus, etc.)			
Essential Clothing (not the diamond tiara)			
Savings Goal #1			
Savings Goal #2			
Loan Payments			
TOTAL EXPENSES	**$**	**$**	**$**
CASH SURPLUS (DEFICIT)	**$**	**$**	**$**

Are You Normal?

Curious about how people in your situation budget their bucks? The Instant Budget Maker at Money.com (http://www.money.com/money/money101/calctemplates/instbudginput.shtml) allows you to input general information about yourself (e.g., income, age range) and it shows you "how American households that match your demographic profile spend their money." It doesn't emphasize saving as much as we'd like, but it does provide an interesting example for those who would like to see a sample budget.

Couples & Cash
Online Seminar Workbook

The Motley Fool
Fool.com
AOL keyword: Fool

Lesson 7 Workbook: Investing for Two (or More)

We all want our portfolios to go up, up, up. Unfortunately, that's not how the stock market works, at least on a daily basis — or even an annual one, for that matter. Over the long term, though, the stock market has moved in an upward trend. But there are some ugly years when it goes down. The question for you and your honey is: How low is too low?

INVESTING GROUND RULES

Answer the following three questions separately and then discuss. Remember, there are no right answers. Then determine how much risk you're going to take as a couple.

1. Which statement best describes your feelings about investing? (circle one)
   a. I think the stock market is too risky.
   b. I'm comfortable investing in mutual funds.
   c. I believe the best place for our money is the stock market, with some of it in individual stocks.
   d. I'm always looking for the next big thing. "Risk" is my middle name.
2. I realize that every investment has its ups and downs, but we need to revisit any investment and make a decision about its future in our portfolio if it drops ___%. (fill in the blank)
3. A single stock should never make up more than ___ % of our total portfolio. (fill in the blank)

Now, discuss.

Back in lesson 2, you and your sweetie developed a list of ground rules that you both agreed to abide by. Read through them again and then add a rule that communicates what you just discussed.

Investing Goals

Setting investing goals may sound like a waste of time ("hey, we just want to accumulate as many darn drachmas as we can!"), but, actually, there is no other topic that is as important to your investing future. Don't skip this step.

First off, the most important investing variable, by a landslide, is: "time till we need the money." So be sure your goals have time frames associated with them. The further out in time your goal, the more risk it makes sense to take on, from a purely logical standpoint.

The market bounces around a lot in the short run, and harshly punishes a lot of people who are forced to sell because they need invested money for immediate expenses. Don't become one of these sufferers. If you think there's a good chance you'll need the money within 5 or 10 years, **don't put it into the stock market**, especially if it's money you can't afford to lose.

On the other hand, sometimes even time can't save you if your money is too conservatively invested. Paul and Rochelle Commins put together a worksheet starting with their current retirement savings balance. Playing around with a few assumptions — including how much they could contribute each year between now and retirement, how fast they are likely to spend money in retirement, what kind of return on investment they could earn safely during retirement, and average inflation of 3.0% — their worksheet presented the following estimates:

If we average this annual return on retirement savings:	We'll run out of money when Rochelle (who is younger) is:
6%	71
7%	75
8%	79
9%	85
10%	95
11%	$2.4 million "remains" when Shelly hits 100
12%	$7.2 million "remains" when Shelly hits 100

With these facts before you, what would you consider to be a rational retirement savings objective? Check the statement that best reflects your views:

☐ Stick with the current contribution plan and put it all in safe 6% investments, hoping the model is wacky, you'll work longer, your kids will strike it rich, or you'll both die in your 60s?

☐ Stick with safe 6% investments and find a way to save more?

☐ Invest enough in a broad stock market index fund to give yourself a chance at 9% or better return with associated risk, counting on the historical tendency of the market to clear this hurdle easily over long periods?

☐ Try to beat the long-term market average of 11% by 1% or more, on average, and leave your family millions by investing in some individual stocks alongside your index fund?

Clearly, there is no one right answer for everyone, but risk is not a purely emotional variable either. There are objective underpinnings to every financial goal and they usually involve these five questions:

1. How much will we need to meet the goal?
2. How much time have we got? When are we most likely to need this invested money?
3. How serious would the consequences be if we were forced to cash out stock investments early and lost a big chunk of this money?
4. How serious would the consequences be if we invested too conservatively and failed to meet the goal?
5. What type of investment vehicle (based on the level of potential return) offers us the best chance of meeting our goal with acceptable risk?

So, when you consider your investment goals, try to answer all five of these questions. You might want to answer them separately, compare answers and then work towards a consensus from there.

A NOTE TO THE HOT-SHOT STOCK PICKERS

Remember that your partner's gut reaction to risk and its potential to cause anxiety and friction in your relationship is not trivial. It's the subjective side to risk tolerance, it's very real, and it's a legitimate input to the negotiations.

If you are the undiscovered greatest investor of our time and itchin' to buy and sell lots of stocks, remember that you only have to beat the market average by a point or two, over the long run, to reap massive rewards. And you can do this with a few well-chosen stocks. So relax. There's no rush.

You may hear a lot of stories about the colossal returns of your friends and fellow workers, but these are most likely to have arisen from blind luck, however vehemently your friends assure you otherwise. This kind of performance is virtually guaranteed not to hold up over time. Again, aim for beating the market by a point or two.

Don't be embarrassed to stick with a low-cost index fund for the bulk of your long-term retirement savings. Chip away at the stock market a little at a time, as your partner becomes comfortable and as time allows. Successful investing, ultimately, is about recognizing great business models. So even if you aren't buying and selling stocks on a monthly basis, cowboy (or cowgirl), you can still pour your analytical energy into company research, and potentially reap some rewards in your career, too.

Schedule a Meeting

Agree on regular schedule for discussing your investments. Be sure to cover the following in this meeting:

- amount invested
- % change from previous quarter
- any transactions (buying, selling, brokerage fees)

You can make this review meeting part of an every-three-month economic summit meeting (which we'll talk about in lesson 9). However if you are invested in individual stocks, as opposed to just mutual funds and fixed income investments, you'll need one more piece of information to carry out a meaningful performance assessment. You'll need the return of the market as a whole, or a reasonable proxy. Which is why we'll cover…

GETTING QUARTERLY RESULTS FOR THE S&P 500

Let's assume you want to assess the performance of your investments over the last three months for a March 15 review meeting with your mate. Here's what you do (there's no way to make this fun, so we'll just dive in, and try to make it quick).

1. Surf to **http://finance.yahoo.com/**
2. In the "Market Summary" box, on the top of the right hand column, click on "S&P 500".
3. Under the plot on the right hand side of the detailed S&P 500 quote box, click the "3M" (3 month, across from "Big")
4. On the bottom, right hand, side of the big plot, click on "historical quotes". Short cut: This link may get you to the same destination automatically. No guarantees, though! (**http://chart.yahoo.com/d?s=^spc**)
5. On this page, you can obtain the return for the S&P 500 over any time frame of interest. To get the three months from December 1, 2000 to February 28, 2001, enter these dates in the "start" and "end" date boxes, check "weekly" to minimize the output, and then click the "Get Historical Data" button.
6. Take the closing price for the earliest week (1315 for the week of 11/27/00) and for the last week (1240 for the week of 2/26/01), and use this simple formula on your calculator: **% Return = (Ending Value / Starting Value) - 1**
   Or, for our example: **% Return = (1240/1315) - 1 = -6%**

So the market, as a whole, lost 6% over the past three months. This is the benchmark to which you should compare your own stock returns. Please, don't get too happy or worried about an individual three-month comparison. Panic selling will ultimately hurt your returns, so give your investments plenty of time to breathe. But this is the right benchmark around which to begin your long-term assessment of your stock picking skills on a regular basis. Like, say, every three months?

AVERAGE (STOCK MARKET RETURNS) IS BEAUTIFUL

There are a variety of ways to put your money to work for you in the stock market. Heck, practically the entire Motley Fool is devoted to talking about investing strategies. But you don't need to spend years honing your stock-picking skills to keep pace with the market. In fact, one of the simplest ways to put your money to work for you is by investing in a special (gulp) mutual fund.

There, we said it: mutual fund. Like the Fonz trying to admit he was wrong in a particularly memorable episode of Happy Days, Fools sometimes have difficulty even uttering the word. We don't like mutual funds because, well, most of them lose to the market's averages year after year after year. In fact, more than 80% of actively managed mutual funds are below average — meaning they fail to meet, let alone beat, the returns of a market index like the S&P 500 (a measure of 500 of the largest companies in the U.S.).

But there is one mutual fund we Fools like...

An index fund is different. All an index fund does is match the returns of a stock market benchmark like the S&P 500 or the Wilshire 5000, or any of the myriad of others out there. Though these funds come in as many flavors as there are indices, each is, in industry parlance, "passively managed." No, this is not some distant relative of the psychological condition known as "passive-aggressive"; it simply means that there is no Wizard behind the curtain running a tab with your tax bill by trading in and out of stocks all day en route to this quarter's numbers. That tab (for taxes, marketing expenses, a high-paid fund manager) is exactly what keeps the majority of actively managed mutual funds from being able to keep pace with the market's average returns. Ouch! That's some bill!

Sure, an S&P Index fund, say, has a manager, but her job is simply to invest your hard earn moolah in each of the S&P 500's companies, in a weight proportional to their market value. The lower the turnover, you see, the lower the annual tax bill. And index funds generally have turnover of less than 5% per year. According to the Investment Company Institute, the turnover for actively managed funds is above 40%. You, as they say, do the math.

So if you're looking for the easiest way to be average in your investment returns (and that means besting more than 80% of Wall Streeters), don't pay up for an underperforming mutual fund. We think index funds are just peachy.

Investigate Your Mutual Funds

The vast majority — about 80% in fact — of all mutual funds fail to beat the S&P 500 index over the long term, as we've said before (though we feel that we can't say it enough). Does that figure make you feel uneasy about your current investments? It need not. There are funds that follow the market indices. Let's find out how your funds are doing. You can use Morningstar's Fund Compare (**http://screen.morningstar.com/Compare/FundCompare.html**) to find the five year returns. Use the "Performance View" feature to get the five-year return.

The most important number to know, however, when it comes to your mutual funds, is not performance but expense ratio. Future results are always uncertain, regardless of past success, but the expense ratio is as certain as winter follows autumn. The average fund charges a 1.4% ratio, which lops this much off of whatever the suits make for you, annually, whether the fund wins or loses. Right off the top — guaranteed.

Note that the "passively managed" mutual funds, in the table below, charge less than 0.20%! This is typical. You almost always start out ahead with an index fund. If you own a managed fund, see how much its fees put you in the hole to start with. Add this to your assessment of whether past performance has been acceptable. And remember, a consistent 1%, over many years, makes a very big difference.

Your Mutual Funds	Annualized 5-Year Rate of Return	Expense Ratio
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
Vanguard's 500 Index Fund (VFINX) — For Comparison	16.60%	0.18%
Vanguard's Total Stock Market Index Fund (VTSMX)— For Comparison	15.14%	0.20%

Couples & Cash
Online Seminar Workbook

Lesson 8: What Your Honey *Has* To Know

Let's come clean right from the start. There's just not much that's enjoyable about this lesson. The good news, however, is that it's really pretty simple. Don't let all the words and empty blanks scare you. Essentially, it's just an inventory. So just take it slowly, keep the list handy, and pick things off one at a time!

If something were to happen to you, would your loved ones know where to find all of your accounts? Does your partner know where to find the safe deposit box key? And what about your will? Your lawyer's phone number? The dog's heartworm pills?

Clearly it helps to have all of this information in one place just in case the unthinkable happens. Although it's not the most exciting way to spend an evening, a little time spent organizing your important papers and creating or updating your will can save your family and friends a lot of trouble down the road.

Below, we provide an overview of important information you should have on hand, and a worksheet where you can compile everything. Make a copy for your partner to fill out, as well. Once you've finished, put them in a folder with copies of any relevant documents and store them in a safe place. Make sure each partner and one other trusted friend or relative knows where to find it. (Note that a safe deposit box might not be the best place since it can be very difficult for someone who is not a signatory to the box to gain entry.)

Feeling overwhelmed? Well, there are some must-haves on this list (hint: they are **durable power of attorney**, **medical power of attorney**, **living will** — or **advance medical directive** — and **last will and testament**), so you may want to start with those items.

Essential Documents

Here we describe the documents you should have on hand. At the end of this chapter are worksheets for you to enter your personal information.

Available Liquid Cash to Meet Immediate Needs
During times of distress or grief, little thought may be given to sources of liquid cash to meet the family's or survivors' needs. List all available sources your partner may use such as checking, savings, and investment accounts.

Health and Medical Care
Your loved ones should know your wishes for health and medical care. Discuss the use of life support systems when there is no reasonable expectation of recovery, and your wishes for organ donation. Note the location of pertinent legal documents such as your durable

power of attorney, medical care power of attorney, and living will/advance medical directive.

Remember, prior to age 50 it's far more likely that you will be mentally or physically incapacitated than that you will die. So we've listed the legal documents above in the same order that you should use in obtaining them. In their absence, your loved ones will be incapable of acting on your behalf without a court order. That will result in attorney expenses, court fees, and a lot of time — far more than the small cost of drafting these documents now. Use an attorney to draft your powers of attorney and use your state's approved format for the living will/advance medical directive, which is available at most hospitals.

Funeral Arrangements
Your loved ones should also know your funeral arrangement desires. Knowing your wishes in advance will ensure that they are not be pressured into high-cost services because they're making decisions during a time of grief or through a misguided sense of respect for the deceased. If you have made advance funeral arrangements, make sure your loved ones know with whom and where the pertinent documents may be found.

Last Will and Testament and/or Living or Testamentary Trusts
Review these documents to make sure they clearly express your wishes and intent. If you have personal property not included in these documents, specify through an addendum or codicil how these personal effects are to be distributed. If these documents have not been developed yet or if they haven't been reviewed by a lawyer in more than five years, get thee to an attorney! If you have minor children, specify who their guardian should be in the event both parents are deceased.

Be aware that a failure to execute this document prior to your death will almost certainly cause your family needless expense, grief, and time as they struggle through the probate process of your state. In addition, the state will almost certainly dictate a distribution of your assets that does not fit with your desires. So please don't put this off.

Title and Beneficiary Information
Update all of your property title and IRA/retirement plan/insurance policy beneficiary information. Don't forget any life insurance or retirement plan beneficiary designations you have made regarding employer-provided benefits in your current job. Review this information whenever a major life event occurs (i.e., marriage, divorce, birth, death). If changes are needed, you can get the necessary forms for changing your beneficiaries from your human resources department (job-provided insurance and retirement plans) or from the insurance company, brokerage, mutual fund, or IRA provider for personal insurance policies and investment/retirement accounts.

Other Information and/or Legal Documents
Develop a complete list of all documents, information, and records that may be needed by your loved ones, and specify their location. Besides the items mentioned above, your list may include:

- Marriage certificates or divorce decrees
- Pre- or post-nuptial agreements
- Birth certificate
- Previous years' income tax returns, (local, state, and federal)
- Social Security number
- Auto, life, health, and disability insurance policies (to include premium amounts and due dates)
- Employee benefit plan information (health, disability, retirement)
- Investment, checking, and savings accounts
- Location, deeds, and mortgage information for all real estate
- Debts owed or due (personal loans, auto loans, credit cards, charge accounts, notes payable, notes receivable from others)
- Business agreements relating to corporations, partnerships, or sole proprietorships (location, names, buy/sell arrangements)
- Names and phone numbers of persons to be notified in the event of your incapacity or death

Personal Advisors
Identify and list the addresses and phone numbers for all personal advisors such as your employer's benefits administrator, trustee, executor, lawyer, accountant, banking officer, insurance agent, stockbroker, financial planner, primary physician, minister, and children's guardian.

Safe Deposit Box
If you have a safe deposit box, make sure your loved ones know the location of the key and who has access to that box. They should also know the contents to avoid any misunderstanding over the location of certain items. Be aware that it may be best to store powers of attorney somewhere else. That's because unless the person holding that power is a signatory to that box, the power holder will not be able to access that document without a court order. In most states, a will stored in the box may be accessed on death if entry is gained in the presence of a witness for that purpose.

☹ The Worksheet

We'll forgive you if your eyes are glazing over by now. This stuff is a bit of a downer. It takes a lot of time and effort to pull all this information together, as well as some expense to have your lawyer draft the necessary documents if you haven't done that yet. Believe us, we wouldn't put you through this if it weren't extremely important. So please take the time now — you could be saving your partner a whole mess of trouble in the future.

Make copies of the pages that follow to fill out, duplicate, and store in a safe place.

Name

Date of Birth

Social Security Number

Bank Accounts

Safe Deposit Box

Bank name and phone number:

Account number:

Documents stored there:

Who has access:

Checking Accounts

Bank name and phone number:

Account number:

Account owner(s):

Bank name and phone number:

Account number:

Account owner(s):

Savings Accounts

Bank name and phone number:

Account number:

Account owner(s):

Bank name and phone number:

Account number:

Account owner(s):

CDs and Money Market Accounts

Bank name and phone number:

Account number:

Account owner(s):

Bank name and phone number:

Account number:

Account owner(s):

Investments

Brokerage Accounts

Bank/brokerage name and phone number:

Account number:

Account owner(s):

Bank/brokerage name and phone number:

Account number:

Account owner(s):

IRA

Bank/brokerage name and phone number:

Account number:

Account owner:

Beneficiary:

Bank/brokerage name and phone number:

Account number:

Account owner:

Beneficiary:

401(k) or Other Pension Funds

Plan administrator and phone number:

Account number:

Account owner:

Beneficiary:

Plan administrator and phone number:

Account number:

Account owner:

Beneficiary:

Other Investments

Type of investment:

Location held and phone number:

Account number:

Account owner(s):

Type of investment:

Location held and phone number:

Account number:

Account owner(s):

Debts You Owe

Type of loan:

Lender name and address:

Account Number:

Amount of payment and due date:

Type of loan:

Lender name and address:

Account Number:

Amount of payment and due date:

Type of loan:

Lender name and address:

Account Number:

Amount of payment and due date:

Type of loan:

Lender name and address:

Account Number:

Amount of payment and due date:

Type of loan:

Lender name and address:

Account Number:

Amount of payment and due date:

Debts Others Owe You

Borrower's name, address, and telephone:

Original loan balance and date borrowed:

Annual interest rate charged:

Payment amount, frequency, and due date:

Location of note or loan agreement:

Borrower's name, address, and telephone:

Original loan balance and date borrowed:

Annual interest rate charged:

Payment amount, frequency, and due date:

Location of note or loan agreement:

Insurance

Health Insurance

Plan administrator and phone number:

Policy and group numbers:

Premium amount and due date:

Disability Insurance

Plan administrator and phone number:

Policy and group numbers:

Premium amount and due date:

Life Insurance

Plan administrator and phone number:

Account number:

Value (optional):

Premium amount and due date:

Plan administrator and phone number:

Account number:

Value (optional):

Premium amount and due date:

Other Insurance

Homeowners/renters insurance plan holder and policy number:

Premium amount and due date:

Auto insurance plan holder and policy number:

Premium amount and due date:

Other insurance plan holders and policy numbers, premium amounts and due dates:

Documents

Legal Information
Make sure the following documents are updated to reflect your wishes.
List the location of each below.

Property Titles:

Durable Power of Attorney:

Medical Care Power of Attorney:

Organ Donor Card:

Living Will:

Last Will and Testament:

Other Documents

Birth Certificate:

Marriage Certificate:

Copies of Income Tax Returns:

Business Agreements (relating to corporations, partnerships, and sole proprietorships)

Funeral Arrangements

Use this space to write down any wishes you have regarding your funeral. If you have made arrangements already, list the name and address of the company and where to find the relevant documents.

Personal Advisors

Attorney's name, address, and phone number:

Accountant's name, address, and phone number:

Priest/minister/rabbi's name, address, and phone number:

Primary physician's name, address, and phone number:

Executor of your will — name, address, and phone number:

Guardian for children — name, address, and phone number:

Anyone else to be notified in the event of your death or incapacity:

Lesson 9 Workbook — Practice Makes Perfect

In Lesson 9, we laid out a plan for economic summit meetings once every three months. The idea is that — at a bare minimum — you establish the framework for a financial plan and maintain it over the long run.

Hey, this isn't like signing up for aerobics! We're only talking about *90 minutes*, *four times a year* here, and you get to share the joy of getting it done with your best pal. If you can just practice this regular habit of focused communication around financial priorities, you'll already be light years ahead of the average couple, and who knows what further benefits — both financial and emotional — might accrue from this solid foundation?

"Hey Fools! This is supposed to be the easy exercise, the one that we will have the discipline to carry out on a regular basis. So how come we've given you twelve pages of stuff to read and fill out?"

Well, it's all there to be digested over time -- slowly, regularly. At any time, if the page count is standing between you and getting started, feel free to skip to the **Handy-Dandy Summit Cheat Sheet** at the very end of the Lesson. Regular updates to this cheat sheet are the ultimate goal. If you can complete them without slogging through the text, do it!

Let's start by re-stating the goals of these quarterly summit meetings:

- Communicating productively about money on a regular basis, around a simple, structured agenda that keeps the big picture in focus.
- Sleeping better, worrying less, and bringing less underlying emotional baggage to the relationship by knowing that your emergency financial needs are covered.
- Focusing on the big-picture financial plan, where — free of the often-volatile details — there is the greatest likelihood of consensus and a shared vision.

The second and third of these goals capture the two pillars of the summit meeting framework:

1. **Planning for financial emergencies**
   - Review disability, life, and health insurance plans
   - Monitor the growth of your emergency fund

2. **Moving toward the income side of the compound interest divide**

- Review your total debt load
- Tally contributions to your retirement savings
- Plan additional savings goals

We'll cover these meeting details in depth in Step 3, but first we have to overcome two pre-game hurdles. In Step 1, we make a commitment, and in Step 2, we set ourselves up for success. Let's get started, Fools!

STEP 1: Make a Pact

Now, while the iron is hot, resolve to spend 90 minutes once every three months discussing your finances. This four time yearly urge to meet will become as strong as flowers in the spring and pumpkins at the end of October.

In fact, let's get it on paper. That's right! Get out your inkwell and sign off on the officially binding Foolish summit agreement below.

Recognition of our Joint Commitment to Quarterly Economic Summit Meetings

I, the undersigned, agree to meet with the love of my life — who, by the way, has never looked better — for at least 90 minutes every three months in an economic summit meeting. This meeting will cover planning for financial emergencies and progress toward long-range savings goals.

Sugar Bear's John Hancock	Snookems' Abigail Adams
Date	Date

The Motley Fool
Fool.com
AOL keyword: Fool

STEP 2: Preparation for the Meeting

Extending the Brokamps' football analogy, it's time for pre-game! Let's get ourselves in a position to win this one, ladies and germs. Go through the task list below and sign yourselves up for half each. Most of the financial records should be handy, since we just went through them in earlier seminar lessons. The whole list shouldn't take more than a few minutes. On your mark, get set, …

Task	**Who's Doin' It?**	**Is It Done?**
Schedule the meeting		
• Date: • Time: • Location: • Reward: • Make dinner reservations? • Need a sitter? • Aggressively guard the calendar slot		
Find a briefcase or bag to hold summit resources.		
Make a photocopy of these workbook pages. Put them in the bag.		
Find a very cheap calculator. Put it in the bag.		
Create (find) folder to hold (that holds) past meeting pages. Put it (smack!) in the bag.		
Gather basic insurance info: • Life — Just coverage amounts • Disability — Percent of salary replaced		
Find latest bank statement for emergency fund.		
Gather statements for all consumer debt showing amount owed and annual rate. (Don't worry about mortgage or home equity loans.) • Credit Cards • Auto Loans • Student Loans • Other consumer debt, like department store charge cards or other store credit		
Most recent statements for all retirement savings accounts: • 401(k), 403(b), or SEP • Company pensions, profit sharing • Roth, Traditional, or Rollover IRAs • Retirement Annuities • Other tax-sheltered • Other not tax-sheltered		

STEP 3: The Summit Agenda

Relax, get comfortable, and say something nice about your partner. This won't hurt a bit.

PART I. Planning for Financial Emergencies

1) **Review Disability, Life, and Health Insurance Coverage**
   These are your primary forms of replacement income, should death, illness, or injury end your ability to work — for either one of you, temporarily or permanently. Let's hope it's never necessary. This is one bet you certainly hope to lose. But if fortune does strike, don't add sudden poverty to your burden.

Disability

Disability protection, in general, is available only to people drawing a regular paycheck and is usually purchased through a group plan at work. If your jobs offer it, be sure you are signed up for at least the 60% (of current income replaced) option (typically the base level). More than 80% coverage options are rare.

This coverage is even more fundamental than life insurance, as the financial impact of disability can be just as severe as death. Odds of disability before age 65 are greater than for death, and even workers without dependents need this insurance (i.e., there'll always be someone left who needs the money — you!).

Q: Does each employed partner have disability insurance? (circle one) **Yes** **No**

Possible Action: We are pretty sure that we do not have adequate disability insurance. (Initial Here) agrees to study options and purchase the appropriate coverage as soon as possible.

Possible Action: We are not sure whether we have adequate disability insurance. (Initial Here) agrees to do some research and present options by the next summit meeting.

Life

It's possible to insure anybody's life, whether they're working or not, but Fools typically buy it only to cover wage earners and caregivers with dependents. The question to ask is "what would happen to my dependents, financially, should they lose my income?" If the answer to this question is pretty ugly, then you might want to get your life insured ASAP.

Let's start by taking stock. What is the total "death benefit" for all in-effect life insurance policies on each of you:

	Partner A	Partner B
Total Life Insurance Coverage		

Q: Are these totals balanced correctly? If one partner has a lot more income, chances are you'll have to replace a lot more income to maintain your current standard of living.

Q: Is everybody covered? If one partner doesn't draw a paycheck, but provides critical dependent care or other services — services the other partner would have to pay to replace — then this "not working outside the home" partner should be covered too.

Q: Do we have enough insurance? Typical rules of thumb range from 3x to 6x annual income as an appropriate coverage level (or 3x to 6x annual replacement costs for dependent care services, etc.). Are you in the right ballpark?

Of course these are extremely rough estimates and you might want to examine the topic more closely, especially given all the handy-dandy life insurance calculators on the Web these days. But we only have 90 minutes here, so let's make some decisions:

Possible Action: We are pretty sure that that we do not have adequate life insurance. (Initial Here) agrees to look into options and purchase the appropriate coverage as soon as possible.

Possible Action: We are not sure whether we have adequate life insurance. (Initial Here) agrees to do some research and present options by the next summit meeting.

Health Insurance

Health insurance is too complex a topic for a quick review summit, but let's ask a few important questions:

Q: Is everybody covered? Are there any new babies or other dependents or suddenly unemployed partners? This is not something that can wait!

Possible Action: Somebody we support is uninsured. (Initial Here) agrees to do something about it tomorrow.

If both partners are employed, have we ever compared health insurance plans across the two companies to find the best quality/cost tradeoff for covering both of you plus any dependents? Differences can be substantial, and pay off more predictably than any stock research you might be doing!

Possible Action: It's time that we more carefully compared our health insurance plans to pick the best deal. (Initial Here) agrees to do this before the next health insurance re-enrollment period for your current plan. He/she gets to spend (x)% of any annual savings on (Insert Reward Here).

2) Emergency Fund Savings

This is a savings cushion that you try your darndest not to dip into. The goal is at least three months of typical expenses. We can think of six good reasons to make this a priority:

1. To provide a buffer between your living expenses and your retirement savings that gives you some time to adjust to an emergency — such as losing your job — before the situation erodes your savings.
2. Ideally, a budget should account for some savings toward maintenance and replacement of things like major appliances. Your emergency fund, however, will be your backup when it comes to these unexpected budget busters.
3. It will show you, viscerally, away from the bright lights and giant swings of the stock market, how much discipline it takes to save. Any pain that results will help motivate you to keep your hands off the fund and to stay out of debt (where working against compound interest is even more difficult).
4. It will get you into the habit of regularly receiving interest payments, a joy everyone should know. No matter how bad a day you're having, you can smile knowing that some money is working for you.
5. You'll sleep better knowing it's there.
6. Quarterly interest proceeds can be used to fund entertainment for future economic summit meetings.

Q: Do we have a savings account, money market account, or money market brokerage fund investment with a well-defined portion specifically set aside as a three-months-living-expenses emergency fund?

Possible Action: (Initial Here) agrees to set up this clearly marked fund as soon as possible, even if just means opening up a passbook savings account with a minimum balance.

Q: Can we show at least $100 dollars worth of contributions to our emergency fund over the last three months?

Possible Action: If not, (Initial Here) will come up with a plan to get this taken care of as soon as it can reasonably be accomplished. Don't move on without this plan!

Q: What interest rate is our emergency fund returning? Is the rate within a point of what brokerage money market funds (not bank money market accounts) are paying?

Possible Action: We think we might be able to do much better in terms of emergency fund interest payments. (Initial Here) would enjoy shopping for a better rate and presenting alternatives.

PART II. The Milk and Honey Side of the Compound Interest Divide

Hot diggity, we're half way home! That was a breeze, right? If it seems too easy, don't underestimate the power of this good habit you're building. It'll snowball, if you let it. On to building wealth…

1) Tally Your Total Debt Load

Hopefully, there's nothing too complicated about this next step. We're just looking for total amount owed and interest rate paid, by debt.

Debts (Ignore mortgage and home equity loans)	Balance Owed ($)	Interest Rate (%)
Credit Cards		
Auto Loans:		
Student Loans:		
Store Charge Cards or Credit Purchases:		
Other:		
Grand Total		N/A

Add up all the credit and loan balances and fill in the Grand Total.

Q: Is the Grand Total lower than it was at the last summit meeting?

Possible Action: If our debt balance is not lower than at our last summit (if this is your first summit, you get a free pass on this one), we agree to slash spending over the next three months on (fill in three budget categories below):

a. A joint budget category (like eating out together):
b. An individual budget category for Partner A:
c. An individual budget category for Partner B:

Q: Has the biggest dollar drop in balance, over the last three months, come from the highest interest rate debt?

Possible Action: Over the next three months, we will focus on paying down our highest interest rate debt, which is (enter highest rate debt item here).

Possible Action: The structure of our mandatory loan payments prevents us from paying down our highest rate debt balance first. (Initial Here) agrees to research options for refinancing or consolidating our debt so that we can get to the highest rate first.

2) Tally Retirement Savings Contributions and Total Balance

Unless you like the prospect of powerless old age, no savings goal is more important than a decent retirement. The kids may or may not get into Harvard and the family car may or may not make it through the next year, but odds are excellent that you'll want — or need — to retire. Sacrifices made early are more valuable than those made late, as the more time your savings draw returns, the more doublings they'll see through the miracle of compound interest, with no additional sacrifice required.

Let's see how we're doing:

Retirement Savings (any account for which it's possible to obtain a current savings balance — excludes most pension plans)	**Quarterly Contributions**	**Balance**
401(k), 403(b), SEP, or other employer-sponsored plans:		
Company profit sharing or other defined contribution plan:		
Traditional, Roth, and Rollover IRAs		
Retirement annuities		
Other tax-sheltered:		
Other:		
Grand Total		

In the Grand Total row, add up all the retirement account contributions for the quarter and quarter-ending balances for each.

Q: Do any of our retirement plans offer employer matching of your contributions? Have you taken full advantage of these immediate 25% or greater returns on investment? You sure won't beat these kinds of returns consistently in any stock market on planet earth, even with superior investment options. Make it a priority to contribute enough of your paychecks, automatically, that you get the maximum company matching offered.

Possible Action: We're not sure if we've maxed out our matching employer contributions. (Initial Here) will investigate and fill out the necessary paperwork to increase our pre-tax payroll contributions accordingly.

Q: Overall, did we contribute roughly 6%, or more, of our total income for the quarter to our retirement savings?

Possible Action: We'll set up automatic deductions from our paychecks — either to employer-sponsored plans or to a brokerage IRA — to achieve this 6% goal. (Both partners initial here).

Possible Action: There is no way that we can reach this 6% contribution rate in the short term. (Initial here) will come up with a budget-cutting, debt-pay-down plan that will get us to this point as soon as possible.

Q: Has the investment rate of return on our retirement savings kept up with or surpassed the overall market rate, as represented by the S&P 500 index over the past quarter?

Possible Action: What's the S&P 500, dude? (Insert Here) volunteers to reread Lesson 7 and Lesson 7 Workbook exercises and report back on our performance versus the S&P 500.

Q: If we plan to make $2,000 IRA contributions this tax year, have we contributed $500 toward each in the past quarter?

Possible Action: If you're on track for a $2,000 IRA contribution, the Roth IRA is the simpler and more flexible choice. If you are unable to come up with the full $2,000, though, a traditional IRA may boost your total contribution by allowing you to fund some of it with pre-tax dollars (practically speaking, from your tax-return check).

3) Secondary Savings Goals

We're definitely in the home stretch now! All we do in this last step is think ahead a little, to come up with a secondary (after retirement) savings goal that will motivate us both to cut spending and debt and increase savings in the months ahead. Even if we're not in a position to save much toward these goals — at the moment — their existence will help to motivate us to make the sacrifices it will take to get there.

Q: Can we agree on a significant, compelling savings goal that is shared by both of us?

Possible Action: Our joint savings goal is listed below. We'll use it to motivate ourselves, and each other, to cut spending and pay down debt.

Our compelling Joint Savings Goal is:

Goal	Amount	By This Date

Possible Action: We're having a lot of trouble agreeing on a single joint goal. (Initial Here) agrees to reread Lesson 5 on setting priorities and come up with a plan for agreeing on this secondary joint goal.

Q: Can each of us come up with a personal savings goal (different from the joint goal) that will compel us to spend less and save more?

Possible Action: Here are our personal savings goals:

Goal	Amount	By This Date
Partner A's Compelling Personal Savings Goal		
Partner B's Compelling Personal Savings Goal		

PART III. Summit Summary

If, in general, your debts are going down and your savings are going up, then congratulations again! Stay the course.

If, in general, debt is getting bigger and savings are going nowhere, there can only be one cause: You’re spending all — or even more — than what you make, on a regular basis. Unless you can come up with a way to markedly improve your income, you’re going to have to cut some spending. Go back to the list of “budget categories to cut” that you listed under the Tally Your Debt Load action item at the beginning of meeting Part II. Resolve to focus on these spending cuts, as your top financial priority, over the next three months.

If you’re results weren’t so pretty, though, don’t despair. Congratulate yourselves! You’ve done something that most couples never accomplish. You should feel great about yourselves! Moreover, you’ve laid the base for better results in the years to come, through regular communication and joint planning.

Handy Dandy Summit Cheat Sheet and Ongoing Summary Record

On the next page you'll find the cheat sheet we promised at the start of this workbook lesson. If you find all the lesson text intimidating (our feelings won't be hurt) and get the basic idea of what we're getting at, just start with this cheat sheet and refer to the pages that precede it on an as-needed basis. The worksheet includes blanks for the next 12 quarters so that you can keep running totals and track your progress. Good luck to you and your lucky one and only!

And, as we always say, Fool on!

Financial Summit Cheat Sheet

Result	Example	1Q 01	2Q 01	3Q 01	4Q 01	1Q 02	2Q 02	3Q 02	4Q 02	1Q 03	2Q 03	3Q 03	4Q 03
Disability Insurance Bill Hillary	 no job 60%												
Life Insurance Bill Hillary	 $100K $500K												
Health Insurance	Yes												
Emergency Fund Balance	$100												
Debt Grand Total	$500K												
Retirement Savings													
Grand Total	$100K												
Secondary Savings Goal (Joint)	Chelsea's Education												
Secondary Savings Goal (Bill)	The Trappings of Legacy												
Secondary Savings Goal (Hillary)	Getaway Vacation												