



MONEY MANAGEMENT ESSENTIALS

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“

**Do not save what is left after spending,
but spend what is left after saving.”**

– Warren Buffett

WHY MONEY MANAGEMENT IS ESSENTIAL

“People with higher financial knowledge are more likely to spend less than their income and set aside three months worth of emergency savings.”⁵

Financial Stress A Reality for Many

- 65% of U.S. adults say money is a significant source of stress, the highest recorded percentage since 2015¹

Many People Lack a Safety Net

- About 1 in 3 of Americans could not cover an unexpected \$400 expense with savings³

Choices Today Can Impact Your Future

- One-third of people in the workforce have taken a loan, early withdrawal, and/or hardship withdrawal from their 401(k) or similar plan or IRA²

Debt Getting in the Way

- Nearly half of American workers (49%) agree with the statement “Debt is interfering with my ability to save for retirement”⁴

SOURCES:

¹ [“Infographic: Stress About Money and Economy Is on the Rise,”](#) American Psychological Association, March 2022

² “Emerging From the COVID-19 Pandemic: The Retirement Outlook of the Workforce,” nonprofit Transamerica Center for Retirement Studies, June 2022

³ “Economic Well-Being of U.S. Households in 2021,” Board of Governors of the Federal Reserve System, May 2022

⁴ “Living in the COVID-19 Pandemic: The Health, Finances, and Retirement Prospects of Four Generations,” nonprofit Transamerica Center for Retirement Studies, August 2021

⁵ “National Financial Capability Study,” FINRA Investor Education Foundation, July 2022



Today's Agenda

- Savings priorities
- Budgeting
- Credit
- Managing debt
- Next steps

SAVINGS PRIORITIES



- Build an emergency fund
- Focus on short-term goals
- Saving vs investing
- Investing for retirement

UNANTICIPATED EXPENSE? AN EMERGENCY FUND CAN HELP

Determine how much you need in case of an emergency

- Generally, at least 3 – 6 months of expenses

Build emergency savings

- Look at discretionary expenses in your budget
- Establish recurring deposits until you reach your goal
- Save your tax refund
- Set aside bonuses or windfalls

32%

**of Americans would
be unable to cover
an unexpected
\$400 expense
with their savings¹**

¹ “Economic Well-Being of U.S. Households in 2021,” Board of Governors of the Federal Reserve System. May 2022



SHORT-TERM GOALS

CONSIDER OPENING A SEPARATE ACCOUNT FOR SHORT-TERM GOALS

- Down payment on a house
- New car
- Home improvement projects
- Vacations



Your retirement account is not a short-term savings source

SAVING VS INVESTING

SAVING MONEY IN THE BANK

- Predictable
- Typically FDIC insured
- Inflation risk

INVESTING IN THE STOCK MARKET

- Unpredictable
- Typically not insured by any governmental agency
- Volatility risk

Balance risk by saving and investing.



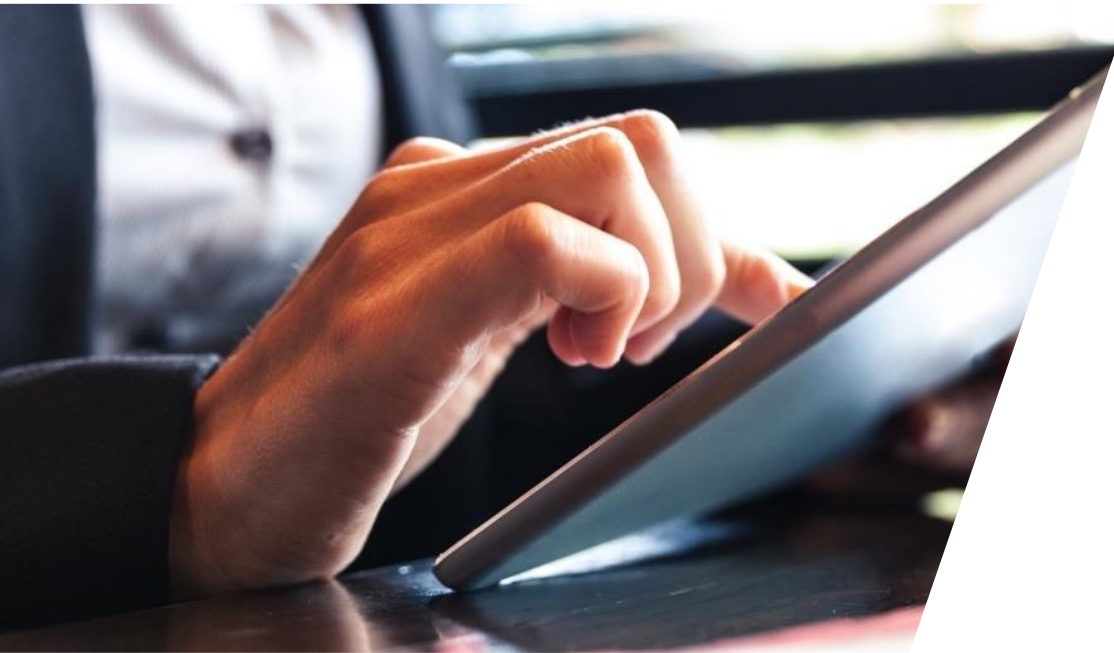
INVESTING FOR RETIREMENT

- Workplace retirement plans: 401(k) or 403(b)
- Explore investment options in your plan: do-it-yourself or automated services
- Consider consolidation

Review the fees and expenses you pay, including any charges associated with transferring your account, to see if consolidating your accounts could help reduce your costs. Be sure to consider whether such a transfer changes any features or benefits that may be important to you.

See important disclosures at the end of this presentation.

BUDGETING



- Essential expenses vs discretionary
- 50/30/20 Rule
- Automated budgeting methods
- Tools and resources
- 5 budgeting tips

BUDGET BASICS

ESSENTIAL VS. DISCRETIONARY SPENDING

ESSENTIAL

Housing

Food

Insurance

Savings

Retirement plan

DISCRETIONARY

Electronics/accessories

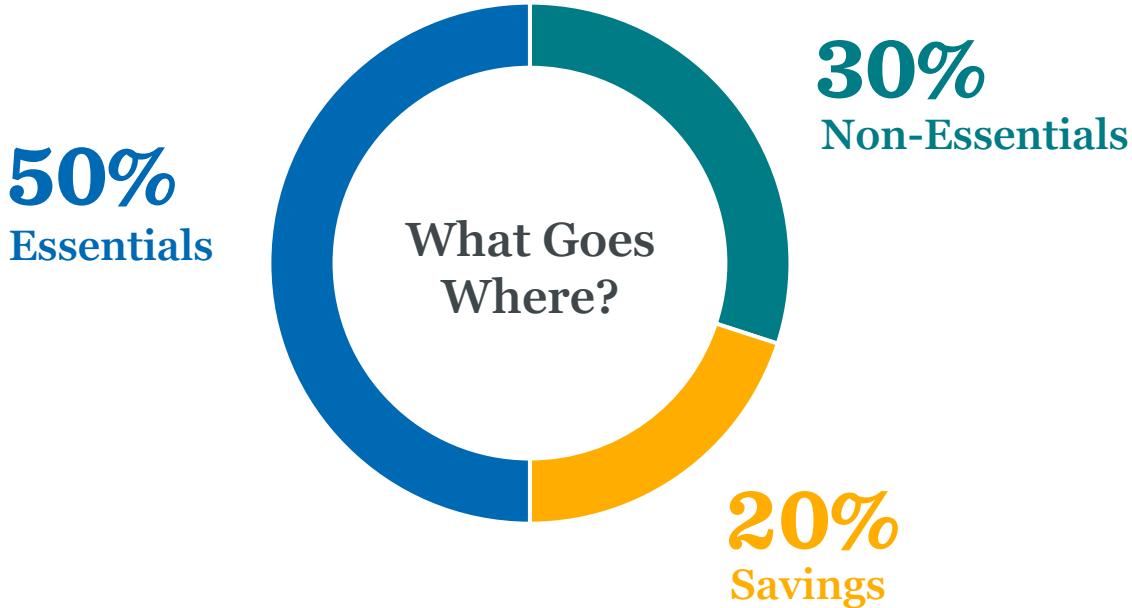
Entertainment

Dining out

Travel

Gifts

50/30/20 RULE



AUTOMATED METHODS

SAVINGS



EMERGENCY FUND

Checking → emergency savings



SHORT-TERM GOALS

Checking → second savings account



PAY DOWN DEBT

Most loans have auto-pay options

INVESTING



COLLEGE PLANS

Tax-advantaged auto-contributions



EMPLOYER-SPONSORED RETIREMENT PLANS

Contributions deducted directly from your paycheck



INDIVIDUAL RETIREMENT ACCOUNTS (IRAS)

Make up to [\$6,000] in contributions each year

BUDGETING TOOLS

DIGITAL — BUDGETING APPS

- PocketGuard
- You Need A Budget (YNAB)
- EveryDollar
- Goodbudget
- Honeydue

OLD SCHOOL — THE ENVELOPE METHOD

- Label envelopes with specific expenses, like “Groceries” and “Transportation”
- Fill each envelope with cash
- Challenge yourself to use only that cash to last a month

SWEAT EQUITY

Calculate how many hours you need to work to pay for non-essential expenses.

Then ask yourself,

“Is it worth it?”

Expense	Cost	Work hours
Concert	\$100	4
New smartphone	\$800	32
Family trip	\$5,000	200
Home remodel	\$20,000	800

Hypothetical example based on a \$50,000 annual salary.

5 BUDGETING TAKEAWAYS

1. Put the numbers on paper
2. Test different methods (apps, separate accounts, envelopes)
3. Save first, then spend
4. Leave room for fun stuff
5. Review and make adjustments each month

1/20


BASIC BUDGETING WORKSHEET

Retirement Contribution Rate: %

Monthly Take-Home Pay (after taxes and employer-sponsored retirement plan): \$

	CONSIDER WHAT APPLIES TO YOU...	MONTHLY EXPENSE	PERCENT OF MONTHLY TAKE-HOME PAY
NEEDS	Housing		0.00%
	Utilities (electric, gas, water)		0.00%
	Transportation (car payments, insurance, gas, commuter pass, etc.)		0.00%
	Family care (child or elder care)		0.00%
	Mobile phone plan		0.00%
	Internet/cable		0.00%
	Groceries		0.00%
	Debt payments (student loan, credit card)		0.00%
	Other		0.00%
		Subtotal \$ 0.00	Subtotal: 0.00%
SAVINGS + INVESTMENTS	Emergency fund		0.00%
	Short-term or second savings account		0.00%
	Second retirement account outside employer's plan (e.g., IRA)		0.00%
	Other investment account		0.00%
	Subtotal \$ 0.00	Subtotal: 0.00%	
WANTS	Entertainment		0.00%
	Dining out/ordering in		0.00%
	Travel		0.00%
	Fashion		0.00%
	Other		0.00%
	Subtotal \$ 0.00	Subtotal: 0.00%	
		TOTAL MONTHLY EXPENSES: \$ 0.00	TOTAL: 0.00%

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CREDIT



“My credit card company says I have an outstanding balance. I’m flattered.”

— Demetri Martin, comedian



CREDIT

WHAT IS IT?

- Your purchasing power

WHY DOES IT MATTER?

- Impacts your ability to buy goods or services
- Impacts your ability to get a loan
- Employment and insurance decisions



USING CREDIT WISELY

Good debt:

- Home mortgage – Building equity
- College loans – Building education
- Small business loan – Investing in yourself

Bad debt:

- Credit cards that carry a balance each month
- Buying now, paying later (promotional interest rates)
- Payday lenders
- High-interest car loan

“A batch of credit cards fattens a wallet before it thins it.”

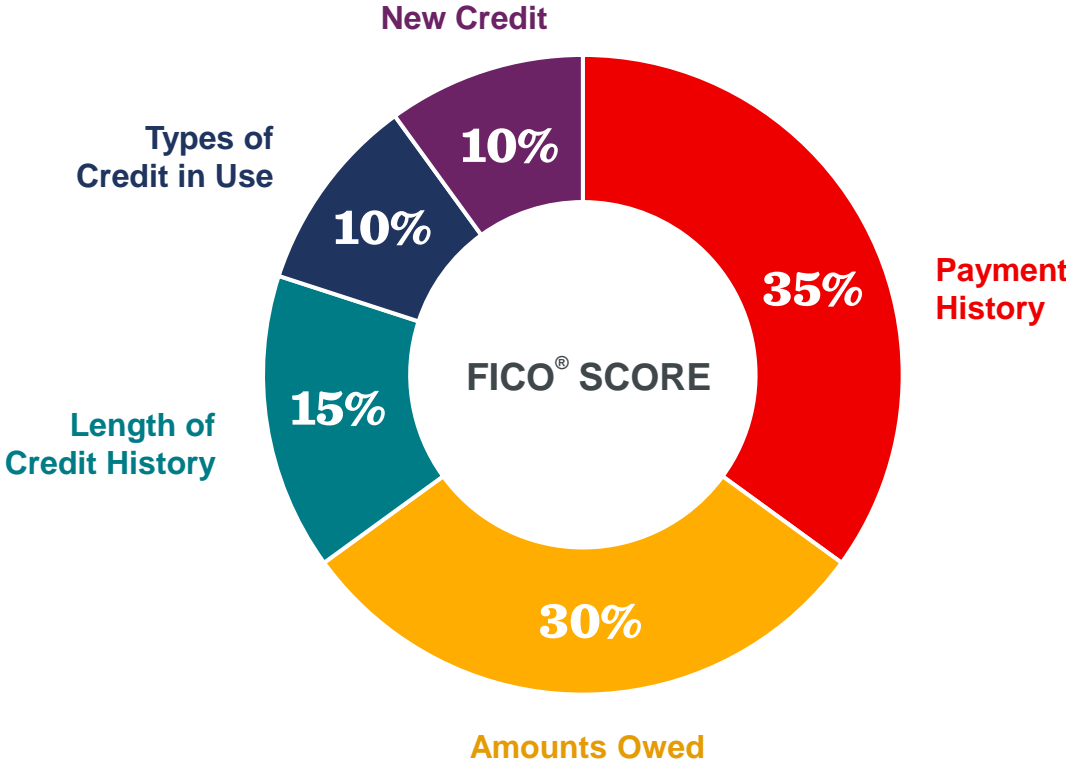
— Evan Esar, American humorist



YOUR CREDIT SCORE: AN INSIDE LOOK

- FICO produces your score
- Scores range from 300 to 850
- Big 3 reporting agencies: Equifax, Experian, Transunion
- Get your report: **[AnnualCreditReport.com](https://www.annualcreditreport.com)**

CALCULATING YOUR SCORE



THE FINANCIAL IMPACT OF A GOOD CREDIT SCORE

\$325,000 Mortgage	FICO above 720	FICO below 680
Interest rate	4.5%	5.5%
Monthly payment	\$1,647	\$1,845
Years to pay off	30	30
Total payments	\$592,822	\$664,313
SAVINGS	\$71,491	

Source: mortgagecalculator.org

Hypothetical example for illustrative purposes only. Monthly payment amount reflects principal payments. It does not include potential property taxes and insurance.



IMPROVING YOUR CREDIT SCORE

- Start early with a low limit
- Pay down debt
- Initiate automatic payment plans
- Be responsible with credit cards
- Maintain an emergency fund
- Protect your identity: **IdentityTheft.gov** has tips
- Ask for professional help

MANAGING DEBT



“Beware of little expenses. A small leak will sink a great ship.”

— Benjamin Franklin

TIPS FOR PAYING DOWN DEBT

PAY

**Highest
interest rate**

Get rid of those high-interest payments as soon as possible.

or

PAY

**Smallest
balance**

Build motivation by ticking off one debt at a time, starting with the lowest one to pay off.

DEBT MANAGEMENT PROGRAMS

Typically a 3- to 5-year program to eliminate unsecured debt — primarily credit cards

Pros

- Reduced interest rate
- Improved credit score
- No loan required
- Professional support

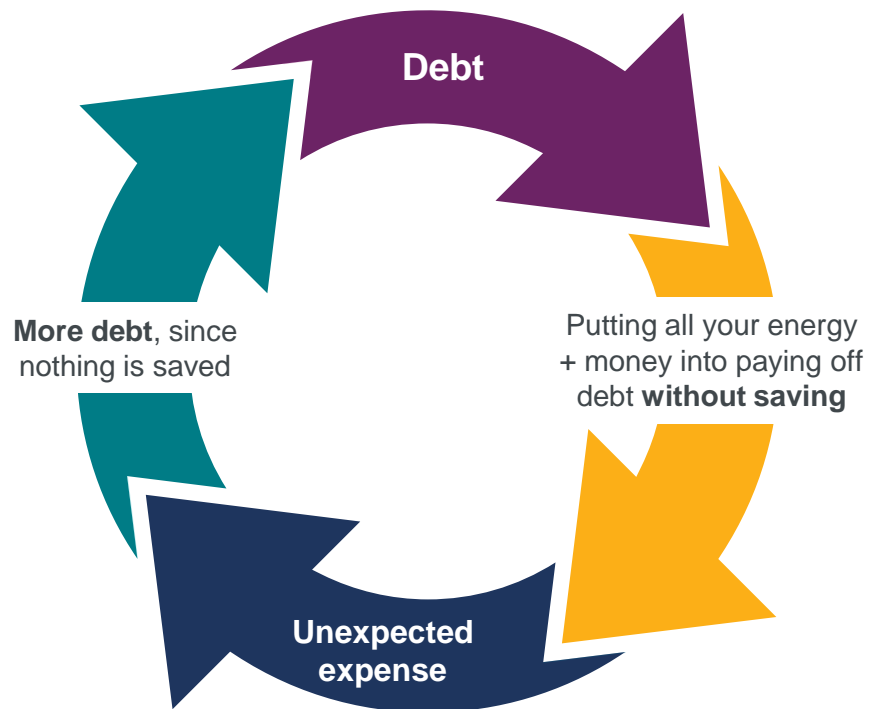
Cons

- Must close all credit card accounts during payment period
- No new lines of credit available
- Commitment to consistent monthly payment
- Subject to small fees

Top debt-consolidation companies (as rated by debt.org)

- InCharge Debt Solutions
- Proper Funding
- Wells Fargo
- Lending Club
- Avant

AVOID THE DEBT CYCLE





REDUCE DEBT *AND* SAVE FOR RETIREMENT

IT DOESN'T HAVE TO BE ALL-OR-NOTHING

Be sure to participate in your employer-sponsored retirement plan

- Find a manageable contribution rate for now – 3% instead of 10%
- Take full advantage of any employer matching contribution – or you'll miss out on money you've earned
- As you pay off debt, increase your contribution by 1% or 2% – small steps can add up over time

STUDENT LOANS

45
million borrowers

\$1.7
trillion in debt

THIS CAN BE YOU ONE DAY!

Payments & Billing

\$1,516.69 on 12/17/2018 > Payment History

\$0.00

Thank you! Your account has been paid in full.

Loan Details

0%
Average
Interest Rate

● \$0.00 Principal Balance
● \$0.00 Outstanding Interest

Source: "[Student Loan Debt Statistics in 2022: A Record \\$1.7 Trillion](#),"
Forbes, May 2022

PUBLIC SERVICE STUDENT LOAN FORGIVENESS

Who qualifies for the program?

- Federal, state, local, or tribal government employees
- Employees of not-for-profit organizations (hospitals, universities, charities)

Other qualifications

- Work full-time
- Have direct loans (or consolidate other federal student loans into a direct loan)
- Repay your loans under an income-driven repayment plan
- Make 120 qualifying payments. (All payments made after November 1, 2007 and includes the suspension period as if you were making payments)

Process:

- Go to studentaid.gov and submit the PSLF form
- The form will help you determine if you are on course with payment forgiveness or if you already qualify for total loan forgiveness

NEXT STEPS



- Put a budget into place
- Create an emergency fund and add to it regularly
- Have a strategy to reduce debt
- Consider short- and long-term financial goals
- Automate savings where possible
- Check your credit score regularly
- Take advantage of your employer-sponsored retirement plan

WHERE TO GO:

RESOURCES

Financial Literacy and Education Commission: **MyMoney.gov**

Security and Fraud Prevention
Tips: **IdentityTheft.gov**

Credit report: **AnnualCreditReport.com**

National Foundation for Credit Counseling: **nfcc.org**

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