

**F**or many years we were happy to spend too freely, borrow too much and hand our money over to someone else to manage, hoping to ride a market that always went up. Well, times have changed and today building wealth is all about realizing that we are in charge of our money and that taking control will get us on the road to success.

To do that, now more than ever, we need *New Rules for Personal Finance* and it starts right here with building wealth. Use this workbook to help you build a solid foundation for an extraordinary financial life. Let's get started!



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### WORKSHEET I-I: YOUR MONEY MINDSET – WHAT SORT OF SPENDER ARE YOU?

Your financial success begins with knowing your money habits and attitudes. How do you spend your hard-earned dollars? What is your approach to investing?

As a first step toward building a rewarding financial life, read and answer each of the following statements.

1. I invest my money \_\_\_\_\_.
  - A. in a wide variety of money-making accounts
  - B. basically, in my checking account
2. Every bill is paid \_\_\_\_\_.
  - A. on time
  - B. eventually
3. “Shopping is therapy” is \_\_\_\_\_.
  - A. a dangerous pitfall
  - B. my mantra
4. I always find a way to \_\_\_\_\_.
  - A. save for retirement
  - B. explain why I’m not saving for retirement
5. I \_\_\_\_\_ need to cross my fingers when I write a check.
  - A. do not
  - B. do
6. Before I began saving for retirement, I \_\_\_\_\_ how much I will need.
  - A. thoroughly researched
  - B. didn’t research
7. When it comes to budgeting and spending, I \_\_\_\_\_.
  - A. budget, then I spend
  - B. spend
8. I look at the stock market \_\_\_\_\_.
  - A. in terms of long-term gains
  - B. as a sucker’s bet
9. Everything I buy, from clothes to stocks, \_\_\_\_\_.
  - A. has long-term value
  - B. rarely has long-term value
10. I find the idea of “getting by” \_\_\_\_\_.
  - A. to be a danger to my long-term financial health
  - B. satisfactory
11. I consider myself financially fit, \_\_\_\_\_.
  - A. but that doesn’t mean I don’t spend at least an hour a week reviewing my budget and my investments
  - B. so I don’t need to pay attention to my investments
12. I’m the one person who \_\_\_\_\_.
  - A. can say “no” to a credit card application
  - B. can’t say “no” to a credit card application

- 13.** Living paycheck to paycheck \_\_\_\_\_.
  - A. is the “old” or “never was” me
  - B. is the way I live my life
- 14.** Mutual funds, stocks, bonds – it’s a lot to learn, \_\_\_\_\_.
  - A. but I’m up to the challenge
  - B. and I don’t have the time
- 15.** My spouse and I \_\_\_\_\_.
  - A. work hard at saving so we can enjoy a peaceful life after we retire from the workforce
  - B. believe in living life to the fullest, now
- 16.** \_\_\_\_\_ of my retirement savings includes money to cover possible health-related concerns.
  - A. Part
  - B. None
- 17.** I \_\_\_\_\_ my credit score.
  - A. would never do anything to jeopardize
  - B. couldn’t tell you

For every statement you chose “A” give yourself a pat on the back. Each of those responses reflects a great money mindset attribute that will reward you financially for years to come. Now, look at the ones for which you answered “B.” Those habits present challenges to leading a successful financial life – and ones that you need to work on changing. Taking control of your money and your life means understanding your money mindset so you can rid yourself of habits that keep you from achieving your dreams.

## WORKSHEET I-2: YOUR MONEY MINDSET – OVERCOMING YOUR FINANCIAL FEARS

Sometimes our fears and concerns get the better of us. What we're hearing, what we're reading, the financial struggles of our friends and family, these all affect our money mindset. Once we recognize our fears about money, we can harness that energy to work on overcoming them so we can plan for the future.

As the next step toward a financially rewarding life, place a (✓) next to the statements you agree with, an (✗) next to the statements that **don't** apply to you or an (S) next to the statements you feel only **sometimes**.

- \_\_\_ I am worried that I won't have enough money to retire.
- \_\_\_ When I hear about skyrocketing prescription drug costs for senior citizens, I become scared about my own future.
- \_\_\_ I don't feel I'm doing better than my parents.
- \_\_\_ I wonder if I will be a financial burden on my kids later in life.
- \_\_\_ I am scared that I'm not saving enough to achieve my dreams.
- \_\_\_ I can't figure out how I keep getting myself into so much debt.
- \_\_\_ I'm not sure how I will cover healthcare costs when I retire.
- \_\_\_ I'm not at all confident that my kids and spouse will be taken care of in the event of my death.
- \_\_\_ I wonder what I'll do if my mother/father needs care when they get older.
- \_\_\_ College tuition is so expensive. I wonder if I'll ever be able to afford private or out-of-state schools for my kids.
- \_\_\_ I'm worried that I'm robbing my future to pay for my present expenses.
- \_\_\_ I don't feel as if I'm where my peers are, financially speaking, at this stage of life.
- \_\_\_ I can't afford to live to 100 because I will outlive my savings.
- \_\_\_ I would fix my present financial situation – but the thought of investing feels overwhelming.

For every statement with which you agreed or answered "sometimes," the fact that these items worry you is a strong sign that you understand how important it is to be committed to building a solid financial life. Identifying your feelings when it comes to money helps you put a plan in place to address your concerns with your budget, which is exactly what comes next.

**WORKSHEET I-3: GET YOUR FINANCIAL HOUSE IN ORDER – IT’S ALL ABOUT YOUR BUDGET!**

It’s time to take out your calculator. We’re going to crunch some simple numbers that will help you take control of your budget. We’re going to break down what you spend over the course of a month for items such as housing, transportation, food, entertainment etc. Then, we’ll compare your budget to an optimal, healthy budget, so you can see where you stand and where you need to improve.

**HOUSING**

Rent/Mortgage \_\_\_\_\_

Real Estate Taxes \_\_\_\_\_

Maintenance \_\_\_\_\_

Home Insurance \_\_\_\_\_

Landscaping/Other \_\_\_\_\_

**Total** \_\_\_\_\_

**TRANSPORTATION**

Car Payment \_\_\_\_\_

Car Insurance \_\_\_\_\_

Maintenance \_\_\_\_\_

Gas \_\_\_\_\_

Other Transport Costs/Tolls \_\_\_\_\_

**Total** \_\_\_\_\_

**DEBT**

Credit Card #1 \_\_\_\_\_

Credit Card #2 \_\_\_\_\_

Credit Card #3 \_\_\_\_\_

Other \_\_\_\_\_

**Total** \_\_\_\_\_

**FOOD**

Groceries \_\_\_\_\_

Dining Out/Delivery \_\_\_\_\_

**Total** \_\_\_\_\_

**HOUSEHOLD**

Electricity \_\_\_\_\_

Oil/Gas \_\_\_\_\_

Cable/Internet \_\_\_\_\_

Phones (Landline + Cell) \_\_\_\_\_

**Total** \_\_\_\_\_

**SAVINGS**

Bank Savings \_\_\_\_\_

Retirement Accounts \_\_\_\_\_

Other \_\_\_\_\_

**Total** \_\_\_\_\_

**EVERYTHING ELSE**

Vacation \_\_\_\_\_

Movies (Including Snacks) \_\_\_\_\_

Other Entertainment \_\_\_\_\_

**Total** \_\_\_\_\_

Transfer the various category totals you just calculated here:

Housing	_____
Transportation	_____
Debt	_____
Food	_____
Household	_____
Savings	_____
Everything Else	_____
<b>Grand Total</b>	_____

Take out your calculator one last time. Divide each category total by the GRAND TOTAL (the grand total should be approximately equal to your take-home pay). The answer you get for each is the percentage of your budget spent on that category. Write them here and compare them to the preferred budget breakdown below:

Housing	_____	30%
Transportation	_____	18%
Debt	_____	10%
Food	_____	14%
Household	_____	7%
Savings	_____	10%
Everything Else	_____	11%

You now have a good idea about where your budget needs trimming and where it needs to grow. When it comes to your budget, realize that you're working within the confines of your "pie." So for example, if you're spending too much on housing but not enough on savings, you'll need to cut your housing expenses and put the money you save on rent/mortgage in your savings account. Or if you need to spend more on transportation, then you're going to have to cut elsewhere unless you start bringing more money in.

Managing your "pie" right means you're living within your means. When you take control of your budget, you take control of your life!

**WORKSHEET I-4: THE TRUE COST OF OWNING A HOME**

You're looking to buy a house. You found your dream home. You've crunched the numbers and, while the bank still must approve your loan, your 20% down payment, great credit history and credit score make this deal seem like a sure thing.

But did you remember to factor every cost into your budget? Because a mortgage only begins with the monthly payment. After that, there are expenses and fees that can drive the cost past what you may be able to afford.

When you're buying a home, you need to consider some fees you'll be paying up front just to close on the deal, then you'll need to factor in some additional monthly expenses that you're probably not accounting for. Take a moment to fill in the following work sheet. You may be surprised by the true cost to buy/own your dream home.

**BEFORE /AT THE CLOSING**

- \$\_\_\_\_\_ Mortgage Administrative Fees
- \$\_\_\_\_\_ Mortgage Broker Fee
- \$\_\_\_\_\_ Credit Report
- \$\_\_\_\_\_ Appraisal
- \$\_\_\_\_\_ Survey
- \$\_\_\_\_\_ Escrow Fees
- \$\_\_\_\_\_ Attorney's Fees
- \$\_\_\_\_\_ Notary Fee
- \$\_\_\_\_\_ **Total**

**ADDITIONAL MONTHLY EXPENSES**

- \$\_\_\_\_\_ Monthly Property Taxes
- \$\_\_\_\_\_ Title Insurance
- \$\_\_\_\_\_ Private Mortgage Insurance (if necessary)
- \$\_\_\_\_\_ Structural Integrity Management & Termite Inspections
- \$\_\_\_\_\_ Homeowner's Insurance
- \$\_\_\_\_\_ Utility Costs
- \$\_\_\_\_\_ Furniture Budget
- \$\_\_\_\_\_ Maintenance/Landscaping Fees
- \$\_\_\_\_\_ **Total**

The mortgage payment is the tip of the iceberg when purchasing a home. However, knowing and planning for how much your new home really costs will set you up to buy a home the right way and let that home be the cornerstone to building wealth.

**WORKSHEET I-5: UNDERSTANDING INVESTMENT PRODUCTS**

We've all heard of Stocks, Bonds and Mutual Funds. But what are they exactly? How is a Certificate of Deposit (CD) different from a High-Yield Savings Account? To find out, see if you can match the term with the correct definition below. Then, compare your answers with the Answer Key on the following page.

- A. Exchange-Traded Fund
- B. Stock
- C. High-Yield Savings Account
- D. Money Market Account
- E. Mutual Fund
- F. Certificate of Deposit (CD)
- G. Treasury Bill (T-Bill)
- H. Bond
- I. Municipal Bond

1. \_\_\_\_ "I'm a great place to hold your money, to keep it liquid, and I pay you interest. However, you may have to shop around at different banks before you can find me."
2. \_\_\_\_ "I am like a savings account, but I pay a much higher interest rate. In return, I demand a higher minimum deposit and usually require no more than six withdrawals a month."
3. \_\_\_\_ "I lend your money to local and state governments and pay you interest. Quite often, I am exempt from federal, state and local income taxes."
4. \_\_\_\_ "I represent a certificate of ownership of part of a company, meaning I give you a claim on part of that company's assets and earnings."
5. \_\_\_\_ "I represent a contract where a company or government borrows money from an investor for a fixed period of time. In return, the investor receives that money plus interest."
6. \_\_\_\_ "I am a pool of money, invested in specific stocks, bonds or other instruments that represents specific indexes or sectors or commodities (like gold). Like stocks, my price changes throughout the trading day."
7. \_\_\_\_ "I am a savings instrument that accrues interest over a fixed period of time. You may invest in me over any period between one month and five years, at the end of which time, you receive your investment plus interest. However, if you withdraw your money too early, you'll pay a fee."
8. \_\_\_\_ "I am a pool of money from many investors that my manager will invest in instruments that vary from stocks to bonds to money market accounts and more."
9. \_\_\_\_ "I am a debt instrument of the U.S. government. I pay back an investor after a fixed time period, but I also pay the investor interest semi-annually. I am exempt from federal taxes."

Building wealth begins with a basic knowledge of terms and definitions. Once you understand the different investment products available to you, you can begin to assess which are right for you and your family.

Whether you're a seasoned investor or a novice, it never hurts to know more about your investing options so you can take control of your financial future. Set goals for yourself, if you have no savings to invest, start there and deposit money into a high interest checking account. If you have savings but aren't earning much on it, consider CDs, money markets, or bonds. If you're a little more advanced, try to diversify your portfolio with stocks or ETFs – but remember, investing is done with the long term in mind and never put all your eggs in one basket – the smartest investors are diversified over a broad range of asset classes. For more tips on building wealth, go to [onthemoney.cnbc.com](http://onthemoney.cnbc.com).

Congratulations, with the completion of this workbook you've mastered some of The New Rules of Building Wealth. Check out Workbook 2 to learn about The New Rules of Family Finances.

Answer Key: 1-C, 2-D, 3-I, 4-B, 5-H, 6-A, 7-F, 8-E, 9-G