When it comes to your money, it's a family affair. From your home to your car to planning for the future or just saving up for a vacation, how we manage our money affects everyone around us. If you're a parent or live with loved ones, it's important to communicate about money, share values, spend wisely and make plans together for your finances. It's also important to designate a household "money-manager" who is responsible for paying the bills on time and meeting the family's financial goals. It's the boss' job to bring everyone together to discuss where money is going and review big purchases or money-moves. Whether you're the current money-manager at home or a partner in the process, this workbook will help you better plan for family expenses, such as saving for college or choosing the health coverage that's right for you and your family.

CARMEN WONG ULRICH

WORKSHEET 2-1: UNDERSTANDING THE TRUE COST TO OWN A CAR

One of the biggest expenses a family has is their car, and the cost of that car is a lot higher than just the sticker price. That's why if you own, lease or are in the process of shopping around, you need to run through the following checklists. This exercise will ensure that you are budgeting enough for all possible expenses and really understand the true cost of owning your vehicle. This worksheet can also help you weigh the pros and cons of buying vs. leasing.

BUYING

STEP 1: Purchase Price

$____________ Purchase Price After Negotiations

$____________ (-) Subtract Value of Your Trade In

$____________ (-) Subtract Any Rebates or Special Offers

$____________ (+) Plus Documentation Fees

$____________ (+) Vehicle Registration Fees (include: title and cost of license plates)

$____________ (+) Hidden Dealer Prep, Shipping, or Advertising Fees

$____________ (+) State Sales Tax on the Purchase Price

$____________ **Total Price**

Step 2: Yearly Cost To Own

$____________ Financing (calculated with lowest interest rate available)

$____________ (+) Insurance

$____________ (+) Gas

$____________ (+) Maintenance

$____________ (+) Tolls/Parking

$____________ (+) Taxes & Fees

$____________ (+) Repairs

$____________ **Total Cost to Own Per Year**

Here's a tip, if you don't know some of the answers to the questions above, go to edmunds.com for their "True Cost To Own Calculator", this will help you estimate what you'll spend on your car.

LEASING

Answer the following questions Yes or No.

_______ **1.** Am I OK with giving the car back after two or three years with nothing to show for it?

_______ **2.** Does my commute or lifestyle allow me to log fewer miles than the maximum 10,000 to 15,000 that a typical lease allows?

_______ **3.** Am I a tidy person? Will I easily be able to return the car in the same condition in which I received it?

_______ **4.** Can I afford higher insurance rates?

_______ **5.** Is maintenance free or will I have to pay for visits to the dealer?

If you answered more of these questions "Yes," then you can consider leasing a car (even though buying still may be more economical). If you answered more of these questions "No," you should consider buying a car.

When looking to buy, you will see that expenses and monthly payments might be higher than they are with a lease, but if you're on the road, racking up mileage and can't keep a car in perfect condition this purchase will save you money down the line. You should also consider and research Certified Pre-Owned vehicles. Going CPO can get you a fully warranteed, backed-by-the-manufacturer vehicle for much less than a new car's sticker price.

WORKSHEET 2-2: THE REAL COST OF COLLEGE TUITION

A college education is one of the single greatest investments that you can make in yourself or your child. Unfortunately, education costs rise nearly twice as fast as inflation, that's why it's important to work college savings into your family finances early. Let's figure out the cost of tuition at your alma mater (or the school your child hopes to attend). Once you understand the costs, you can devise a plan to help you and your kids save.

$_____________ Tuition

$_____________ Room & Board (range of $3,000 to $10,000 per year)

$_____________ Books (range of $300 to $900 per year)

$_____________ Miscellaneous (other school supplies, about $500 per year)

$_____________ Entertainment (estimate per month, then multiply by 9)

$_____________ Travel

$_____________ **Total**

That total is probably higher than you expected. But remember, borrowing for college is always an option as long as you stick to public, low-fixed-rate loans. Public student loans allow you to use debt to make an investment in you and your future. As you try to save, try to put at least part of your savings into a tax-friendly ESA: Education Savings Account. But which plan is best for you? A 529 Plan or a Coverdell ESA?

See which statement best describes your savings strategy by answering the following questions with Yes or No.

529 PLAN

_______ **1.** I am saving strictly for college.

_______ **2.** I don't want to actively invest this money myself - I want to choose a plan that places me in an adaptive asset allocation strategy based on the age of my child.

_______ **3.** I will feel safer if the savings plan is in my name.

_______ **4.** I need to save fast and cannot afford for my contributions to be capped.

COVERDELL ESA PLAN

_______ **5.** I am saving for college but may need to use this money for private, primary education.

_______ **6.** I want to take a more active roll in directly investing my child's savings.

_______ **7.** I will manage the ESA until my child turns 18.

_______ **8.** A yearly cap on my investment of $2,000 doesn't bother me.

529 PLAN: If you answered questions 1 through 4 with more "Yes" than "No" answers, then a 529 Plan may be right for you. This option allows you to choose a plan that either you manage or that runs on auto-pilot, changing its asset allocation based on how old your child is and how close he or she is to heading to school. The funds in a 529 are controlled by you, not your child – meaning if your son or daughter decides not to use the money for college, they cannot have access to the funds. When calculating a financial aid package, the impact of your 529 depends on whether the plan is considered the student's asset or your asset. Maintain control of the asset so the funds aren't factored into your child's eligibility. Contributions are generally not capped, which makes them a good option for financial gifts from family members.

COVERDELL ESA PLAN: If you answered questions 5 through 8 with more "Yes" than "No" answers, then a Coverdell ESA may be your best bet. This option allows you to choose from a wider range of investment products and be more active in the investment process. Additionally, funds put away in a Coverdell ESA are not strictly for college and can used for elementary and secondary school expenses. Coverdell ESAs will be controlled by you (the parent) until the child reaches the age of 18. Coverdell ESAs will not count as your child's assets when they apply for financial aid, but contributions are capped at $2,000 per year, per child.

It's sound financial management to invest in your child's education early and often. Keep in mind that as you get 4 or 5 years away from the child's first year of college, you should shift your investments into cash equivalents like money market accounts to protect what you've already earned.

Begin investing early and make sure your children understand why you're saving for them. Encourage them to share in the process by contributing money themselves. For more information on saving for college, student loans, financial aid and scholarships, go to finaid.org. Remember, saving for college is a family affair so use this as an opportunity to teach your kids about being financially responsible.

WORKSHEET 2-3: WHICH HEALTH INSURANCE IS RIGHT FOR YOU?

Health insurance is the single most important insurance you can buy because it protects the single most important asset you have – you and your family.

Choosing the right plan, however, can be complicated. In order to protect your family, it's important to know the different kinds of insurance options available and what they do and do not protect.

To learn a little more about the options available to you, match each term below with the definition that seems the best fit:

A. Preferred Provider Organization (PPO)
B. Health Maintenance Organization (HMO)
C. High-Deductible Health Savings Account (HSA)
D. Point-of-Service Plan (POS)

1. ____ This type of health insurance is a form of managed care, where you choose a Primary Care Physician from a roster of participating doctors. This insurance option requires referrals to see a specialist. However, the insurance doesn't require you to fill out claim forms and most visits require only a co-pay of $5 or $10. In addition, by staying in-network (within a list of designated hospitals and doctors), this insurance covers the costs of surgeries, diagnostic tests and hospital stays.

2. ____ This type of health insurance is a form of managed care that is valuable to people who have conditions that require specialists. You'll typically pay higher premiums, but will never need a referral to see a particular physician. This plan will also cover a portion of your out-of-network costs.

3. ____ This type of health insurance combines characteristics of both the HMO and the PPO. Members of this plan do not make a choice about which system to use until the service is used. This plan is designed for people who might want to see doctors outside the prescribed network. The premiums are slightly higher to make up for the plan's flexibility.

4. ____ This plan isn't health insurance but rather a tax-advantaged medical savings account that allows retirees and those approaching retirement to save for projected medical costs. These plans allow you to roll money over year-to-year and there are no claim denials. When considering a plan like this, you need to consider how much you can pay up front for medical care, as your deductible is higher.

OK, now check your answers: 1-B, 2-A, 3-D, 4-C

Based on the answers, choose a health insurance plan that seems to make sense for you and your family. Despite the cost, health insurance is key to your financial stability because it protects you and your family. For more tips on family finances, go to onthemoney.cnbc.com.

Congratulations, with the completion of this workbook you've mastered some of The New Rules of Family Finances. If you missed it, review Workbook I to learn The New Rules of Building Wealth. If you're ready to move on, go ahead to Workbook 3 to learn The New Rules of Borrowing. You're on your way to living your best financial life.