# UNLOCKING

## THE TREASURES TO FINANCIAL WELLNESS

Bay CPA PLUS

The nation's financial and physical wellness are both on an upswing. While finances and health may seem unrelated, the two are often closely intertwined, especially in America's bustling, free-flowing marketplace.

The first stop on our diagnostic journey is a brief physical checkup. As countries around the world slowly recover from a devastating pandemic, more vaccines are being approved, distributed, and widely adopted.

Our nation's financial report card also shows signs of improvement as economic growth continues to improve. But it will take time for the economic rebound to reach all sectors of the economy, such as the leisure and hospitality industries.[1]

While COVID-19 disrupted the financial journey for many, 41 percent of Americans say they have learned to spend less and save more during the pandemic. That can be a powerful combination.[2]

Will the nation's economic rebound gather momentum? Will Americans continue to improve their personal balance sheets as the country moves forward?

---

First, let's take a look at the financial facts by the numbers:

- **$68,703:** *the median income of an American household.*[3]
- **$145,085:** *the average American household debt, which includes credit cards, mortgages, auto loans, and student loans.*[4]
- **$2,514:** *the average charitable contribution of general-population households.*[5]
- **706:** *the average American's credit score.*[6]
- **$112,300:** *the average American's 401(k) balance.*
- **8.8%:** *the average 401(k) contribution rate as a percentage of salary.*[7]
- **33%:** *the percentage of Americans who own an IRA account.*[8]
- **$1,543:** *the average American's monthly Social Security retirement benefit.*[9]
- **40%:** *the percentage of the average worker's income Social Security was designed to replace.*[10]

Second, let's take a look at two of the single largest lifetime expenditures: retirement and healthcare.[11] The general rule of retirement income is to have available between 70-80% of your working income. Some analysts, however, say you should hit 100% of your annual working income levels during at least the first few years of retirement. Generally, spending habits don't significantly change during retirement. Some expenses may decline while others, such as traveling costs, may increase.[12]

While the average retirement lasts 19 years for men and 21.6 years for women, married couples may fare better: at least one person, on average, is likely to make it to 93. That's 30 years, based on an average 63-year-old retirement age.[13]

With annual U.S. health-care costs rising to $3.8 trillion, the industry consumes nearly 18% of the U.S. gross domestic product.[14]

What does that mean for the average retiree? The average couple may need $295,000 to cover healthcare costs during the course of retirement. That figure does factor in Medicare insurance, which takes effect at 65.[15]

What about those who aren't retired or anywhere near retirement?

The average individual health insurance premium is about $456 a month; premiums for families are about $1,152. Deductibles? Under individual plans, it's about $4,364. For families, it's about $8,439.[16]

How about by age? How much are average monthly premiums for individuals in different age categories? It's $236 for those under 18; $278, 18-24; $329, 25-34; $411, 35-44; $551, 45-54; and $784, 55-64.[16]

For people without health insurance, an annual physical can easily cost over $200. A tetanus shot will cost between $25 and $60. An uninsured visit to the emergency can cost between $150 and $3,000, or even more depending on the nature of the emergency. Of course, these figures may vary depending on location, services, and other factors.[17]

Prices rise for more serious conditions. A recent estimate puts the average cost of an inpatient knee replacement surgery at $30,249, while an outpatient knee replacement surgery costs $19,002 on average.[18]

What do you do if your financial health is on the anemic side? How do you create a strong bottom line to prepare for an uncertain financial future?

## *LEARN, LEARN, LEARN*

The first step to creating financial wellness is knowledge. Knowledge is power, the power to build robust financial health. Some employers, organizations, and communities offer financial wellness programs. If programs are available, consider signing up. The more you know, the better. The financial world can be complex and confusing. Understanding where the opportunities lay and how to make your way through the muddle of money management may give you a distinctive edge.

If your employer doesn't have a program, develop or find one of your own. Do the research. Remember, getting yourself a financial education may set you in the right direction.

However, the most valuable, reliable, and up-to-date information may come from a financial professional who can help you with financial wellness programs on budgeting, debt management, and retirement strategies. It's never too late to chart your course to financial wellness.

> *"41 PERCENT OF AMERICANS SAY THEY HAVE LEARNED TO SPEND LESS AND SAVE MORE DURING THE PANDEMIC"*

## CREATE A BUDGET

It may seem obvious, but building a budget may be the single most important step to financial wellness. A budget allows you to monitor and manage your money and better develop strategies to pursue your goals, both short-term and long-term.

Some financial professional say you can consider using apps on your phone, online banking, spreadsheets, or old-fashioned pen and paper.

Budgets may provide you the tools to track income and expenditures and get a better understanding of financial habits that may be draining your pocketbook. Budgeting also enables you to spot positive habits and spending patterns that you may want to reinforce or enhance.

Budgets provide you with openings and opportunities to invest and to build savings. Balanced, sensible investment strategies developed with a financial professional can set you well on your way to a bright future.

Here are 5 steps for building a budget:[19]

1. **Net income.** *How much money do you have, and how much do you make? Determine your take-home pay, which is minus deductions for Social Security, taxes, and other accounts. Add in any amounts from self-employment, freelancing, or part-time work.*
2. **Spending.** *Track and categorize your spending. That way, you'll know exactly where you spend your money and get a better understanding of your outgoing financial habits. Start by listing your fixed expenditures, such as rent, mortgage, car payments, and utilities. Then look at your variable expenses, such as groceries, gas, and entertainment. Record your daily spending on paper, an app, your phone, or on your computer.*
3. **Create a strategy.** *Chart your variable and fixed expenses to get an understanding of projected spending habits or trends. Gas expenses, for example, count as fixed (a need), while a magazine subscription counts as variable (want). You may detect high levels of spending on gas or entertainment expenses. The distinction is important later when making budget modifications.*
4. **Adjustments.** *Once your budget is completed, determine what changes you want to make to pursue your goals, which we'll explore more deeply in the next section. If your budget is tight, you can cut variable expenses to generate savings; remember the high spending levels on "entertainment." You can also look at cutting fixed expenses, which may require a little more creativity.*
5. **Keeping it active**. *Review your budget frequently, at regular intervals, to ensure you remain on track. Your budget may fluctuate—pay raises, paying off a debt, or eliminating a variable expense. More frequent reviews, such as weekly or even daily, may be best in the beginning as you become more focused and disciplined.*

## SET GOALS

While budgeting establishes the foundation, setting goals sets the direction. Learning about money, debt, wealth management, and investing is good. But without goal setting, you may lack the motivation to make it in the long run. Goal setting provides you with vision. You determine what you want to do and have in your life, and strict money management helps create the catalyst for shaping your future.

Here are ways to set lasting goals:[20]

*SEEK INSPIRATION.* Your goals have to possess more than merely your wants. You have to know why you want to set a particular goal. Attaching reasons to your goals may motivate you. Examples include saving money for a family vacation. But where do you plan to go? How will you get there? How about creating an emergency fund in case you lose your job? How much money do you want to have in a special emergency account? Eliminated credit card debt, which can be a very important goal, may make more money available for travel or for building your retirement fund. Dig into the details and put them on paper.

*TAKE A CLOSER LOOK.* You may not know where to start or how to prioritize. Start by looking at your immediate future. What about next week? Or next month? Then move on to next year. Look at how much you make, your taxes, and your net worth. Don't forget that all-important part, your budget.

*BRACE FOR EMERGENCIES.* Set aside enough money to cover 3-6 months of expenses.

*CONTRIBUTE TO RETIREMENT.* Some financial professionals suggest setting aside 15% of your gross income per year for retirement. If you're 50 or over, you may be able to contribute additional money into certain retirement accounts.

*ELIMINATE DEBT.* Target the debt with the highest interest first, such as credit cards.

*REWARD YOURSELF.* Setting goals is a discipline and can be challenging. To keep yourself on track, reward yourself after reaching benchmarks and milestones. The reward may help provide an incentive to keep on moving forward.

*BE "SMART."* Include all the elements in your goal setting. Being "SMART" means setting goals that are specific, measurable, achievable, realistic, and time-bound.

*MAKE IT WRITE.* After you've hashed through your goals, put them down on paper, a worksheet, a spreadsheet, or other computer document or application. Monitor your progress periodically. Go into detail. Dig deep. Exactly how much money do you want to have set aside for each goal at each particular benchmark?

## SAVE, SAVE, AND SAVE

Part of goal setting is saving. Saving a portion of your income helps develop financial discipline and allows you to envision your future more clearly. Saving also applies—but is not exclusive—to preparing for your retirement.

If your company provides a retirement plan, consider participating in it. Contributions to tax-deferred retirement plans indirectly help foster that budget discipline that may help you in the future.

Savings helps keep you smooth and steady through life's emergencies and unexpected twists and turns.

Saving helps develop your ability to focus on both short- and long-term goals as opposed to meeting only immediate needs.

## GET PROFESSIONAL HELP

Consult with a financial professional. Professionals can provide insight and direction and help you develop a more disciplined approach to personal financial management. They can also provide you with the tools and help you paint your vision of a prosperous future.

We hope you found this guide interesting, informative, and encouraging. We make ourselves available as a resource to you and your family to help guide and equip you on your way to financial wellness.

We are happy to answer any of your questions about financial strategies and developing budgets and goals. If you have questions about the information in this report, contact us today at 866 860 3880 We would be delighted to help.

Sincerely,

Sabina L. Pan, CPA, MBA

Would someone you know benefit from receiving this communication? If so, call our office and share with us THEIR contact information, and we will be happy to send them a copy.

*ENDNOTES AND DISCLOSURES*

This material is for information purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Past performance does not guarantee future results.

Consult your financial professional before making any investment decision.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. Please consult your financial advisor for further information.

These are the views of the views of FMG Suite, and not necessarily those of the named representative, broker/dealer, or investment advisor and should not be construed as investment advice. Neither the named representative nor the named broker/dealer nor the investment advisor gives tax or legal advice.

The information contained within this document is provided for informational purposes only and is not intended to substitute for obtaining accounting, tax, or financial advice from a professional accountant. Presentation of the information via the Internet is not intended to create, and receipt does not constitute, an accountant-client relationship. Internet subscribers, users and online readers are advised not to act upon this information without seeking the service of a professional accountant. Any U.S. federal tax advice contained in this website is not intended to be used for the purpose of avoiding penalties under U.S. federal tax law.

Bay CPA Plus and its related parties (direct or indirect) disclaim all and any guarantees, undertakings and warranties, expressed or implied, and shall not be liable for any loss or damage whatsoever (including human, or computer error, negligence or otherwise, incidental or consequential loss or damage) arising out of or in connection with any use or reliance on the information or advice in this document.

The user must accept the sole responsibility associated with the use of the material on this website, irrespective of the purpose for which such use or results are applied.

Bay CPA + PLUS

*SOURCES:*


1. StLouisFed.org, 2020
2. NJBmagazine.com, 2021
3. TheBalance.com, 2020
4. NerdWallet.com, 2021
5. NPTrust.org, 2021
6. Yahoo.com, 2020
7. Investopedia.com, 2020
8. Investopedia.com, 2020
9. USNews.com, 2021
10. Nasdaq.com, 2020
11. MoneyCrashers.com, 2021
12. Schwab.com, 2020
13. Fidelity.com, 2020
14. CMS.gov, 2020
15. Fidelity.com, 2020
16. eHealthinsurance.com, 2020
17. CostHelper.com, 2021
18. HealthLine.com, 2020
19. BankofAmerica.com, 2021
20. NerdWallet.com, 2020



Bay CPA Plus

PO Box 6600, Albany CA

866 860 3880

info@baycpaplus.com

www.baycpaplus.com