GEIER ASSET
Geier Asset Management, Inc.

Financial Tips

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How much should I put away towards retirement every year?

- Put away 10% of income per year to ensure you have enough to cover the basics (works best for those starting this in early thirties)
- Put away 15% of income per year to ensure you have comfort to cover basics and beyond
- If starting in forties or beyond, may want to bump that number up to 25-30% of income per year

How much will I need in retirement?

- Many experts use the assumption that you will need to replace your pre-retirement income by 75-80%. So, if you make $80,000 the year before you retire, you should expect to have a little over $60,000 in income during retirement. Another way to think about that is to use the lump-sum assumption which says your nest egg should be approximately 20 times your annual retirement expenses that aren’t covered by outside sources of income, such as social security or a pension.

Credit Cards

- If you carry a balance, look for the lowest rate available.
- If you don't carry a balance, get rewards at least equal to 1.5% of what you spend
- Check out www.cardratings.com or www.bankrate.com
- Pay off the maxed out cards first (even before the higher interest rate cards) since maxing out cards hurts credit scores and can trigger penalty rates and fees
- After paying off maxed out cards, then focus on paying off those cards that carry the highest interest rates
- You should run your free credit report once a year (this score affects whether you can get a loan and the interest rate)

Purchasing a Vehicle

- If you must borrow to buy a car, follow the 20/4/10 rule. Make 20% down payment, don't borrow more than 4 years, and don't agree to a monthly payment more than 10% of your monthly income

Mortgage 101

- Fix the rate for at least as long as you plan to stay in the home
- If you can't afford to buy the house using a 30 year fixed rate, then you can't afford to buy the house
- Don't rush to pay off the mortgage until you've paid off all other debt, and have taken full advantage of your retirement savings options. This is a low rate deductible mortgage so chances are you may have other pressing things to do with your money.
- When getting a new mortgage, the balance should be less than 2.5X your family annual income. So if your family makes $120,000 per year, your mortgage should be $300,000 or less.
- It often makes sense to refinance when the spread between your current rate and prevailing rate is 1% or more, but you should always check the numbers with a professional first as it also depends on how long you plan on staying in the house. Helpful calculators can be found at www.dinkytown.net.

Investments 101

- Don’t invest any more than 10% of total savings in your employer’s stock (Example…Enron)
- Look to the Rule of 72. To determine how long it will take an investment to double, divide 72 by the annual return. Thus, if you’re earning a 4% return, your money will double in approximately 18 years.
- If you expect to withdraw from your portfolio for 40 years or more, you can probably safely withdraw and spend 4% of its value every year.

Emergency Fund

- Try to have 3-6 months worth of living expenses saved up in cash for emergencies.
- If you can't due to financial constraints, at least ensure you have a home equity line of credit or credit card with that much available in funds.

Property & Casualty Insurance

- Carry higher limits and deductibles for your auto and homeowner's insurance. Insurance was designed to cover catastrophic losses, not every day minimal losses.
- By increasing your deductibles you can lower your monthly/yearly payments.

Debt to Income Ratio

- Housing costs should be less than 28% of your gross income, and your total monthly debt payments should be less than 36%. These numbers prevent ample room but prevent borrowers from being trapped by too much debt.
- Lenders use this figure as an indicator of your ability to repay debt. The higher your ratio, the more of a credit risk you become.
- The ratio is calculated by dividing total monthly debt payments by your total net income (after taxes)

Amazing Statistics

*According to cardweb.com-as of 2010, on average we carry 8 cards per person and have a balance of $8,400 in credit card debt. 20% of our cards are maxed out, and just 40% of Americans pay off their accounts in full at the end of the month.

*Average line of credit is about $3,500, and the average household pays their lender $1,000 a year in finance charges

*Average homeowners owe nearly 50% of their homes value (20 years ago that

Appliances

- According to Consumer Reports, when you're faced with the repair of an appliance, you should buy a new one if the appliance is more than 8 years old, or if the repair would cost more than half what it would take to buy a replacement.

Life Insurance

- Can be used for varying purposes such as income replacement or an estate planning tool
- If it is deemed necessary, 5-10X your yearly income is a typical rule of thumb used to determine amount needed
- For a more accurate needs determination there are several sites available with calculators for this purpose. Example: MSN Money Life Insurance Needs Calculator

Student Loans

- Total borrowing should not exceed what you expect to make your first year out of school
- The first option to consider should be a Federal Stafford Loan. A free application for federal student aid (FAFSA) should be completed and filed, which may qualify student for grants, work study and other forms of student aid. Undergraduate students should look at costs with the Federal PLUS loan as well since this loan is much less expensive and typically has better repayment terms.
- Make sure you look at interest rates and fees. A good rule of thumb is 3-4% in fees is about the same as a 1% higher interest rate. Check out FinAid's loan analyzer calculator at http://www.finaid.org/calculators/loandiscountanalyzer.phtml
- Borrowers should prefer loans that are pegged to the LIBOR index over loans that are pegged to the Prime Lending Rate because the spread between the PLR and LIBOR has been increasing over time. Over the long term, loans with interest rates based on LIBOR will be less expensive than a loan based on the PLR.
- Great site as reference: http://www.finaid.org/loans/privatestudentloans.phtml