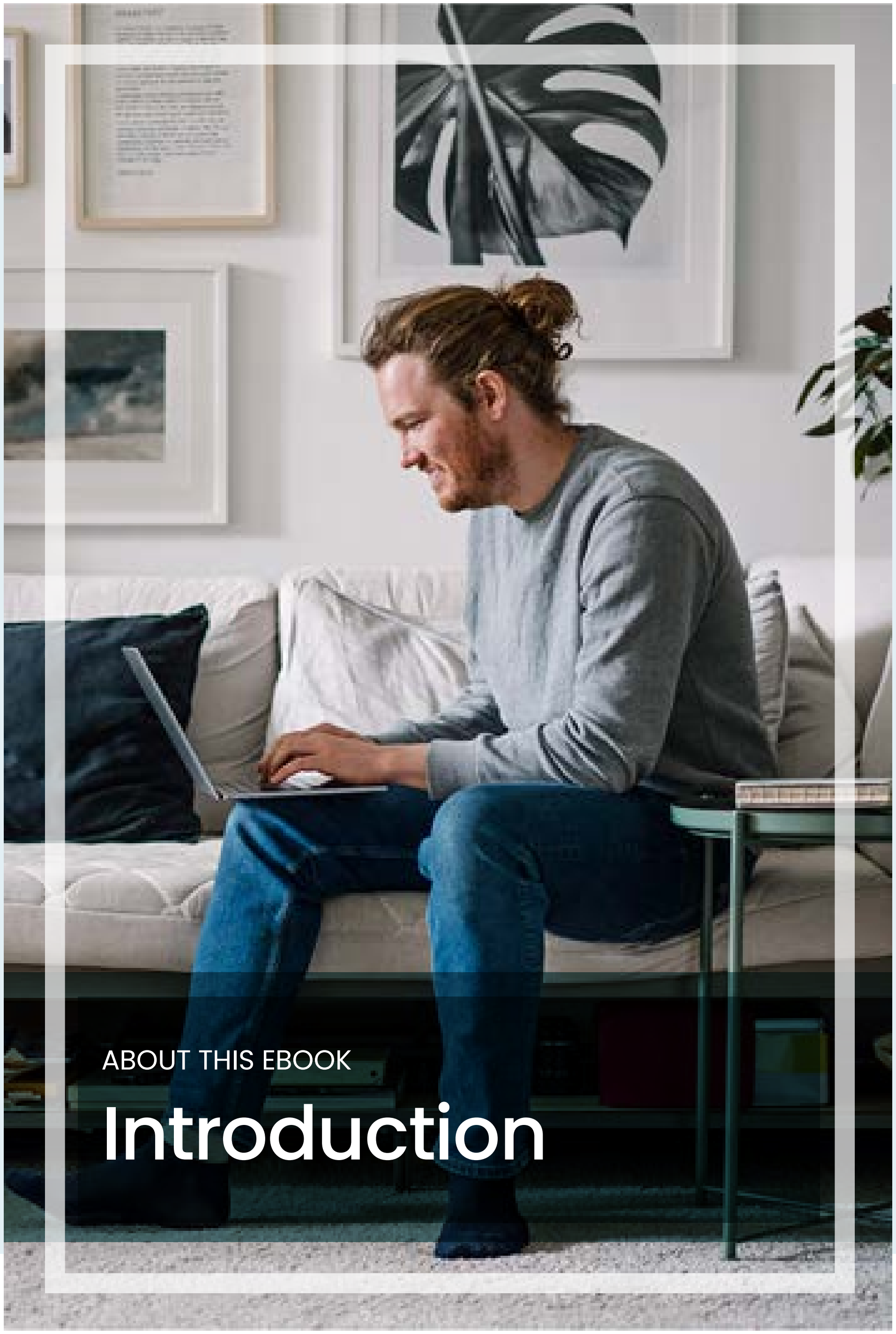
OnPoint
COMMUNITY CREDIT UNION

GUIDE TO FINANCIAL WELLNESS

Improve your finances by understanding where to start

Table of contents



ABOUT THIS EBOOK

Introduction

Determining where to start and consistently prioritizing financial growth is challenging.

If you've decided to dedicate time to improving your understanding of finances, you likely have a goal. Enhancing your knowledge of finances can help you achieve it. Even if you don't know your goal, that's ok too—we can help you make one.

Reaching your financial goals takes:

- **Understanding** your relationship with money
- **Learning** how to set goals
- **Evaluating** your income
- **Adjusting** your spending or establishing a budget
- **Improving** your credit for better financing offers
- **Thinking** about the long-term

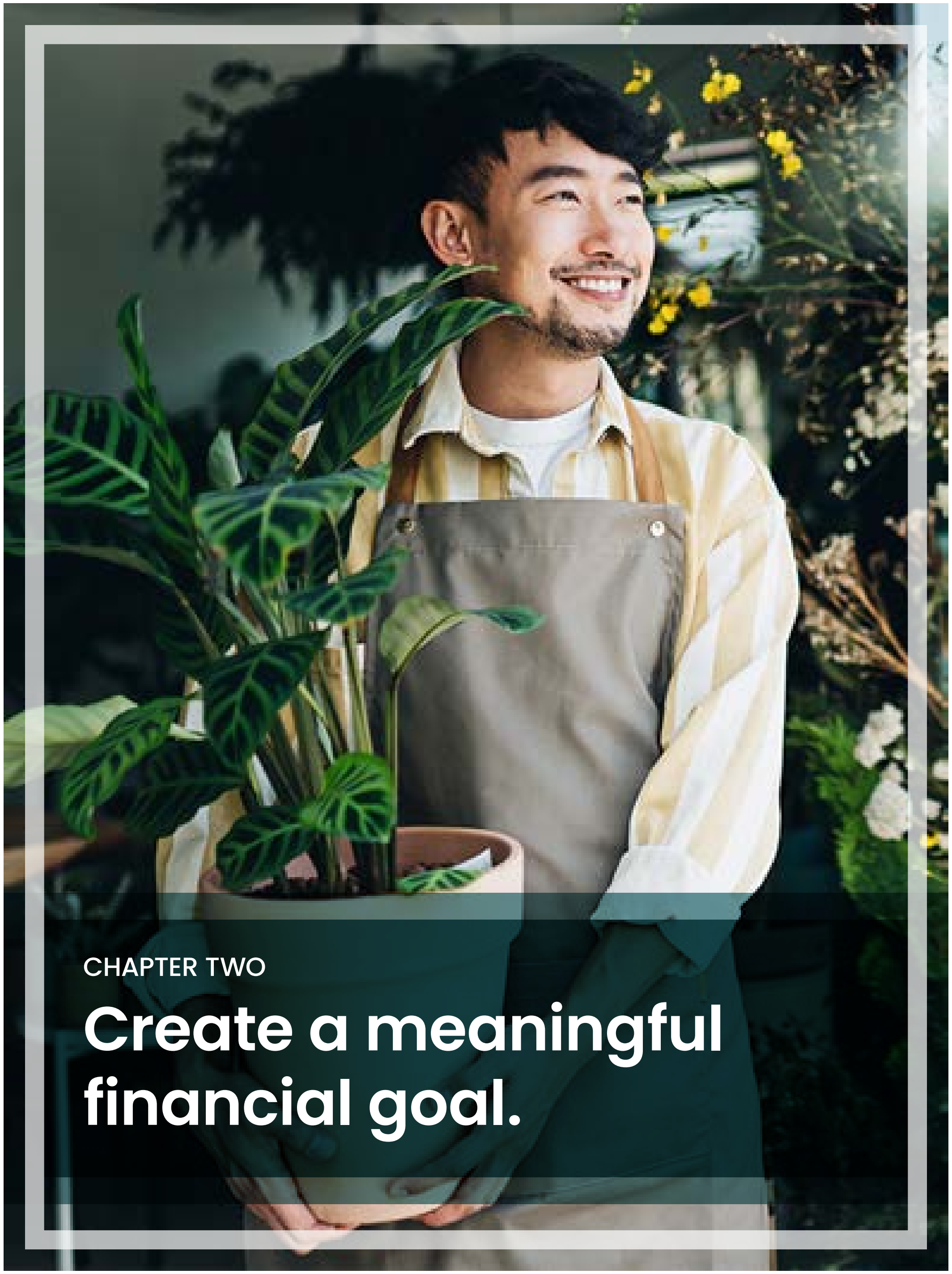
This eBook will help you determine where to focus your efforts and direct you to resources that can help. Now's the time to pursue today's financial goals while establishing a solid foundation of knowledge for the future.

CHAPTER ONE

Understanding your relationship with money leads to an effective financial plan.

Your culture, religion, upbringing, and experiences are just a few factors that impact your financial decisions—sometimes in ways you don't expect. Gaining a deeper understanding of your relationship with money can help you progress toward your goals.

The free "Your Money Personality" financial wellness tool identifies the unique characteristics of your personality that affect your financial decision-making to create a personalized document that you can download. It provides explanations of traits, strengths, challenges, and even actionable insights to support the way you relate to money.



CHAPTER TWO

Create a meaningful financial goal.

Setting financial goals can help you plan for the future.

Start with a gap analysis by writing down your current situation and goal. Understanding the difference between where you are now and where you want to be—the “gap”—will help you create a plan to reach your goal.

Here are some questions to consider for your gap analysis:

- **Find your inspiration.**
  What outcome do I want?
- **Examine your situation.**
  What factors have led to my current situation?
- **Make it realistic.**
  What resources do I need to achieve my goals?
- **Focus on positive shifts.**
  What could I do differently to close the gap?
- **Prepare for the unexpected.**
  How will I respond to unexpected challenges?
- **Create your budget.**
  Do I have the appropriate resources?
  — If I do, how do I create an effective budget?
  — If I don’t, how can I make progress?
- **Check on your progress.**
  How will I track my goal?

Set SMART goals

Use the SMART goals framework to create meaningful goals that consider your current situation.

SMART goals are:

- **S**pecific
- **M**easurable
- **A**ttainable
- **R**elevant
- **T**ime-bound

You may find that your goals are long-term and that achieving small incremental goals will be more manageable. Either way, setting SMART goals can keep you on track. Determine what small steps you can take to get your finances going in the right direction. Consider if a money buddy can help you achieve your SMART goals.

CHAPTER THREE

Does your income support your goal?

The work and career decisions you make today can benefit you in achieving your goals. Feeling good about your progress becomes likelier if you have a plan. In performing your gap analysis and setting your SMART goals, you may determine that your income is insufficient to meet your goal. So, what can you do? Here are some options:

- Take steps toward advancing within your current career. Improve your skill set, shop around for new opportunities, and expand your professional network.
- Pursue a new, higher-paying career. Qualifying for new employment opportunities often requires advanced training—self-paced and lower-cost training programs are options. Or you could consider a trade school or college degree.
- Think about becoming an entrepreneur and starting your own business, or finding a side-hustle. Creating multiple income streams can create more financial flexibility.

Although some professions require formal education or a degree, increasingly, there are plenty of options that don't.

Here are eight practical college alternatives to consider.

CHAPTER FOUR

Budgeting and managing spending.

To reach your goals, you're going to need a plan for how you will spend your money: a budget. Budgeting isn't about spending as little as possible. It's about taking an intentional approach to your finances. Creating a budget often leads to cutting unnecessary expenses and determining which discretionary expenses are worth keeping—but a realistic budget leaves room for some fun.

Some people write their budgets on paper, and others use spreadsheets or apps. The best budgeting method is whichever you are most comfortable using and most likely to use for the long term.

Here's a budgeting resource to help you get started, including several detailed articles on budgeting methods, the benefits of budgeting, a free template for download, and some interactive courses.

The basics of budgeting include:

- Calculating income
- Identifying expenses
- Categorizing expenses
- Determining the difference between income and expenses
- Cutting unnecessary or underused expenses
- Planning your budget

CHAPTER FIVE

Understanding borrowing and creditworthiness.

Borrowing money may be a route you consider in working toward your goals.

Your credit report contains detailed information about your previous financial decisions and influences the terms and rates of your future credit options. The purpose of a credit report is to inform potential lenders about your financial habits to help them determine your ability to repay a loan. Understanding your credit profile can give you more power in the borrowing process.

Our comprehensive companion guide provides what you need to know to understand credit reports and credit scores

Common types of financing.

Learn more about the pros and cons of different financing options in our borrowing guide: Loans 101.

Auto loans

In addition to considering if you can afford the monthly payment, it's essential to understand how the age of the vehicle and your term length can impact the overall cost of your loan.

Home loans (mortgages and HELOCs)

The wide variety of home loan options and situations makes home financing complicated. Speaking with a mortgage loan officer early on in the process can help you get the best financing possible.

Business or personal loans

A loan officer can help you determine if business or personal loans are the best fit for your needs. Often, business and personal loans require collateral or significantly higher creditworthiness than other loan options.

Credit cards

Different credit card options offer significantly different benefits to cardholders. Matching your purchasing habits with the right cash back options or rewards can improve the overall value you get from your card.

Student loans

There are various options for financing education that generally fall within two categories: federal loans and private loans.

Important loan elements.

It's essential to review the terms of any loan or line of credit before accepting an offer.

- **Principal:** The amount of money you borrow.
- **Term:** The amount of time you have to repay the loan.
- **Interest rate:** The amount the lender charges you to borrow money, typically calculated as a percentage of the principal.
- **Fees:** Loans may also have fees for services or activities in addition to the interest rate. Examples include application and origination fees, processing fees and late payment fees.

Here are some additional resources to learn about what loans might best meet your needs.

CHAPTER SIX

Building an investment plan.

If your goal is to build wealth for the future, you may consider whether investing is right for you. It's never too early to start investing—contributing money toward your retirement as soon as you can provides the opportunity to benefit from compound interest. We recommend committing an amount equal to 10-20% of your income to long-term investing. If you can't afford to set that much aside, figure out an amount that works for you. Many employers offer 401k matching, bonuses, or safe harbors to help you reach your target.

You can find more details about retirement options in the article Understanding the differences between popular retirement account options.

A 401k isn't your only option—there are several methods for putting money toward retirement, including:

- 401(k)
- 403(b)
- 457
- Simple IRA
- IRA and Roth IRA
- HSA
- Solo 401k

Investing isn't just about contributing to your retirement.

It's an opportunity to grow funds and open additional opportunities. How will you know if it's a good time for you to start investing? Here are a few considerations:

- **Do you have an emergency fund?**
  Check out these tips for building your emergency fund.
- **Do you have high-interest debt?**
  If so, find a debt payoff strategy.
- **Have you set your long-term financial goals?**
  Here's how to get started with setting goals.

Establishing an emergency fund helps protect your investment from the unexpected—rather than selling your assets to address an emergency. Using investment assets to cover emergencies reduces your control over when you can sell investments and comes with additional risk. Avoiding and eliminating high-interest debt promotes financial stability and flexibility when executing your plan. Determining your financial plan will help you make decisions that serve your goals rather than reacting to market volatility.

A financial advisor can be an excellent resource for helping you create a financial plan. Here are some things to consider when evaluating a financial advisor.

Achieving financial wellness is a journey, not a destination.

Financial wellness starts with understanding the difference between where you are and where you want to be—but it never stops. Life happens, and your financial goals and relationship with money will change over time. Consistently reflecting on your values and goals—and they relate to your finances—will prepare you to navigate life's challenges and keep your efforts focused.

OnPoint is here to help you grow your understanding of finances. Consider our free financial education resources as a starting point. There are many courses and tools to ensure you get the right advice at the right time—and we have caring people throughout our credit union who are here to help you along the way.

Incremental progress is the key to reducing stress and feeling good about your goals. Understanding your short- and long-term goals and the steps to get there makes all the difference in the end. Get started, stick with it, and remember, you've got this.

For more information about financial education, check out our financial education courses from Enrich or get hands-on guidance with free financial counseling from GreenPath Financial Wellness.

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onpointcu.com
800.527.3932 | 503.228.7077

Resources:

https://onpoint.enrich.org/personality/

https://www.onpointcu.com/blog/achieve-your-financial-goals-with-a-money-buddy/

https://www.onpointcu.com/blog/8-practical-college-alternatives/

https://onpoint.enrich.org/topics/budgeting

https://www.onpointcu.com/files/OnPoint-Give-yourself-Some-Credit_Download.pdf

https://onpoint.enrich.org/landing/overview-of-loan-terms

https://www.onpointcu.com/blog/differences-between-popular-retirement-account-options/

https://www.onpointcu.com/blog/emergency-savings-your-defense-against-the-unexpected/

https://www.onpointcu.com/blog/snowball-and-avalanche-two-debt-payment-philosophies-but-which-one-is-better/

https://onpoint.enrich.org/articles/setting-financial-goals

https://www.onpointcu.com/blog/4-traits-of-a-great-financial-advisor-and-4-signs-you-may-need-a-new-one/

https://www.onpointcu.com/financial-education/

https://www.enrich.org/financial-wellness-resources

https://www.onpointcu.com/loans-101