FINANCIAL PLANNING

Decline in Credit Cards

Paper or plastic? More people are choosing the former when it comes to their finances. Americans are paying off their credit card debt at unprecedented rates, according to the Federal Reserve System.

As consumers pay off their cards, many people are choosing to completely ditch them or keep the balances low with basic purchases that allow for quick payoffs. This strategy helps accelerate credit rating improvement and allows for growth in savings.

THE DECLINE

Consumer debt related to credit cards has been steadily falling by billions of dollars over the past few years.

Debit cards have a lot to do with the decline. Experts say that the dollar amount of purchases placed on debit cards will exceed that put on credit cards by next year.

Debit cards offer the convenience of making quick transactions without the seemingly endless rise in interest rates and late-payment charges associated with credit cards.

MORE RESPONSIBLE CONSUMERS

The uncertain economy may be the driving force behind more people paying off their debt and avoiding credit card misuse.

Consumer delinquencies fell to an 18-year low in January, according to the American Bankers Association.

With people paying more attention to their finances and building effective budgeting strategies, the ABA attributes the sharp decline in delinquencies to a more responsible, diligent consumer base.

BY THE NUMBERS

Although on the decline, credit card usage is still a major contributor to household debt, the third largest, in fact, behind mortgage and student loan debt.

The Federal Reserve released these statistics for August 2013 regarding credit cards:

- $7,120: The average credit card debt per American family
- $853.6 billion: Americans' total credit card debt
- 46.7%: Percentage of households with a credit card balance

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Making Plans: New Parents

Parents with a baby born in 2012 will spend an average of $217,000 to raise their little bundle of joy.

These latest statistics reported by the United States Department of Agriculture don't even include the cost of college, which can quickly rack up tens of thousands per year in tuition costs.

The price tag on raising a child has been on a steady incline — a 24 percent increase since 1960, according to the USDA.

Taking on the increasing costs can be a challenge for many new parents. But with proper planning and realistic expectations, even newbies can come out ahead as their children grow.

HEALTH CARE

The USDA attributes the rise in child-raising to the cost of health care. With parents covering larger proportion of children's costs with higher co-payments and premiums, expenditures can add up quickly.

When setting a budget and savings plan, make sure to apportion enough to health care costs, as well as unpredictable medical expenses that are sure to come up.

Start a small savings account for funds devoted to medical costs. This will keep you prepared for such occurrences instead of having to dip into your primary savings account for medical payments.

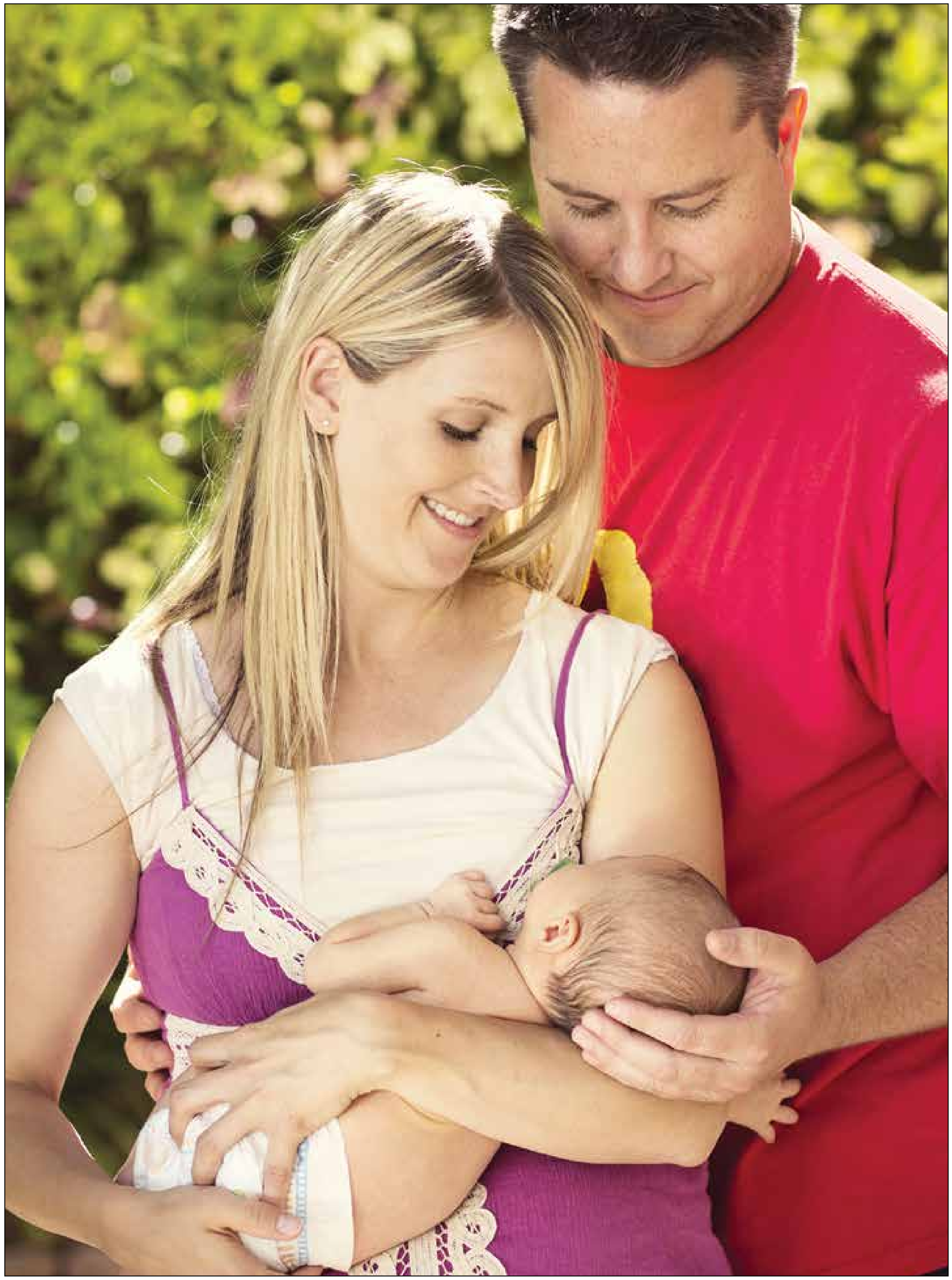
LONG-TERM PLANNING

New parents will find that with the birth of their child comes the urge to protect him or her. This natural instinct includes the need to build a solid financial footing to be able to afford all of the necessities.

But lost in the everyday chaos of raising a new child are the long-term financial strategies that can make a huge difference.

If you're a new parent, consider preparing a will, an inventory of assets and debt and a legal document naming a person to be the guardian should anything happen to you.

These can be uncomfortable topics to discuss, especially in the midst of newfound parenthood, but planning wisely now can pay off in the future.



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About Your Portfolio

How strong is your investment portfolio? It's a general question that is sometimes hard to decipher and even more difficult to answer.

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Portfolio success is a subjective measurement that can be driven by many factors. A portfolio is defined as the collection of financial assets that can include stocks, bonds, cash and other investments such as real estate holdings.

Individual investors can entrust a financial planning professional to help guide them in their investment strategy, or they can use one of many online tools to help build their own.

PORTFOLIO STRATEGIES

Investment success means different things to different people. While one investor may choose to construct his or her portfolio based on high-risk investments that have a chance to produce greater returns, others may prefer to take the slow and steady route with more conservative assets.

One of the first steps to determining your investment approach is choosing where you fit with this aggressive vs. conservative model.

DIVERSIFY

Many of the most profitable portfolios are based on balance. Allocate some of your capital for higher-risk stocks and some of it for slow-growth bonds and mutual funds. This will help overcome market fluctuations, which have been known to occur routinely.

Money is a source of great emotions for many people, and investing can bring out equal parts frustration and elation. Maintaining a balanced, moderate-risk portfolio can help cut down on the stress that can accompany the investment process.

FINANCIAL PRO VS. SELF-INVESTING

Novices to portfolio-building may benefit from sitting down with a professional financial planner to discuss goals, strategies and execution.

Advisors generally have in-depth knowledge of the markets and assets that can keep you on track. And sitting down with a planning professional is generally free of charge, as they earn their income by collecting a small percentage of the money you invest.

For investors seeking a more hands-on role in their portfolio, many online platforms are available. They offer the freedom of building your own investment strategy and feature many video and tutorial resources.

Be sure to research what these companies charge, though, as some can be laden with hidden fees and add-on pricing.

Watching Your Back

Ever feel like you're the only one looking out for your money? Well, before your decide to bury your savings in the yard or hide it under your pillows, consider the network of bureaus and organizations fighting for your financial freedom on a daily basis.

These agencies were built in an effort to uncover fraud, enforce stringent regulations and protect you, the consumer.

Reach out to any of the following organizations for more information and tips on financial security. Their websites offer free resources and links to like-minded organizations – all designed to help keep your assets safe.

CONSUMER FINANCIAL PROTECTION BUREAU

This relatively new organization was founded in 2011 as a gatekeeper of consumer protection regarding financial products and services in the United States.

It was designed and implemented in response to the passing of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Its jurisdiction spans banks, credit unions, foreclosure relive services and other financial companies. Find out more about its services and learn how to get assistance at ConsumerFinance.gov.

FTC BUREAU OF CONSUMER PROTECTION

Similarly named, this Federal Trade Commission agency is focused on preventing fraud, deception and unfair business practices. Its three-pronged approach, according to its website, FTC.gov/bcp includes:

- Enhancing consumer confidence by enforcing federal protection laws
- Empowering consumers with free information
- Capturing feedback and insights from consumers

LOCAL AGENCIES

There are likely a consumer protection agency or two right in your own backyard. Track them down online or in the yellow pages to learn more about their services.

Using local organizations to file complaints on deceptive business practices can sometimes be the most effective way to stop them.

Local groups, like the aforementioned federal ones, will also have tips on preventing identity theft, understanding credit, filing official consumer complaints and more.

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Saving for College

Annual tuition for a four-year private institution was $28,500 last year. It was $8,000 for in-state students at public institutions.

These statistics from the College Board can be downright frightening for parents and students trying to save for education.

The price of education can seem expensive, but the long-term positive impact on your child's future career is often worth the cost.

Experts advise parents to start saving as soon as possible to help defray some of the costs of college. So whether you are a new parent or one with children in high school, now is the time to put some money to the side for college.

529 PLAN

A recent study by the Financial Industry Regulation Authority (FINRA) Investor Education Foundation found that 41 percent of families with children have set aside some money for college education.

Of that group, 33 percent report using a tax-advantaged savings account, such as a 529 Plan. The Financial Planning Association urges parents to research their state's 529 plan specifications because more than 30 states have a tax advantage for contributing to these plans.

CHECKLIST

Be sure to look into the following sources of financial gain when considering your college savings plan.

- Savings and Investment Plans like U.S. Savings Bonds and Taxable Investment Accounts
- Pell grants, community grants and employer/work grants
- Regular investments into college savings account
- Financial gifts to your child or unexpected income
- Low-interest loans that offer deferred interest while your child is attending college

PLAN FOR PAYMENTS

If you fall short of your goal of covering college tuition with your designated savings, do your best to keep college loans to a minimum.

If you child is college age, talk with them about how much you can afford and what they will have to come up with through their own employment or grants.

Between your own savings, the student's ability to earn money and attending a college with an affordable tuition rate, you'll be on much better financial footing after graduation.

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Time to Set Goals

Financial goals inspire, motivate and mobilize us into action. They keep us on track during the tough months and help us avoid unnecessary impulse spending that can have a negative impact on our finances.

And setting a goal is the easy part. Sticking to that goal is where the challenge begins.

Unforeseen expenses, untimely bills and material temptations are part of daily life. Only those who are serious about overcoming these roadblocks are truly ready to achieve their financial objectives.

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HOW TO SET A GOAL

Don't wait until your New Year's resolution to set your new financial goals. Grab your past few bank statements, a piece of paper and a pencil, and get busy.

Write down where every one of your pennies went over the past couple of months and organize them into sections like "necessary bills," "entertainment" and "eating out."

Determine which one of these segments have some wiggle room and set a goal to decrease similar spending next month.

DEFINE YOUR GOALS

When it comes to finances, you should have short-term and long-term goals. A short-term goal may be a plan to pay off a credit card or save enough to put a down payment on a new house.

What types of purchases or payoffs are you looking to accomplish in the next six to 12 months? Put them down on paper and keep track of monthly progress toward your goal.

And stay dedicated. Even an extra $20 saved from eating in on a Friday night can go a long way toward achieving your goal and building your confidence in your ability to save.

BE REALISTIC

If you earn $3,000 month, it probably isn't a realistic goal to shove $2,000 of your income into savings every 30 days. Be honest with yourself and choose a number that you can achieve within your short- or long-term target.

If you have more than one financial goal, it is probably best to choose a primary one that receives most of your attention. This will help keep you focused on where to most effectively distribute your income.

And remember to think about the long term. Growing your savings can seem like a sacrifice in the short term, but the more you sacrifice now, the more wealth you'll be able to achieve. You'll be living a much more secure, financially rewarding life in the future if you take the right steps today.

Budgeting Worksheet for Kids

Budgeting is an art form of sorts, one that can be honed from an early age. It is important to teach our children the value of money and the feeling of achievement that accompanies a boost in savings.

By starting financial education at a young age, we can prepare our future generation of workers for monetary success. This can start with something as simple as a budget sheet that helps organize various expenses, bills and due dates. The cutout below can be a great conversation-starter between you and your child in defining financial responsibility, building a budget and creating a savings plan.

Item	Cost	Need or Want	Plan for Earning (extra chores, etc.)
	$	Need / Want	
	$	Need / Want	
	$	Need / Want	
	$	Need / Want	
	$	Need / Want	
	$	Need / Want	
	$	Need / Want	
	$	Need / Want	
	$	Need / Want	
	$	Need / Want	
	$	Need / Want	
	$	Need / Want	