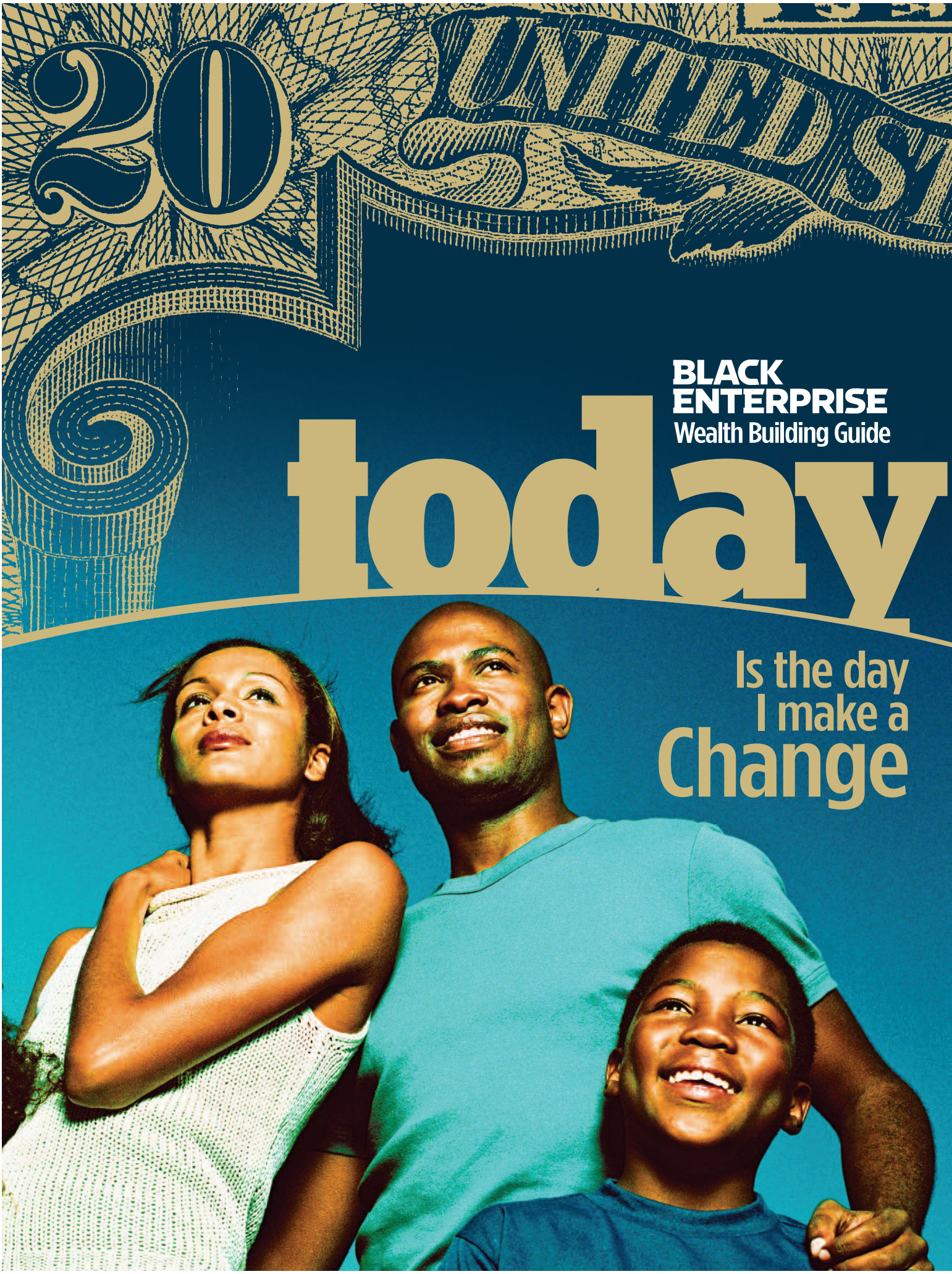

BLACK ENTERPRISE
Wealth Building Guide
today
Is the day I make a Change


20
BLACK
ENTERPRISE
Wealth for Life

the time is now

It's working and we're thrilled. Indeed, we're proud to say that the Wealth for Life Initiative, which debuted in January 2000, is making a real difference in many people's financial lives. We regularly learn of individuals who have applied the 10 wealth building principles that anchor our Declaration of Financial Empowerment to move closer to their financial goals. But our work doesn't stop there. We want to do even better.

That's why we are introducing a new and improved Declaration of Financial Empowerment. There are a couple of themes that we want to reinforce. Overall, we restated the Declaration, making it more direct and assertive, beginning each statement with "I will … ." As you review the principles and think about making a change, we didn't want to leave the importance of making a personal commitment open to interpretation.

We're also introducing two new principles that can be described as ways to play good financial defense. For instance we chose to highlight the importance of maintaining a diversified portfolio in our new principle No. 4.: *I will save at least 10% of my income*. As you invest, it's critical that you periodically assess whether your portfolio is in sync with your risk tolerance and ultimate goals.

It was for similar reasons that we introduced principle No. 6: *I will devise an investment plan for my retirement needs and children's education*. Events such as Hurricane Katrina sounded the alarm—It's important to contemplate whether you're financially prepared to handle an emergency of any sort. For without the proper safeguards, any progress made toward building wealth can be wiped out in an instant.

We made other minor adjustments, but the mission behind the Wealth for Life Initiative remains the same—to help you become wealthy. We hope the new Declaration of Financial Empowerment will be even more effective in meeting the goal Publisher Earl G. Graves Sr. envisioned for African Americans: to create wealth by building the cornerstones of economic empowerment through education, equity, enterprise, and excellence. The time is now.

—The Editors

Pay Yourself First

Each month, as part of your monthly expenditures, write a check to yourself that is earmarked for savings. The best way to save with limited discomfort is to use direct deposit. Have money automatically deducted from each paycheck and funneled into savings, such as a money market account, and investments, such as a mutual fund. This way, you won't fret about remembering to save or end up spending the money on unnecessary items.

Find Ways to Cut Costs

Understand that a big part of saving is knowing where to shave dollars. Cut back on or cut out needless expenses, even if that means shutting off the cable TV for six months or eating out less often. According to *Consumer Reports*, food, clothing, and electronics are among the biggest culprits when it comes to wasted money. Also, don't overlook coupons and rebates as a way to stretch your hard-earned dollars.

Prepare for an Emergency

We've all heard about the importance of saving for a rainy day. Indeed, you need to create a cash reserve or emergency fund. The general rule of thumb is to make sure you put aside three to six months of income to cover emergencies such as the loss of a job or catastrophic illness. Also, set goals, look at short- and long-range priorities, and understand the difference between current expenses versus those based on future needs.

BE WEALTH CALCULATOR

ASSETS

Market value of home/condo	$_____
Market value of other real estate (rental property)	_____
Checking account	_____
Savings account	_____
Savings bonds	_____
Cash value of life insurance	_____
Surrender value of annuities	_____
Equity in pension or profit-sharing plans	_____
IRA and Keogh plans	_____
Market value of:	
stocks	_____
bonds	_____
mutual funds	_____
Other investments (including collectibles and precious metals)	_____
Current value of:	
automobiles	_____
household furnishings and appliances	_____
furs and jewelry	_____
Loans receivable	_____
Other assets	_____
TOTAL ASSETS	$_____

LIABILITIES

Current bills	$_____
Mortgage balance	_____
Total credit card debt	_____
Auto loans	_____
Student loans	_____
Check overdraft line of credit	_____
Home equity loan	_____
Margin loan	_____
Other debts	_____
TOTAL LIABILITIES	$_____

CURRENT NET WORTH $_____

(Assets minus Liabilities)

Resources

WEBSITES:

Alliance for Investor Education, *www.investoreducation.org:* A clearinghouse of information on investing, investments, financial planning, and financial markets. AIE also sponsors investor workshops and conferences.

American Association of Individual Investors, *www.aaii.org:* This group provides educational resources and materials for financial planning, stock investing, and retirement funding. AAII also publishes a tax guide and mutual fund guide; (800) 428-2244.

American Savings Education Council, *www.asec.org:* A national public education and outreach program that develops multimedia materials to help individuals plan and save; (202) 659-0670.

Investment Company Institute, *www.ici.org:* A national association of investment companies, including mutual funds, exchange traded funds, and unit investment trusts. Site offers general information on mutual fund investing; (202) 326-5800.

Financial Industry Regulatory Authority, *www.finra.org:* An industry watchdog that represents licensed individuals and governs them for regulatory trading compliance in equities, corporate bonds, securities futures and options; (301) 590-6500.

National Endowment for Financial Education, *www.nefe.org:* This organization creates educational materials and programs on personal finance, including those targeted at teens; (303) 741-6333.

RECOMMENDED READING:

Managing Your Money All-In-One for Dummies by LASTConsumer Dummies (For Dummies, 2008)

The New Frugality: How to Consume Less, Save More and Live Better by Chris Farrell (Bloomsbury Press, 2009

The Laws of Money: 5 Timeless Secrets to Get Out and Stay Out of Financial Trouble by Suze Orman (Free Press, 2004)

In the Black: Live Faithfully, Prosper Financially, The Ultimate 9-Step Plan for Financial Fitness by Aaron W. Smith and Brenda Lane Richardson (Harper Paperbacks, 2009)

Your Money or Your Life: 9 Steps to Transforming Your Relationship with Money and Achieving Financial Independence, Revised and Updated for the 21st Century by Vicki Robin, Joe Dominguez, Monique Tilford (Penguin Group, 2008)

The Power to Prosper: 21 Days to Financial Freedom by Michelle Singletary (Zondervan, 2009)

7 Money Mantras for a Richer Life: How to Live Well with the Money You Have by Michelle Singletary (Random House, 2003)

Notes

1. _____

2. _____

3. _____





NAME
CONTENTS
REG. NO.

Mission

At BLACK ENTERPRISE we have embraced the concept of wealth building for more than three decades; first in our magazine, and now as a multimedia company with an additional presence on the Internet, and in television, radio, and event planning. We have always believed that African Americans must fully participate in the free enterprise system, whether it is through homeownership, entrepreneurship, or investing in the capital markets.

To underscore the importance of such participation, we are calling on all African Americans to realize their full financial potential through the Wealth for Life Initiative. Created in 2000, the Wealth for Life Initiative is nothing less than an ongoing campaign aimed at challenging you to join the wealth building movement by committing to specific principles of disciplined saving and investing.

To help guide your efforts, we have broken down the intimidating complexities of finance into 10 accessible principles of wealth accumulation. We call it the BLACK ENTERPRISE Declaration of Financial Empowerment (DOFE). Commit to these principles by signing the enclosed DOFE certificate, then put them into practice and begin amassing wealth for yourself and your family. To help you follow through with your commitment, we have developed this Wealth Building Guide. We'll introduce you to each of our principles and provide actionable steps to help you get started. You'll also find additional resources and tools to help you get motivated, stay focused, and take action.

What's more, to help illustrate just how effective the DOFE principles have been, every month you'll find coverage of the Wealth for Life Initiative in BLACK ENTERPRISE. You'll find profiles of individuals, much like yourself, who committed to make a change in their financial lives by following the DOFE principles, and who are now reaping their rewards. In addition, you'll find a profile of our Financial Fitness contest winner, where we award $2,000 and a consultation with a financial planner to help someone get their finances on track, or move to the next level of sophistication in their financial planning. Our coverage in the magazine is complemented by the insightful content and interactive resources available on our website, ***www.blackenterprise.com***.

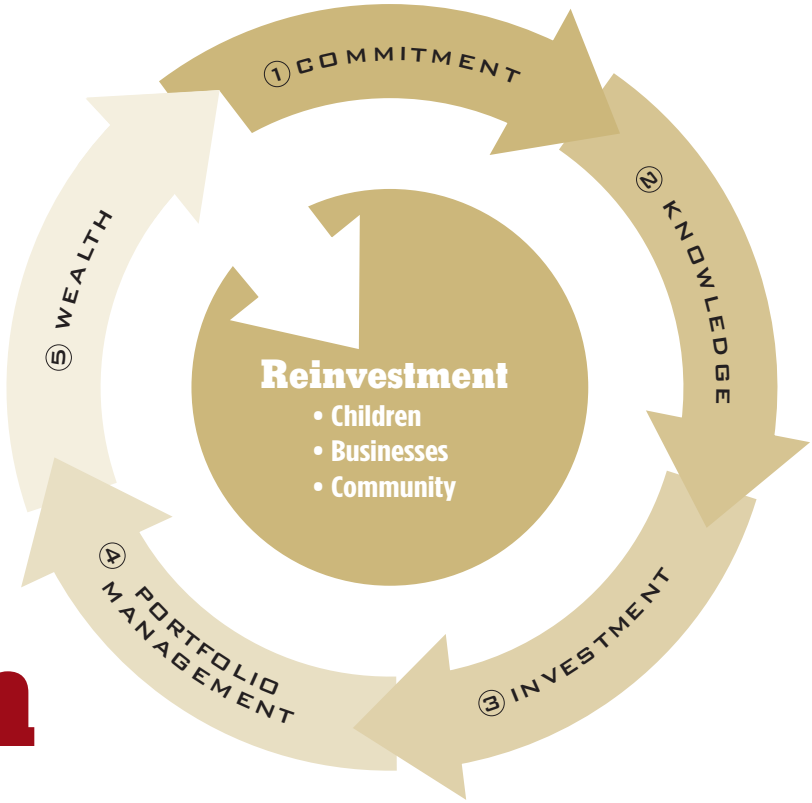
Ultimately the wealth building process begins with you. Make today the day that you take control of your financial destiny. By choosing to build lasting personal wealth, you will be providing a greater measure of financial empowerment for yourself and your family. Let your signature be your pledge, and let this guide serve as your road map to a prosperous future.

Earl G. Graves Sr.
Chairman & Publisher
BLACK ENTERPRISE

Earl G. Graves Jr.
President & CEO
BLACK ENTERPRISE

BLACK ENTERPRISE

Circle of Wealth



We've outlined the process to help guide you on the path of financial empowerment and wealth building. It's a continuum that requires focus, energy, and patience. So remain committed and don't let any step along the way frustrate you. Just hang in there and you'll achieve your ultimate goal.

Commitment Pledge to pursue a program of wealth building. Take the Declaration of Financial Empowerment as a hard and fast vow, and follow our 10 key principles of wealth building.

Knowledge Learn the fundamentals of sound money management and investing. Take time to regularly read the business section of your local newspaper or favorite news website. Developing this understanding will allow you to take decisive action on your own behalf and ask more informed questions.

Investment Take action and put into practice all that you have learned. Use a portion of your disposable income to make regular deposits into both your savings and investment accounts. Establish a portfolio of stocks, bonds, and mutual funds.

Portfolio Management As you continue to gain financial knowledge and experience, make sure that you regularly allocate your assets and develop a diversified portfolio based on your goals, age, and risk tolerance.

Wealth Successful portfolio management enables you to build wealth. But it will take careful estate, insurance, and tax planning to secure all that you've been able to accumulate.

Complete the Circle Through Reinvestment

By gaining true wealth, you can reinvest to support the next generation of children, businesses, and your community. It's through these means that we can make sure our dollars are used most effectively to support the black community.

BLACK ENTERPRISE

Declaration of Financial Empowerment

Today is the day I make a change and take control of my financial destiny. In order to attain a measure of success, power, and wealth, I shall uphold the following principles of sound money management and investing. I have committed to this unwavering personal covenant as a means of laying a strong, unbreakable foundation for building and preserving wealth, not only for me and my family but for my community as well.

Contents

WEALTH FOR LIFE PRINCIPLE #1

I will live within my means.

1

What's the No.1 secret to building wealth? Spend less than you earn. It's that simple. But, course, many of us fall into a common trap, spending money on things we want rather than buying only what we need. Prolonged periods of spending more money than you make can lead to accumulating more debt than you can handle. The key to being financially responsible is to live within your income.

Don't assume that a higher-paying job will improve your financial health. Earning more money won't make a bit of difference if you're not putting some of it away for the future, or paying off debts. You can't have champagne tastes on a beer budget. Your top priority as a wealth builder is to have enough cash to save, invest, and appropriately manage your debts.

Living above your means — your average spending is exceeding your average earnings.
Living within your means — you buy things you can afford based on your income.
Living below your means — you're able to sustain your standard of living by spending less than you earn.

Six Signs You're Living Above Your Means

- You find yourself living paycheck to paycheck.
- You owe large balances on several credit cards.
- You regularly use pay-day loans or credit cards to pay for necessities such as rent, utilities, and groceries.
- You have no savings.
- You're unable to keep an emergency fund that covers three to six months of living expenses.
- You try to float checks to pay bills.

You want to do more than live from paycheck to paycheck, or have just enough money to satisfy basic needs such as food, clothing, and shelter. Your goal is to pay bills and have enough left over to save.

Determine needs versus wants

You can keep more dollars in your bank account by understanding the difference between needs and wants. Simply put, a need is something you must have, something you can't do without. A good example is groceries. A want is something that you would like to have but it's not absolutely necessary. A good example is a HD plasma television.

Examine your habits

Be honest with yourself. You may need to drive to work. But what if you buy a new luxury car to impress friends, colleagues, and neighbors and not because your current vehicle broke down. Everyone needs clothing. But what if your closet is overflowing with shoes and outfits because you wouldn't want to be seen wearing the same item more than once. In both instances, you are overindulging. If you don't break the bad money habit of trying to keep up with the Joneses and spending more than you earn, you'll have nothing to your name but debts—and maybe a great wardrobe.

Assess your situation

Monitor two important figures: your average monthly income and your average monthly expenses. List your income from all sources (e.g. salary, pensions, Social Security, rental property, child support, alimony, commissions, or bonuses). How much money is leftover once you subtract your monthly expenses? If everything is covered by your income you are living within your means. If not, you are going to have to reduce your expenses or increase your income.

Develop a spending plan

Set a price that you are willing pay for items. This could even mean that you never pay full price for anything—be it a house, a car, clothing, or whatever. Write down how much you plan to spend each week. You can use spreadsheets and personal finance tools available via Quicken, Microsoft Money, BudgetTracker, or Wesabe. Or you can just use a pen and notebook to track your spending.

Buy with cash, not credit

Using credit cards allows you to buy more things than your income will allow. You may be able to use credit cards to fake wealth for a short period of time but you will pay for it in the long haul. And you will end up paying more. Save up for purchases instead of putting them on a credit card. Or if you do use a credit card, make it a habit to pay off the balance at the end of the month.

Know Your Net Income

For you to live within or below your means you have to know what your financial means are. Knowing your annual salary or hourly rate isn't enough. Since most of your bills are paid monthly, you'll need to track the net income that appears on your paycheck.

Weekly payments X 4; Bi-weekly payments X 2 = monthly pay

STEP 1: List your financial goals

Long-term Goals

1. _____

Amount Needed: $_____ Time Frame _____

2. _____

Amount Needed: $_____ Time Frame _____

3. _____

Amount Needed: $_____ Time Frame _____

Short-term Goals

1. _____

Amount Needed: $_____ Time Frame _____

2. _____

Amount Needed: $_____ Time Frame _____

3. _____

Amount Needed: $_____ Time Frame _____

STEP 2: Take stock of your net worth

Use the **BE** Wealth Calculator on page 8, to get an overall picture of your current financial health. Your net worth equals your assets minus your liabilities.

You could, of course, have more debts than assets, particularly if you have recently graduated and have yet to achieve your full earnings potential. The amount of your net worth, positive or negative, is less important than the fact that you know where you stand. Taking stock of your finances is a critical tool to nudge you forward as a saver and investor. Finally, it pays to remember that the **BE** Wealth Calculator captures your financial standing at one particular moment in time. Consequently, it is a good idea to figure out your net worth every six months or so to make sure that you're still on track.

STEP 3: Calculate the amount you need

The amount you need to save and invest is approximately the difference between what you want (your financial goals) and what you have (your net worth.)

The total amount needed to reach your goals, minus the portion of net worth you can apply toward those goals = The amount you need to save and invest.

STEP 4: Create a budget

Determine how much you need to save each month to meet your goals given the time frame that you outlined in Step 1.

Step 5: Track your expenses

Keep track of your net earnings and expenses to determine where you may be able to make adjustments in order to meet your financial goals. Stay abreast of how much money you have at regular intervals. Use the **BE** Cash Flow Monitor Worksheet outlined in Principle # 3: I will effectively manage my budget, credit, debt, and tax obligation.

I will maximize my income potential through education and training.

2

Traveling the road to financial independence requires fuel, i.e., your salary and other income you save to invest in order to build wealth. So, as your journey progresses, it's important to recognize your worth and to take charge of your earning potential. You can control your skill set and what you have to offer—your desirability on the market.

Companies still rely heavily on the intellectual capital of key employees to manage resources and lead departments. Furthering your educational credentials can increase your chances of getting a higher salary, a promotion, or a better job. Do you have talents you can use to develop another source or income? It's critical that you ask these questions periodically so you're not overlooking any potential earnings that could grow substantially over time.

Education = Earnings

Upgrade your degree

Go back to school to get an advanced degree. The higher your educational level the higher your salary potential. Earning a graduate degree is the traditional path to increasing your compensation. You will have to do a cost analysis of the debt you'll likely incur against your potential salary increase to determine what makes the most sense.

Add a certification

Adding a certificate in a specialty area to your educational credentials is another way to maximize your earning potential. There are several careers with optional certification tracks that could well mean a salary boost. CPA certification for accountants or software specific IT certifications for computer scientists are classic examples.

Pursue continuing education

If you don't want to return to school full time, consider taking continuing education courses relevant to your line of work. The Internet has a wide range of online offerings. Such courses will help you develop and enhance core competencies as well as improve your standing within the company. Participating in an executive education program can help you learn how to put effective collaborative methods of leadership into play at your organization. Check out what's available at top colleges and universities across the country, a number of which offer career advancement, executive management, and business education programs.

What's Your Education Worth?

The average worker, age 18 and older, holding a bachelor's degree earns $58,613 a year, while those who have only a high school diploma make $31,283. The average income for workers with an advanced degree is $83,144, while those without a high school diploma average $21,023 a year.

Source: U.S. Census Bureau, 2008

Median Salary for M.B.A.'s

Under 1 year of experience	$49,346
1-4 years	$55,479
5-9 years	$73,126
10-19 years	$96,752
20 years or more	$109,201

Source: PayScale Inc. @ www.payscale.com, 2010

Informal Paths to Learning

Participating in employee networking or affinity group events is a less formal way of educating yourself about what's going on at your company and in your industry. This also allows you to get to know key people in other parts of the company. Be sure to make the most of your training and skills by branching out. Serve as an officer or committee chair for a high-profile trade association or civic group. Being active in these groups offers you exposure and access to an array of industry contacts. It also is a good way to gain insight about trends and challenges within your profession. You can become better informed and that makes you more of an asset in your company.

Explore Your Options

Go on exploratory interviews to stay abreast of the current market. In doing so, you will have a better understanding of what people are really looking for beyond what is placed in an ad and how well you come across based on your experience and education level.

Ways to Grow Your Income

Get a raise. Undoubtedly, there will be a time in your career when you think you deserve a raise. So when the time comes, be sure to have a plan. Try to quantify your past, present, and future contributions to your employer before you decide how much to ask for. Demonstrate your major accomplishments on the job and explain how you will bring added value to the company for years to come.

Start a side business. What can you do to make extra money part time? Depending upon your interests and abilities, there may be something you can do to develop an additional income stream—from tutoring to editing résumés, to house painting to Web design. Consider turning a hobby into a business.

Raise your rates. If you are self-employed, you should raise your rates at least every five years. You can help minimize any negative impact by explaining to your clients that you need to meet rising costs—they are also coping with inflation.

MAXIMIZING EARNINGS

The reality is that your hard work may not be enough to ensure that you're recognized for your contributions. This means it's vital for you to seek out a mentor or sponsor who can help you navigate the turbulent waters of office politics, as well as to help you to develop your skills.

What is a mentor? A mentor is an experienced individual inside or outside of your organization who will share his or her knowledge, expertise, and professional guidance.

What is a sponsor? A sponsor is a high-ranking individual inside your organization who has taken a personal interest in shepherding your career, and who will help you to move up the ladder.

How to Land a Mentor or Sponsor

Here are some guidelines on how to position yourself to attract a mentor or sponsor, as well as tips on how to develop the relationship.

Identify potential candidates. Join professional associations related to your industry and contact local and national organizations to see if they offer any mentoring programs. Also see if your company provides a formal mentoring program. You could end up being assigned to a high-level executive.

Consider your approach. As someone who's seeking assistance, be tactful. Let the person know why you would like him or her to become your mentor. Sponsors differ in that they pick you, not the other way around. So if someone has taken an interest in your career advancement, thank the person for their support with a thank you note or e-mail.

Perform with excellence. The first step to attracting an advocate of any sort is to do your job well. When someone mentors or sponsors you, that person is putting his or her reputation behind you. No one is going to do that if you're not consistently delivering excellent results.

Volunteer your services. Be willing to get involved in projects that are outside of your direct area of responsibility. Take on the tougher assignments that nobody else wants. Look for programs that involve a cross-section of executives, and that can thereby provide you with greater visibility within the organization. The broader your network, the higher the probability that you're going to attract people who can help guide your career.

Work the relationship. The key to mentoring is that it's a relationship, not a transaction. You and your mentor can set a schedule for how often you will speak and meet. But respect boundaries. When cultivating a sponsorship, consider how you can broaden the relationship so that a potential sponsor knows more about you than just your job performance.

Add value wherever possible. Good mentor and sponsor relationships are reciprocal. Neither party should do all of the giving. Identify areas where you can add value and give back to your potential mentor or sponsor, e.g., perhaps they have a project you can help to complete.

Grow Your Income, Not Your Lifestyle

Resources

WEBSITES:

American Management Association, www.amanet.org: This professional development organization offers seminars, webcasts and podcasts, conferences, corporate and government solutions, books, and research data; (877) 566-9441.

AMACOM, *www.amacombooks.org:* The arm of the American Management Association that publishes nonfiction books on business, management, leadership, career growth, personal development, marketing, project management, and finance.

BLACK ENTERPRISE, *www.blackenterprise.com/careers:* This interactive companion to the magazine provides tools, tips, and resources needed to help professionals manage their careers from entry to C-Suite levels.

CareerBuilder, *www.careerbuilder.com:* Beyond its job search tools, Career Builder offers advice and resources including résumé writing tools and salary calculators.

Career Communications Inc., *www.careerbookstore.com:* A provider of career guidance, workforce development, and educational resources.

The Five O'clock Club, *www.fiveoclockclub.com:* This group provides career management and outplacement plus a network of certified career coaches to assist with job searches, résumé development, interviewing, and salary negotiation; (800) 538-6645.

RECOMMENDED READING:

What Color Is Your Parachute? 2010: A Practical Manual for Job-Hunters and Career-Changers by Richard Nelson Bolles (Ten Speed Press, 2009)

Think Big: Unleashing Your Potential for Excellence by Ben Carson, M.D. and Cecil B. Murphey (Zondervan, 2006)

Cracking the Corporate Code: The Revealing Success Stories of 32 African-American Executives by Price M. Cobbs, Judith L. Turnock (AMACOM, 2003)

Nice Girls Don't Get the Corner Office: 101 Unconscious Mistakes Women Make That Sabotage Their Careers by Lois P. Frankel (Business Plus, 2010)

The Pursuit of Happyness by Chris Gardner (HarperCollins, 2006)

Black Enterprise Guide to Building Your Career by Cassandra Hayes (Wiley, 2002)

Good Is Not Enough: And Other Unwritten Rules for Minority Professionals by Keith R. Wyche, Sonia Alleyne (Portfolio, 2008)

Notes

1. _____

2. _____

3. _____

4. _____

I will effectively manage my budget, credit, debt and tax obligations.

3

Traveling the road to financial independence requires fuel, i.e., your salary and other income you can save or invest to build wealth. So, as your journey progresses, it's important to recognize what you're worth. Is it time to ask for a raise? Do you have talents you can use to develop another source of income? It's critical that you ask these questions periodically so you're not overlooking any potential earnings that could grow substantially over time.

But whatever you're income, it's important to pay yourself first and live within your means. The best way to save, with limited discomfort, is to use direct deposits to have money automatically deducted from each paycheck. Along the way, be sure to avoid the roadblock of credit card debt, which can quickly undermine any positive steps you're taking to maximize your earnings. Also recognize that your budget should factor in an ability to sock away at least 10% of your income for savings and investments.

Follow a Budget

Whether you earn a modest salary or hundreds of thousands of dollars a year, a budget is the first and most important step you can take toward having your money work for you, instead of being controlled by it. A budget also will help keep you from sabotaging your efforts to save and invest.

1 Put it in writing

Use budget planning worksheets, which can be found in any personal finance software, such as Microsoft's Money or Intuit's Quicken. You can also search online and print out sample budgeting forms. To get a true handle on where your hard-earned dollars are going, Start the process by using the **BE** Cash Flow Monitor on page 4.

2 Track expenses

Review your bills for fixed and flexible expenses. Write down the monthly amount for each expense. For items paid periodically or annually, such as insurance, divide by 12 to get the monthly amount. For flexible expenses, review your last six months of receipts, checks, and credit card statements to come up with an average figure.

3 Record monthly income

Determine how much money you bring home each month. This includes income from your salary, commissions, bonuses, alimony, and rental property. Subtract your monthly expenses from your monthly income to determine your discretionary income.

4 Cut out unnecessary spending

If you find you have little or no discretionary income, you need to review your spending to cut costs. Some expenses will fall into the "Do I really need this?" category, such as a daily 12 oz. café mocha that costs $4. Allocate money for the things you need, not for everything you desire.

Once you know where your money is going you can make educated purchase decisions. Setting a budget doesn't mean cutting all the fun out of your life. It's about learning to live in moderation, not excess.

BE Cash Flow Monitor

INCOME	
Take Home Pay	$_____
Bonuses	$_____
Self-employment income	$_____
Net income from	
rental properties	$_____
Interest	$_____
Dividends	$_____
Other (specify)	$_____
TOTAL	**$**_____

EXPENSES	
Home:	
Mortgage or rent	$_____
Property taxes	$_____
Furnishings	$_____
Home repairs	$_____
Cable TV	$_____
Phone/ Internet access	$_____
Gas & Electric	$_____
Water & Sewer	$_____
Other	$_____
TOTAL	**$**_____
Insurance:	
Auto	$_____
Homeowners	$_____
Life	$_____
Health	$_____
Other	$_____
TOTAL	**$**_____
Food:	
Groceries	$_____
Eating out	$_____
TOTAL	**$**_____
Self-care:	
Clothing	$_____
Accessories	$_____
Household products	$_____
Laundry, Dry cleaning	$_____
TOTAL	**$**_____
Child care:	
Daycare	$_____
Babysitting	$_____
TOTAL	**$**_____

Transportation:	
Car payments	$_____
Gas/ Oil	$_____
Maintenance	$_____
Train/ Bus/ Subway/ Taxis	$_____
TOTAL	**$**_____
Health/ Medical:	
Unreimbursed expenses	$_____
Fitness, Gym fees, etc.	$_____
TOTAL	**$**_____
Entertainment:	
Movies/ Rentals	$_____
CDs, Music downloads	$_____
Dating	$_____
Subscriptions and dues	$_____
TOTAL	**$**_____
Debt Payments:	
Credit cards	$_____
Student loans	$_____
Other loans	$_____
Income and Social Security taxes (not withheld by employer)	$_____
Alimony, Child support	
TOTAL	**$**_____
Miscellaneous:	
Gifts / Contributions	$_____
Other _____	$_____
TOTAL	**$**_____
SAVINGS AND INVESTMENTS	
Emergency Fund	$_____
401(k)	$_____
IRA	$_____
Mutual funds, stocks, bonds	$_____
Savings	$_____
College fund	$_____
TOTAL	**$**_____

>>> SURPLUS OR DEFICIT $_____

(Income minus Expenses, plus Savings and Investments):

Habits Add Up ...

	Yearly Cost
Daily cup of coffee	$547
Two packs of cigarettes/day	$2,555–$3,285
Lunch: Takeout 5 days/wk @ $5–$10/day	$1,300–$2,600
3 drinks at a bar/wk	$936–$1,092
2 lottery tickets/wk	$104

Source: About.com

Credit Management

How you handle credit may be more important than you think. Landlords, employers, and lenders all perform credit checks as a way of evaluating your trustworthiness. Having no credit can be as much of a problem as having a bad credit history. Students, new citizens, and divorcees or widows who obtained credit jointly with their spouses often find themselves in this situation. Your credit history establishes your overall personal financial character.

The Process

• Establish your credit for the first time by applying for a small loan, line of credit, or secured credit card and paying off the balance every month.

• Maintain good credit by paying your bills on time, and avoid co-signing for money abusers, so that you can obtain lower financing costs.

• Obtain your credit report at least once a year from the big three reporting agencies—Equifax, Experian, and TransUnion—and review it for abusive practices such as ID theft, and repair any errors. (To obtain a copy of your credit report, visit ***www.annualcreditreport.com***.)

• Make an effort to improve your credit by paying your bills on time, paying more than the minimum due, and maintaining clean, active accounts.

A general rule for managing credit card debt is if you have multiple balances, tackle those cards with the smallest balances and highest interest rates first by paying a little more than the minimum amount due each month. Once the first card is paid off, focus on the next card until you are debt-free.

Understanding Your Credit Score

Credit scores range from 300 to 850. Your score not only affects your ability to obtain a mortgage, car note, or personal loan, it affects the interest rate you pay. Credit scores above 700 are a very good sign of strong financial health. Because credit scores from the Fair Isaac Corp. are often used—also called FICO scores—what follows is a breakdown of the five credit-related data points used to calculate your score.

1. Your payment history equals 35% of a FICO score. Late payments, bankruptcies, and other negative items can hurt your rating.
2. Your debt load equals 30% of a FICO score. The more balances you carry compared to your total available credit, the lower your score.
3. The length of your credit history equals 15% of a FICO score. A longer credit history will increase your score.
4. New credit equals 10% of a FICO score. Opening new accounts, especially within a short period of time, will affect your score.
5. The types of credit you are using equal 10% of a FICO score. These include installment loans, such as a mortgage or auto loans, and personal lines of credit.

Source: MyFico.com

The Bottom Line: A poor credit score will result in much higher payments.

National Average APR on a $300,000, 30 year fixed-rate mortgage

FICO Score	Annual Percentage Rate	Monthly Payment
760-850	4.567 %	$1,532
700-759	4.789 %	$1,572
680-699	4.966 %	$1,604
660-679	5.18 %	$1,644
640-659	5.61 %	$1,724
620-639	6.156 %	$1,829

Source: MyFico.com, as of May 2010.

Control Debt

How heavy is your debt load? Your debt-to-income ratio should be under 20%. Take your monthly take-home pay and subtract your rent or mortgage payment. Multiply the remainder by 20%. That figure equals the total amount of money you should be spending on personal loans, credit cards, and other debts. Say your monthly take-home pay equals $2,800 and your rent equals $900. Subtracting $900 from $2,800 leaves you with $1,900. That number multiplied by 20% equals $380, which is the maximum amount you should be paying toward debt.

Running up big balances that you can't pay off right away can lead you down the path to poor credit, but it also can lead to physical stress. That's when debt becomes downright ugly. It's harder to save and invest when you are constantly behind the eight ball. But when used intelligently, debt can be of tremendous assistance in building wealth. (See section on Good Dept. vs. Bad Debt.)

Monitor Taxes

Tax planning should be part of your overall money management strategy, don't wait until April 15. You should engage in tax planning throughout the year. Consult an accountant to make sure you are taking all allowable deductions. You should keep close tabs on the deductibility of all your expenses. Save receipts that are work-related or for business purposes. Keep a record of charitable donations. An accountant can also advise you on how to adjust your withholdings each year. If the government takes too little taxes, you will wind up paying more to the IRS come April 15. If the government is taking out too much tax, you are depriving yourself of money that you could be putting into investments that are earning interest.

Control your money, don't let your money control you.

Tax-Deferred vs. Tax-Free

Earnings on investments are important, but more important is the actual amount that you get to keep—therefore it's essential that you understand the impact of trading costs and taxes on your investments.

Tax-deferred: With tax deferral, you postpone the payment of taxes until some future date when you make a withdrawal. By making regular contributions to a tax-deferred investment, and reinvesting your earnings, your money will grow faster due to the compounding of interest. What's more, there's an additional benefit assuming that you are in a lower tax bracket when you need to start accessing those funds.

Tax-free: Certain investments offer yields that aren't taxed by the federal government. Most notably, any interest earned on municipal bonds—those issued by the state or any subdivision of the state—are generally not taxable for federal income tax purposes.

Taxable Equivalent Yields

Tax-free municipal bonds may offer yields that are higher than taxable bonds. In order to compare the bottom line impact on your portfolio it's necessary to calculate the taxable equivalent yield.

For example, if the tax-free yield of a municipal bond is 4.5%, and your federal tax bracket is 28%, then your taxable equivalent yield would be 6.25%. In other words, you'd have to earn 6.25% on a taxable bond to equal the 4.5% tax-free yield of the municipal bond.

Calculating Taxable Equivalent Yield

$$\text{Taxable Equivalent Yield} = \frac{\text{Tax-free yield \%}}{1 - [\text{tax bracket \%}]} = \frac{4.5\%}{0.72} = 6.25\%$$

Ways to Avoid an Audit

A letter from the IRS undoubtedly evokes emotions—whether it's the pleasure of a refund check or the anxiety of an audit notice. If you haven't been audited, make no mistake that the number of audits of individuals continues to grow. While there are no sure-fire ways to avoid an audit, taking some of these steps can keep your return from inviting additional scrutiny.

1 Check your math:

Simple math mistakes will not trigger an audit on their own, but several mistakes may indicate a level of carelessness that may invite further scrutiny.

2 Keep it neat:

With more people filing electronically and using tax preparation software, a messy handwritten return certainly isn't going to help.

3 Don't overlook any income:

Don't overlook any W-2 or 1099 statements that you might receive. Did you sell any securities early in the year? The IRS automatically receives copies of these forms, so they'll be looking for the proper amounts.

4 Keep it separate:

For tax purposes, a home office is not the desk in the corner of your bedroom. It must be a separate space that's dedicated to business, and not just a convenience to work at home every so often. So be careful before you try to write off all your home office equipment.

5 Know your status:

Certain groups are more likely to attract the attention of the IRS. Know if you're in one of these groups, and be prepared to substantiate your claims if called to do so. For instance, self-employed individuals have more opportunity to claim personal expenses and business deductions—so keep exacting records of any such deduction you claim. Similarly individuals who are paid in cash should keep particularly precise records.

6 Keep detailed records:

Lugging a shoebox full of receipts to an IRS office simply won't cut it. For instance, for a business dinner, write on the receipt who you entertained and some statement regarding the nature of the business discussed.

7 Explain in advance:

If you've claimed an unusually high deduction or done something else that would be very atypical from your prior filings (or from persons in your tax bracket, profession, or zip code), include supporting documentation with the return. If the IRS agent can review the materials, this may prevent a full audit.

8 Consider the source:

Perhaps you've raised an eyebrow when a friend says he's made a deduction that seems a bit suspect, well the IRS is likely to do the same. Make sure any advice you take is from a reputable source.

Good Debt vs. Bad Debt

Just thinking about debt can create anxiety for some people. But before you become wary of any and all debt, it's important to keep in mind that not all debt is created equal—and that when used wisely, debt is an important part of your wealth building toolkit. Be mindful of the difference between good debt and bad debt.

GOOD DEBT: Any purchase with the potential for increasing in value over the long-term.

Student Loans A student loan for a college education is a good debt because it will position you to earn more during your lifetime. However, you don't want to take out a student loan just because you aren't sure what to do with your life.

Business Loans Such loans are considered good debt if you're likely to increase your net income by borrowing to expand your enterprise. For instance, one of the most powerful women in radio is Cathy Hughes, founder and chairwoman of Radio One in Lanham, Maryland. In 1979, she raised $1.5 million in seed capital from Chemical Bank and venture capitalists. The following year, she purchased her first radio station, WOL-AM. Today, Radio One, with $272 million in revenues and more than 50 radio stations nationwide, is the largest black-controlled broadcasting station in the United States.

Margin Investments Another category of debt that may be good debt: borrowing to buy certain investments, such as high-return stocks or bonds, on margin. But this is only true if you've analyzed the transaction carefully (and perhaps even consulted an impartial financial professional).

Home Mortgages Home values have increased an average of 6.5% annually over the last 30 years. Plus, you get a tax advantage and can write off interest on an asset that's appreciating in value. Buying an investment property—such as a multifamily home that will produce rental income and deductions—is also good debt, as is refinancing your home mortgage to get rid of an excessively high interest rate.

BAD DEBT: Any purchase that goes down in value immediately after you buy it.

Auto loans Four wheels often cost well into the five figures. Borrowing money for a car racks up sizeable interest, all in the name of buying something that decreases in value at a rapid rate once you drive it off the lot. Also, too many people make car purchases based on the image they want to portray rather than on what they can afford.

Credit/Charge Cards Any card with an interest rate between 13.5% and 21.5% is a bad deal. Let's say that every week for a year, you put $50 worth of groceries on a credit card with 18% interest. If you make the minimum monthly payment, it will take you a little more than 12 years to pay off your credit card bill.

Resources

WEBSITES:

myFICO, *www.myfico.com:* The consumer division of Fair Isaac, the company that invented the FICO credit risk score used by lenders, myFICO offers credit information products and credit scoring information; (800) 319-4433.

National Consumer League, *www.nclnet.org:* A nonprofit advocacy group representing consumers on marketplace and workplace issues. NCL offers a variety of publications addressing areas such as finance, health, fraud, and technology; (202) 835-3323.

National Credit Reporting Agencies, In addition to providing credit reports, credit scores, and consumer information, the big three agencies handle credit fraud and disputes.
1. Experian, *www.experian.com*, (888) 397-3742
2. TransUnion, *www.transunion.com*, (877) 322-8228
3. Equifax, *www.equifax.com*, (800) 685-1111

National Foundation for Credit Counseling, *www.nfcc.org:* A national organization of certified consumer credit counseling service centers focused on promoting financially responsible behavior; (800) 388-2227.

U.S. Securities and Exchange Commission, *www.sec.gov/investor.shtml:* The SEC's Office of Investor Education and Assistance provides a variety of services to help consumers invest wisely and avoid fraud; (800) SEC-0330.

RECOMMENDED READING:

Girl, Get Your Credit Straight! by Glinda Bridgforth (Broadway Books, 2007)

The 9 Steps to Financial Freedom by Suze Orman (Three Rivers Press, 2006)

Women and Money by Suze Orman (Spiegel & Grau, 2007)

Spend Well, Live Rich by Michelle Singletary (Ballantine Books, 2004)

The Millionaire Next Door by Thomas J. Stanley, William D. Danko (Pocket, 2003)

The Millionaire Mind by Thomas J. Stanley (Andrews McMeel Publishing, 2001)

Zero Debt by Lynnette Khalfani-Cox (Advantage World Press, 2008)

WEALTH FOR LIFE PRINCIPLE #4

I will save at least 10% of my income.

4

Self-discipline is the golden rule of the day. Just as you allocate dollars to pay bills and support your lifestyle, it's important to set aside a percentage of every paycheck for savings and investments—at least 10% of your take-home pay. Act as if it's a bill that needs to be paid. In addition, you need to invest 15% of your income in a 401(k) or other retirement plan. This financial principle holds true in good and bad economic times. Your ability to build wealth is optimized when you follow a sound plan. Your plan should include a mix of investments, from stocks, bonds, and mutual funds to real estate and other alternative investments.

The 70% Money Solution

Keep "committed expenses" at or below 70% of your total income. That's money spent on basic needs such as food, clothing, household bills, rent/mortgage, insurance, and taxes. The remaining 30% can be divided up for your cash reserve, long-term savings, and retirement investments.

Attention Bargain Shoppers!

Need to come up with the money to add to your savings? Then decrease your expenses. There are many simple ways to tighten your belt. For example, minimize bank charges by using ATMs from your bank. Stay away from payday loans as fees are excessive. Use coupons for food, dry cleaning, and other services or products. You can find deals, cash-back shopping, and freebies online at Fatwallet.com, CheapCheapCheap.com, Slickdeals.net, CouponChief.com and RatherBeShopping.com.

Why Diversify?

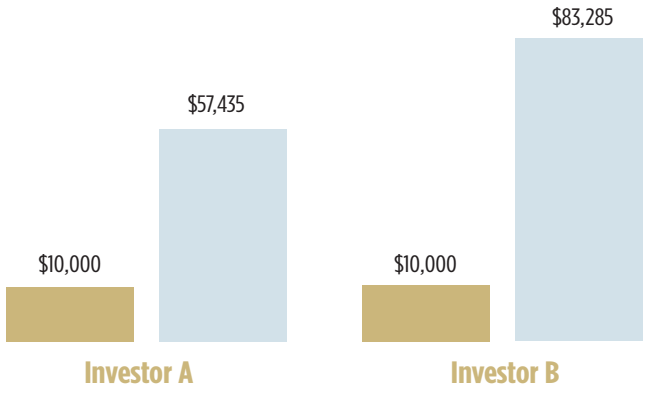
Imagine that you are riding in an elevator car held by one cable. Suddenly it breaks. What happens to you? No one wants to think about the likely outcome. Now imagine that you are riding in an elevator that is supported by several cables. Suddenly one of them breaks. Because there are other cables still holding the car up and keeping it balanced, you arrive safely to your final destination.

Portfolio diversification works in much the same manner. It provides a balance across and within a wide range of asset classes, which include cash equivalents, stocks, bonds, and real estate. Understand that the broader your investments, the less vulnerable your portfolio is to fluctuations in the market. Diversification protects you from the ups and downs of individual companies or industries.

See the results:

Investor A and Investor B each invest $10,000. Investor A puts it all in an investment earning 6%. Investor B splits it equally among five investments—two earning 10%, one earning 6%, one earning 0%, and one losing 100%. After 30 years, Investor B earns almost $26,000 more than Investor A.

Source: Ameriprise Financial



What's Your Style?

Having a sense of style is important when it comes to finance. You should give thought to your personal investing style, which should be tied to your age, financial resources, goals, and risk tolerance. Also recognize that your investing style is likely to change over time.

For instance, if you are 50 and saving for retirement, your investing style is likely to be far more conservative than a 20-year-old who's just entering the workforce. Younger investors may have a higher tolerance for risk because—with retirement being far off in the horizon—they'll have more time to compensate for unexpected losses.

By choosing an investment style that is in sync with your financial situation and then choosing investments according to that style, you will increase your chances of reaching all your financial goals.

What's Your Type?

Just as you need to know your investment style, you need to know what type of investments are most in line with your risk tolerance. Here are five common types:

- **Growth:** These are shares of companies that are growing in both earnings and profitability. These stocks are expected to grow faster than the stock market averages.
- **Value:** These are stocks that are comparatively low-priced, and analysts believe the price doesn't accurately reflect the company's potential and current assets.
- **Income:** These are securities that generate regular but modest income for investors. Income stocks are generally those of well-established companies that routinely pay dividends. Bonds and bond funds also pay dividends that investors can factor into their planning.
- **Aggressive Growth:** These securities seek maximum capital appreciation. These are generally stocks of smaller, less mature companies.
- **Blended:** Combines both growth and income investments to strike a balance between maximizing capital gains and minimizing potential losses.

Doubling Your Savings

As the years pass, you'll begin to see the money you've stowed away grow to a surprising sum. Starting your investment plan early positions you to take full advantage of the power of compounding: the exponential growth of an asset arising from earning interest upon accumulated interest.

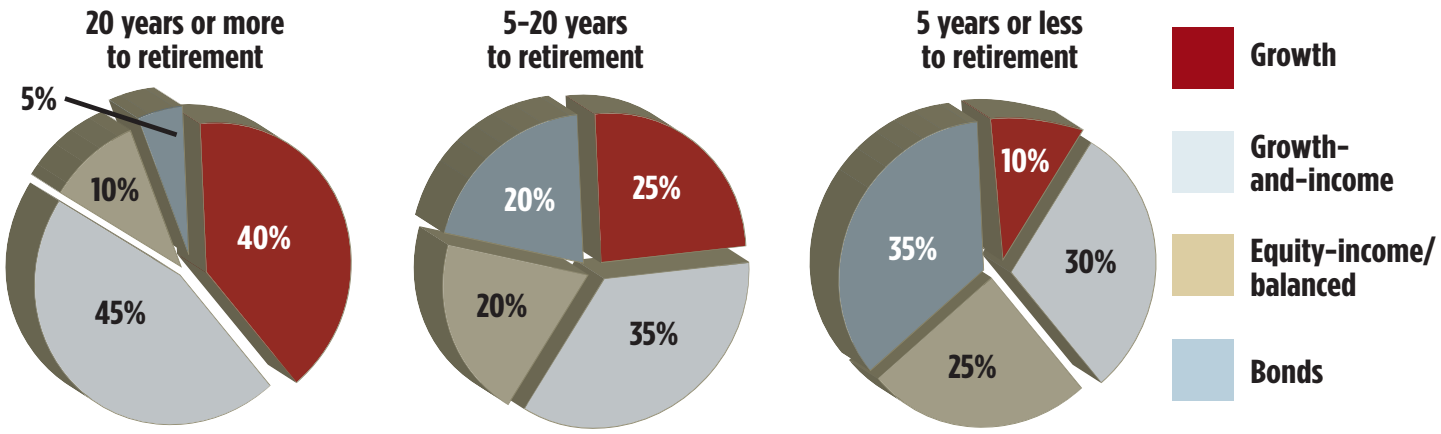
THE POWER OF COMPOUNDING

How $100 a month invested at a 6% annual rate of return would accumulate

Beginning at age	Value at age 65
25	$ 209,145
35	100,953
45	46,435

Source: Bank of America

Asset allocation models: Retirement time frame



Source: American Funds

Resources

WEBSITES:

American Association of Individual Investors, *www.aaii.com:* A nonprofit organization that provides investment information and advice. The site offers free content for registered users and additional features for members; (800) 428-2244.

Morningstar Inc., *www.morningstar.com:* A research firm that provides information on mutual funds, and a range of other investments, including stocks, variable annuities, closed-end funds, exchange-traded funds, and 529 college savings plans.

The Motley Fool, *www.fool.com:* A comprehensive site that offers investment advice, market analysis, how-to guides, personal finance newsletters, and a series of books, including *The Motley Fool's Guide to Couples & Cash, The Motley Fool's Guide to Paying for School,* and *The Motley Fool's Guide for Teens.*

The Street, *www.thestreet.com:* Founded by CNBC's Jim Cramer, this site offers investment information, real-time stock quotes, financial news, commentary, and stock analysis. TheStreet.com University provides articles on securities and investing.

Yahoo! Finance, *http://finance.yahoo.com:* The Internet portal's money section provides access to real-time stock quotes, interest rates, financial news and analysis, historical data, how-to articles, and investment information on stocks, mutual funds, bonds, real estate, banking, insurance, taxes, credit, and debt.

RECOMMENDED READING:

Black Enterprise Guide to Investing by James Anderson (John Wiley & Sons, 2003)

The Morningstar Guide to Mutual Funds: 5-Star Strategies for Success by Christine Benz (John Wiley & Sons, 2005)

101 Real Money Questions: The African American Financial Question and Answer Book by Jesse B. Brown (John Wiley & Sons, 2003)

The Money Coach's Guide to Your First Million by Lynnette Khalfani (McGraw Hill, 2006)

Be Smart, Act Fast, Get Rich: Your Game Plan for Getting It Right in the Stock Market by Charles Payne (John Wiley & Sons, 2007)

Make Money Work for You—Instead of You Working For It: Lessons From a Portfolio Manager by William Thomason (John Wiley & Sons, 2005)

Notes

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WEALTH FOR LIFE PRINCIPLE #5

I will use homeownership as a foundation to build wealth

5

Just as every home needs a solid foundation, so does every wealth building plan. Owning a home is a key cornerstone in accumulating assets that are likely to appreciate over time. According to data from the U.S. Census Bureau, at 32.3%, home equity constitutes the largest share of a household's net worth. Although real estate moves in high and low cycles, the tax advantages given to homeowners provide a hedge against inflation. Another benefit is that a home's equity can be an important source of capital for other ventures, even starting a business. Because it's likely to represent the largest financial transaction you may participate in, it's vital that you understand the process of becoming a homeowner. Even if this means attending homebuying seminars or workshops.

Buying a Home

Shopping for your first home can be a time-consuming and mind-boggling process. In fact, the legwork should begin a year before you actually plan to buy your home. The first step is to review your credit report for any errors that may cause you to pay a higher interest rate on your mortgage. What's more, you'll want to be particularly disciplined about paying your bills on time in the year prior to applying for a mortgage.

But don't fear that you'll need lots of money to buy a house. There are programs that offer no down payment and low down payment mortgages, and mortgage assistance, such as those available through The Nehemiah Program (*www.nehemiahcorp.org;* 877-634-3642), and The Neighborhood Assistance Corporation of America (*www.naca.com;* 888-302-NACA). Nevertheless, you should have at least 10% of the cost of the house saved to cover the down payment, closing costs, and other expenses.

James and Kimberly Papillion, winners of the first annual BLACK ENTERPRISE Own Your First Home Contest. Visit *www.blackenterprise.com* for contest rules.

How Much Can You Afford?

There are several mortgage calculators on the Internet that can help you estimate how much you may be able to borrow based on income, interest rate, mortgage payment, debts, and other factors, e.g., the Website of the Government National Mortgage Association, ***www.ginniemae.gov***, provides several homeownership calculators. As a rule of thumb, your monthly housing expense should not exceed 28% of your monthly pre-tax income.

Mortgage Rate

Week ending	30 year FRM	15 year FRM	1 year ARM
5/26/00	8.62 %	8.31	7.25
5/25/01	7.20 %	6.76	5.82
5/24/02	6.81 %	6.28	4.85
5/23/03	5.81 %	4.73	3.61
5/28/04	6.32 %	5.69	3.87
5/27/05	5.65 %	5.21	4.21
5/26/06	6.62 %	6.23	5.61
5/25/07	6.37 %	6.06	5.64
5/23/08	5.98 %	5.55	5.24
5/22/09	4.82 %	4.50	4.82
5/21/10	4.84 %	4.24	4.00

Source: MyFico.com, as of May 2010.

Selecting a Mortgage

As you shop around, be sure you clearly understand how various features may impact your mortgage repayment schedule. Broadly speaking, you'll be choosing between a fixed-rate mortgage and an adjustable rate mortgage (ARM), which changes its interest rate each year, up or down.

If you plan to stay in your home for five years or less, an ARM may be the best choice because the initial interest rate will be lower than that of a fixed-rate. So-called "3/1" and "5/1" ARMs mean that you'll lock in an attractive rate for three or five years, respectively. It's also possible to get an interest-only option on your mortgage, but it's not the best choice for most borrowers.

To line up financing, you essentially have two options; to work with a lender or with a mortgage broker. If you have good credit and are able to save 5% to 10% for your down payment, you'll probably benefit from talking with a bank's loan officer. To get a pre-approved loan—which will help when you place an offer on a home—a lender will look at your income, credit rating, and so on. If you have shaky credit, a mortgage broker may be more helpful because he or she will have relationships with several lenders.

Key Questions for Your Broker or Lender

1. What are the points and origination fees?

"Points" are up front interest payments on a fixed-rate mortgage. The more points you pay, the lower the mortgage interest rate.

2. Will the lender guarantee a good faith estimate?

After applying for a mortgage, lenders have three days to give you a good faith estimate (GFE) of all the costs to be paid at closing, but they aren't required by law to guarantee it.

3. What are all the costs?

They should be spelled out in the GFE and include the appraisal, credit report, title search, escrow, recording fees, and taxes.

4. What is your turnaround time?

It takes time to negotiate a purchase contract, which will have a closing date. Are there potential roadblocks?

5. How long after final approval will funds be available?

You will want to coordinate closing with your lender so that you'll have the money in advance.

Qualities to Look for in an Agent:

1. **An understanding of your needs**
2. **A willingness to work with you**
3. **A sense of professionalism**
4. **Familiarity with homes in your price range**
5. **Professional designations, such as GRI (Graduate of Realtors Institute)**
6. **Strong references from buyers**

Hiring a Real Estate Agent

Before you start shopping for a home, you need to determine if you would be better off on your own, or if you need a real estate agent. One advantage of hiring real estate agents is that they have a network of professionals who provide services that you'll need, such as a home inspector, title company, and lawyer. A good agent can help you understand different financing options and identify qualified lenders. A real estate agent will also be able to help you negotiate price, terms and date of possession, and recommend repairs as well as guide you through the closing process.

The best way to find a real estate agent is through referrals from friends, family, neighbors, and co-workers. Ask them about their experiences with the agent. Consider attending open houses where you can meet real estate agents in a neutral environment.

Investing in Real Estate

Besides homeownership, there are other ways that you can use real estate to build wealth, such as owning rental properties, buying and selling homes for a profit, and investing in real estate investment trusts (REITs) or real estate mutual funds. Most financial gurus advise that, depending on your risk tolerance, you should have 5% (conservative) to 10% (moderately aggressive) of your portfolio invested in real estate through mutual funds or direct property ownership. Whichever route you take, attend workshops, read books, and do research before outlaying any cash.

Investment Properties

There are several factors that can impact your ability to generate streams of income from rental properties, including the mortgage interest rate, type of financing, down payment amount, property taxes, whether it is a single family or multi-unit dwelling, property maintenance expenses, and local rental rates. A $150,000 single-family house that rents for $1,000 a month may have greater income potential than a $300,000 house that rents for $1,600 a month.

Also keep in mind that deadbeat renters and long periods of vacancy can chip away at your investment, so think twice about becoming a landlord. If you have the notion to "flip" properties for profit, study the art and skill of buying houses at wholesale discount prices or below market prices through, probate sales, IRS tax seizures, or foreclosures.

Owning REITs or Real Estate Mutual Funds

There are close to 200 real estate investment trusts (REITs) that are publicly traded and invest in an array of properties from shopping centers and office buildings to apartment complexes and hotels. Some REITs take equity positions whereby shareholders receive income from the rent of these properties, and capital gains as buildings are sold at a profit. Others, such as mortgage REITs, specialize in lending money to developers. REITs typically provide high dividends because, by law, they are required to distribute 90% of their taxable income to shareholders. For more information, visit the website of the National Association of Real Estate Investment Trusts, ***www.nareit.org***.

Real estate mutual funds generally invest in a portfolio of REITs and real estate companies, allowing investors a relatively cost effective way to invest in this sector. Real estate funds require a lower initial investment than investing in real estate itself. Until 2008, mutual funds in this sector had enjoyed tremendous growth. But they continue to play a significant role in a long-term diversified investment portfolio.

Resources

WEBSITES:

Fannie Mae, *www.fanniemae.com:* A federal agency that provides financing to banks and mortgage lenders to grant more home loans to consumers. Fannie Mae offers free books on homeownership and information on credit and mortgage options; (800) 732-6643.

Federal Housing Administration, *www.fha.gov:* A division of the U.S. Department of Housing and Urban Development that provides mortgage insurance or guarantees loans granted by FHA-approved lenders. FHA-insured loans require very little cash investment to close a loan, typically 3%; (800) 225-5342.

Freddie Mac, *www.freddiemac.com:* Established by Congress, Freddie Mac buys mortgages from lenders to reduce the cost of home financing. Its website provides information to help consumers better understand and navigate the mortgage lending process; (800) 424-5401.

National Association of Real Estate Brokers, *www.nareb.com:* NAREB represents African American real estate professionals, including residential and commercial real estate sales agents and brokers, loan officers, mortgage brokers, title companies, appraisers, insurance agents, and developers; (301) 552-9340.

National Association of Realtors, *www.realtor.org:* A trade association with members involved in all aspects of residential and commercial real estate industries. Site provides information on buying, selling, and transferring homeownership; (800) 874-6500.

U.S. Dept. of Housing and Urban Development, *www.hud.gov:* This government agency offers counseling services for potential homeowners. It also provides low-income housing, rent subsidies, and grants to private agencies; and supports organizations that offer advice on foreclosure, default, renting, and credit issues; (202) 708-1112.

RECOMMENDED READING:

Creating Wealth: Retire in Ten Years Using Allen's Seven Principles of Wealth by Robert Allen (Fireside, 1986)

The 106 Common Mistakes Homebuyers Make (and How to Avoid Them) by Gary W. Eldred (John Wiley & Sons, 2005)

The National Association of Realtors Guide to Home Buying by Blanche Evans (Wiley, 2006)

Homebuying—Tough Times, First Time, Any Time: Smart Ways to Make a Sound Investment by Michele Lerner (Capital Books, 2009)

The Everything Homebuying Book: How to buy smart—in any market by Piper Nichole (Adams Media, 2009)

Mortgages 101: Quick Answers to Over 250 Critical Questions About Your Home Loan by David Reed (AMACOM, 2008)

Notes

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WEALTH FOR LIFE PRINCIPLE #6

Retirement Planning

I will devise an investment plan for my retirement needs and children's education.

6

Planning for retirement should begin as early as possible. The sooner you start, the more you'll be able to benefit from earning compound interest. And let's be clear, retirement is expensive—whether you plan to travel the globe, or just spend more time with your family. As people live longer due to advances in healthcare, it's critical that you take control of your retirement planning to ensure that you're on track to reach your savings target to ensure a comfortable lifestyle. Retirement can easily last for 20 or more years, and that's a long time to meet your needs without a paycheck—so start planning now.

There are many ways for students to finance their college education, including scholarships, loans, work-study, summer or part-time jobs, and Pell Grants for the financially disadvantaged. But it is critical for families to plan ahead and save whatever they can for their children's higher education. Adhering to a disciplined plan is the best way to lighten the load for both parents and students.

How Much Money Will You Need?

1. Determine how much you'll need to maintain your lifestyle in retirement.

Will you spend more on leisure? Will you move to a smaller home? How much of your healthcare costs will be covered by insurance?

2. Estimate your retirement income from Social Security, pension, and other potential sources of income.

For an estimate of how much of a payout you can reasonably expect to receive from Social Security, you can use the benefits calculator on the U.S. Social Security Administration's website, *www.ssa.gov*.

3. The difference between your anticipated income and projected expenses is the amount you'll need to be able to draw from your portfolio.

For example, if you estimate your retirement spending goal to be $85,000 and you expect to receive $20,000 from Social Security, you'll need to be able to withdraw $65,000 from your portfolio each year. As a general rule, financial advisers say that it's best to plan to withdraw no more than 4% to 5% of your portfolio each year. This percentage should ensure that you won't deplete your portfolio and run out of money. So, assuming a 5% withdrawal rate, you'd multiply the $65,000 by 20 (100% divided by 5%) to reach a retirement savings target of $1.3 million.

Retirement Planning Worksheet

Want to know when you'll be able to retire? To take the calculation above one step further and determine how much you'll need to save each year to reach your retirement goals, use our retirement worksheet. State Street Research & Management Co., a Boston-based money management and mutual fund sponsor, helped us develop it. (For guidance, a hypothetical example follows each line entry.)

1. Current annual income (you and your spouse combined)_____ ($80,000)

2. Desired retirement income _____ ($60,000)

3. Estimated Social Security and pension income _____ ($20,000)

4. Income needed from personal savings (including tax-deferred plans and portfolio investments). Subtract (3) from (2)._____($40,000)

5. Desired retirement age (Make note of the income multiple that fits your wishes.)

Retirement Age	☐ 50-54	☐ 55-59	☐ 60-64	☐ 65 & Over
Income Multiple	26	23	20	17

(For our example, we'll use 20.)

6. Necessary personal savings
Multiple (4) by (5) _____($800,000)

7. Total current personal savings_____ ($250,000)
(Your IRA, annuities, insurance policies, etc.)

8. Approximate years until retirement

Number of years	☐ 8	☐ 12	☐ 16	☐ 20	☐ 24
Growth multiple	2	3	4	5	6

(For our example, we'll use 8 years for a multiple of 2.)

9. Estimated value of current personal savings at retirement
Multiply (7) by (8) _____($500,000)

10. Savings shortfall
Subtract (9) from (6) _____$300,000)

11. Approximate years until retirement

Number of years	☐ 8	☐ 12	☐ 16	☐ 20	☐ 24
Savings factor	.100	.070	.045,	.032	.025

(Again, we'll use 8 for a factor of .100 in our example.)_____(.100)

12. Necessary annual savings
Multiply (11) by (10) _____($30,000)

Tax Considerations

You'll need to set up tax strategies that will protect your assets and limit your tax liability when you retire. Make sure you understand the terminology.

Tax-exempt. No taxes are owed on the money you earn from an investment—the money is tax-free. Municipal bonds are a prime example. The interest (not capital gains) on these investments is free from federal, state, and local taxes. In general, investors in the 28% tax bracket or higher benefit most from tax-exempt bonds, as well as investors in lower federal tax brackets but who live in areas where state and local taxes are high.

Tax-deferred. With these investments, taxes are not owed on an investment until it is sold. Therefore, the interest and dividends that you earn in employer-sponsored retirement plans and certain insurance products are deferred. Income taxes aren't due until you start making withdrawals from these investments. Generally a 10% IRS penalty is imposed if you withdraw the money before age 59 1/2, this is referred to as an early distribution penalty.

The Most Commonly Used Investment Options

401(k) Plans

Employer-sponsored retirement plans—such as 401(k), 403(b), and 457 plans—allow employees, through automatic salary withholding, to set aside funds in an investment account. These contributions are of pre-tax earnings and they continue to grow on a tax-deferred basis. Individuals only pay taxes when the funds are withdrawn.

Individuals should try to contribute the maximum allowed, 15% of their income or $16,500 as of 2010. Carefully consider your investment options within the plan and review your account regularly to make any adjustments to your financial goals and risk tolerance.

Catch up: Employees age 50 or older are allowed additional pre-tax "catch-up" contributions of up to $5,500 for 2010. The limit for future catch-up contributions will be adjusted for inflation in increments of $500.

Benefits

- Automatic payroll deduction
- Pre-tax contributions reduce income and thereby provide tax savings
- Employees age 50 and older can make "catch up" contributions to help bolster their retirement savings

Drawbacks

- Employees may not be immediately eligible to enroll
- Investment options may be limited
- Penalties for withdrawals prior to age 59 1/2

Individual Retirement Accounts (IRAs)

Even if you have a company retirement plan, you should consider contributing to an Individual Retirement Account. Investors age 49 and younger can invest up to $5,000 as of 2008. Depending on your annual income and participation in your retirement plan at work, you may be able to deduct your IRA contributions. One key advantage is that IRAs offer a wider range of investment choices than corporate-sponsored retirement plans.

Roth IRAs

Although contributions to a Roth IRA are not tax-deductible, qualified withdrawals are tax-exempt. (Roth IRAs are not open to high-income tax payers.) Unlike traditional IRAs, you're not subject to the minimum distribution rules and you can make contributions after age 70 1/2. As long as you leave the money in the account for five years, all distributions to the account after age 59 1/2 will be free from federal income taxes.

Plans for the Self-Employed and Entrepreneurs

Simplified Employee Pension (SEP) IRA

For the self-employed and small business owners, simplified employee pension (SEP) IRAs provide a means by which to set aside money toward your own and/or your employees' retirement accounts. Contributions cannot exceed the lesser of $49,000 (subject to future cost-of-living adjustments), or 25% of your salary or an employee's compensation. The advantage is that you get to enjoy tax-free earnings on investments in the plan, and contributions are deductible as a business expense on your income taxes.

Keogh Plans

There are two types of Keogh plans: profit-sharing and money-purchase. Both provide for tax-deferred growth. Contribution limits vary but, in general, you may contribute a maximum of $49,000 to a Keogh each year and deduct that amount from your taxable income. Setting up a Keogh is paper intensive and often used by individuals looking for a catch-up savings strategy.

Plans for the Self-Employed and Entrepreneurs *continued*

Solo 401(k)

The solo 401(k) is ideal for the self-employed and small business owners with no full-time employees. The plan allows high maximum contributions to a deductible account. Currently, you can contribute up to 100% of the first $16,500 ($20,500 for individuals 50 or older) of your 2010 income along with an additional percentage of 20% to 25% of your income depending on whether your company is a sole proprietorship or a corporation.

The solo 401(k) plan is a great tax break when the company's profits are soaring, because of the high maximum contribution, but it also gives small businesses the option to make a smaller contribution, or no contribution at all, when profits wane. To learn more about this investment option, visit *www.360financialliteracy.org*.

Annuities

These insurance products are available through brokerages, insurance carriers, mutual fund companies, and licensed bank affiliates. Investors pay a lump sum or make deposits over time. You can convert your account into a lifetime or fixed stream of income. There's no tax on your investment earnings until you take distributions. While tax benefits on annuities are attractive, they tend to carry higher fees.

To gain the maximum benefit, you need to invest for the long term, usually a minimum of 10 years. Fixed annuities pay a specified interest rate for a period of time. Variable annuities put your money in stock, bonds, or money market mutual funds, and returns are dependent upon market volatility and performance. Note that an insurance company's guarantee is not equivalent to a bank's FDIC insurance. It is important that you get an annuity product from a company that has a strong financial rating.

Golden Rules for Your Golden Years

1. Set lifelong goals. How do you envision spending your retirement? Do you want to travel? Are you likely to relocate to a warm and sunny climate? Save and invest according to how much money you will need to maintain your desired lifestyle.

2. Don't count on Social Security. Whatever you receive from Social Security will most likely not be enough to pay your expenses. Your retirement planning must ensure that you are not dependent on Social Security benefits for daily survival. You can estimate your benefits using the calculator on *www.ssa.gov*, the Social Security Administration's website.

3. Expect to live longer. More people are living beyond 80 and even well into their 90s and chances are you'll be one of them. So plan for a long lifetime. Living longer means you must be prepared for the higher cost of living after you stop working—accounting for both your leisure expenses and rising healthcare costs as you get older.

4. Save outside your employer-sponsored plan. Don't rely exclusively on your employer-sponsored plan. Maintain an IRA, SEP-IRA, or other retirement account where you are responsible for selecting and directing a diverse mix of investments within the account.

5. Catch up on savings. If you are age 50 or older, each year you can contribute an additional $1,000 to a traditional and Roth IRA, $2,500 to a SEP-IRA, and $5,000 to an employer profit sharing plan such as a 401(k). Doing so will enable you to save more in a shorter period of time.

6. Track your portfolio. Monitor your retirement accounts—review them annually, at least—in order to keep them on the right track. As you age, consider adjusting your asset allocation to reduce your potential risk.

7. Never stop planning. Once you retire, you'll still need to have a financial plan in place. The reason is simple: You must be careful to monitor your rate of return and not withdraw too much, or you may prematurely deplete your retirement accounts.

THE PURCHASING POWER OF $1,000

Here's what inflation can do to $1,000 over a period of time.

INFLATION RATE	5 YEARS	10 YEARS	20 YEARS
2%	$904	$817	$668
3	859	737	545
5	774	599	358
7	696	484	234

Source: *Black Enterprise Guide to Investing*

Professional Help

Working with a Financial Planner

A qualified financial planner can help you put your retirement plan into action and monitor its progress. A planner also can help you stay on track to meet changing financial goals by staying informed about emerging products—such as exchange traded funds—changing products, markets, and tax laws. One way to find a planner is to request referrals from friends, relatives, or colleagues. Attorneys, accountants, bankers, and other financial specialists also can be good sources because many often work with financial planners. A good financial planner will look at every aspect of your financial situations, from your household budget to your estate plan.

Make sure that, at a minimum, your financial planner has one of these three leading designations:

Certified Financial Planner (CFP)

A person who has met the Certified Financial Planner Board of Standards education, examination, and experience requirements. These individuals also have agreed to adhere to high standards of ethical conduct and to complete the CFP Board's biennial certification requirements.

Personal Financial Specialist (PFS)

A designation that can only be acquired by CPAs who are members of the American Institute of Certified Public Accountants. CPAs who specialize in personal financial planning can earn the credential if they have a minimum of 1,400 hours of financial planning business experience, have met certain continuing education requirements, and passed any one of six qualifying exams.

Chartered Financial Analyst (CFA)

A title for securities analysts, money managers, and investment advisers who have completed the CFA program, a graduate-level, self-study curriculum and examination program that covers a broad range of investment topics. CFA charter holders are required to affirm their commitment to high ethical standards and voluntarily submit to the authority of the CFA Institute.

Working with a Stock Broker

The line between a financial adviser and a stock broker can be blurry. Technically a stock broker provides advice on individual stocks, bonds, or commodities, and executes trades on behalf of an investor. This is only a gray area because brokerages are increasingly offering their clients a full range of financial advisory services.

Oftentimes, the labels—financial adviser, investment adviser, etc.—are used interchangeably, so if you are seeking guidance, be sure to ask questions. The key difference is that registered investment advisers are fiduciaries and legally required to act in the best financial interests of their clients. Brokers do not have that same fiduciary duty: they are only obligated to offer investments suitable to a client's needs.

Brokerages are generally categorized as full-service, discount, or online. When choosing to do business with a particular broker or brokerage firm, you should check the person or firm's background using the FINRA BrokerCheck tool on *www.finra.org.* Investors can also access this service by calling (800) 289-9999.

Resources

WEBSITES:

AARP (American Association of Retired Persons), *www.aarp.org:* An advocacy group for people age 50 and older. AARP provides a wide range of benefits and products, including discounts on insurance and prescription drugs, as well as investment and legal services; (888) 687-2277.

Employee Benefits Research Institute, *www.ebri.org:* An organization committed exclusively to data dissemination, research, and education on economic security and employee benefits; (202) 659-0670.

National Association of Personal Financial Advisors, *www.napfa.org:* A national membership organization representing fee-only financial planners; (847) 483-5400.

The 401(k) Help Center, *www.401khelpcenter.com:* A provider of information, opinion, analysis, trends, news, regulatory changes, and other resources for 401(k) plan participants as well as sponsors; (503) 705-9548.

The Financial Planning Association, *www.fpanet.org:* Connects consumers with certified financial planners. FPA publishes the Journal of Financial Planning, which covers financial news, investment issues, and personal finance topics; (800) 322-4237.

The National Association of Securities Professionals, *www.nasphq.org:* Represents minorities and women brokers, asset managers, investment bankers, and other finance professionals; (202) 371-5535.

RECOMMENDED READING:

What Color Is Your Parachute? For Retirement by Richard Nelson Bolles (Ten Speed Press, 2007)

Retire on Less Than You Think: The New York Times Guide to Planning Your Financial Future by Fred Brock (Henry Holt and Co., 2007)

Getting Started in A Financially Secure Retirement by Henry Hebeler (John Wiley & Sons, 2007)

The AARP Retirement Survival Guide by Julie Jason (Sterling Publishing, 2009)

Retire Secure! Pay Taxes Later by James Lange (John Wiley & Sons, 2009)

Social Security, Medicare & Government Pensions by Joseph Matthews and Dorothy Matthews Berman (Nolo, 2010)

Saving for Your Child's Future

While you may not be able to save up enough money to pay for all four years of college, you should save as much as you can afford. A practical goal may be to save enough to cover half the cost. Devise a college investment portfolio that changes in composition as your children grow. When your children are young, you generally can afford to take more risks than when tuition bills are just around the corner.

The Early Years (Under 6)

Time is on your side. Consider putting about 90% of your money in equity mutual funds, split between aggressive growth, growth, and income. The other 10% should be in something safer, such as a high-yield bond fund.

The Middle Years (6 to 13)

Keep your stock funds, but direct new monetary contributions into bond mutual funds and growth and income funds. Look to invest 25% of your portfolio in bonds.

The Pre-College Years (14 to 17)

During each of these years, start getting out of equities, so that by the time your student turns 17, just 25% of your money is still in growth equity funds and income funds. The rest should be in CDs, money market accounts, shorter-term bond funds, or U.S. Treasury STRIPS that mature during the student's first two years of college.

The College Years (18 to 21)

Consider moving 100% of the money into CDs and money market accounts as well as short-term U.S. Treasury STRIPS. By now your college funds should be out of equities—otherwise you might be forced to sell stocks during a market downturn.

Education Savings Plans

IRA Accounts

With an IRA, you are permitted to withdraw money for college expenses without paying the 10% early withdrawal penalty; however, you will owe income taxes on the amount you withdraw. Unlike a traditional IRA, a Roth IRA allows withdrawals for college expenses without having to pay either income tax or the 10% early withdrawal penalty. You will be subject, though, to regular income tax on any investment earnings unless you are older than 59 1/2 and have had your Roth IRA for at least five years.

529 College Savings Plans

College savings plans allow families to set aside funds to pay for qualified education expenses without incurring income taxes on the plan's earnings. A 529 plan works much like a 401(k) or IRA by investing your contributions in mutual funds or other investments. State 529 plans typically allow anyone (regardless of state of residence) to participate and offer several investment options from which to choose. The choice of school is not affected by the state where your 529 plan is located. You can set up an account in your name, and the money will accumulate on a tax-deferred basis—in most plans—until you withdraw it. These plans fare slightly better than custodial accounts, which the child controls once he or she reaches age 18 or 21.

Prepaid Tuition Plans

For families that know where their children will go to college, prepaid plans allow parents a way to buy all or part of tomorrow's in-state college education at today's prices. The value of the contributions to this type of plan is guaranteed by the state to meet or exceed annual in-state public college tuition inflation (in the 5% to 8% range).

Coverdell Education Savings Accounts

These savings accounts (formerly known as Education IRAs) allow you to save not only for future college costs, but for elementary and secondary school expenses, such as tuition, books, and uniforms. Like an IRA, Coverdell ESAs can allow for almost any investment including stocks, bonds, and mutual funds. As with a 529 plan, money in Coverdell ESAs grows tax-deferred and can be withdrawn tax-free for qualified education expenses. Coverdell ESAs have maximum contribution limits of $2,000 per year, per child, while 529 plans have no restrictions on annual contributions other than a maximum lifetime contribution, which varies by state

Getting A Head Start

The sooner you start to save for college the better. The following table shows how $100* a month would accumulate at different rates of returns and time periods.

Interest Rates

Year	7%	10%	12%
1	$1,246.49	$1,267.03	$1,280.93
2	$2,583.08	$2,666.73	$2,724.32
3	$4,016.30	$4,213.00	$4,350.76
4	$5,553.13	$5,921.18	$6,183.48
5	$7,201.05	$7,808.24	$8,248.64
10	$17,409.45	$20,655.20	$23,233.91
15	$31,881.12	$41,792.43	$50,457.60
20	$52,396.54	$76,569.69	$99,914.79

* Using monthly compounding.

Resources

WEBSITES:

College Savings Plan Network, *www.collegesavings.org:* This group is dedicated to making college more accessible and affordable for families. Its website serves as a clearinghouse of current 529 college savings plans.

Financial Aid, *www.finaid.org:* This website provides financial aid information, advice, and tools plus links to other sites that configure college finances, (724) 538-4500.

Investment Company Institute, *www.ici.org:* A national association of investment companies, mutual funds, exchange-traded funds, and unit investment trusts; (202) 326-5800.

Bankrate Inc., *www.savingforcollege.com:* A primary source of financial rates and information online, Bankrate has a college resource to help parents meet the challenge of paying for college. Devoted to 529 plans, this website includes articles and ratings on thousands of 529 portfolios; (800) 400-9113.

The College Board, *www.collegeboard.com:* This organization offers tips on college financing, choosing the best financial aid package, and taking out education loans. The website has an online scholarship searcher; (866) 630-9305.

U.S. Department of Education, *www.ed.gov and www.college.gov:* The Department of Education provides information about money for college through grants, loans, and work-study. In collaboration with students, College.gov provides information and resources about planning, preparing, and paying for a college education; (800) 872-5327.

RECOMMENDED READING:

Paying for College Without Going Broke **by Kalman A. Chany (Random House, 2009)**

How To Pay for College Without Sacrificing Your Retirement by Tim Higgins (Bay Tree Publishing, 2008)

SavingforCollege.com's Family Guide to College Savings by Joseph F. Hurley (Bankrate Inc., 2009)

The Best Way to Save for College: A Complete Guide to 529 Plans by Joseph F. Hurley (Bankrate Inc., 2008)

Winning Scholarships for College by Marianne Ragins (Henry Holt & Co., 2004)

Getting Financial Aid 2010 (Henry Holt & Co, 2006)

Notes

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

WEALTH FOR LIFE PRINCIPLE #7

I will ensure that my entire family adheres to sensible money management principles.

7

Learning the financial facts of life should be a family affair. Develop a financial education plan so that every member understands the markets, financial terms, and calculations. Every couple needs to learn how to communicate, compromise, and commit to the process of joint money management. Building wealth requires teamwork. It is critical to introduce the children in your life (which may include nieces, nephews, cousins, and grandchildren) to the fundamental principles of money management. Sending a child off to a financial camp, taking field trips, and reading newsletters geared toward youth are activities that can make learning the basics exciting and fun. Employing such methods will also help children foster a healthy respect for money, responsibility, and hard work.

Financially Ever After

Set family goals. Discuss short-term and long-term goals and commit to a financial plan early in the relationship—even before you say "I Do." If one or both of you are in a lot of debt, discuss how you plan to eliminate it. How are you saving for retirement? Do you want to retire early? Do you want to travel abroad each year? How will you be able to afford sending the kids to college? Use helpful tools to organize your financial life, such as a budgeting spreadsheet, a chart to track spending, and an affordability calculator.

Make a joint effort. If one of you is a saver and the other is a spender consider maintaining three accounts: yours, mine, and ours. The ours account is the one used for everyday bills and long-term financial goals such as buying a home, funding a child's college education, and taking vacations. The same is true for investments. If one person is conservative and the other a risk taker, keep a joint account and two separate accounts. If one spouse earns more than the other, look to divvy up expenses accordingly: 65% for the higher wage earner and 35% for the other, for example.

Automate basic bills. Who actually pays the bills is irrelevant as long as they are paid on time and both parties know how much is being spent on monthly expenses and on "extras." You can avoid potential bickering by putting everything on auto-pay. This will also help streamline administrative money tasks.

Consider getting a prenup. If one or both of you have children from previous relationships or a large estate, you should consider drawing up a prenuptial agreement. Even if you're already married, you can still get a prenup. If one partner has a business or piece of family property, it's also wise to draft such an agreement.

Fair Play

Be willing to discuss spending habits and other money issues openly without criticism, judgment, or anger.

Marital Obligations

Spouses may be responsible for each other's debts. If, for example, you apply together for a credit card both of you will be responsible for paying off the balance, regardless of who made the purchases. If you cosign on a home mortgage, you are both potentially liable, even if one of you moves out of the home. In community property states, a husband and wife may likewise be responsible for debts that each incurs even if they both didn't cosign. Family expense statutes make either spouse liable for expenses incurred for the benefit of the family. Even after a divorce or death, some obligations are not discharged. For instance, you can claim your ex spouse's Social Security benefits as long as you were married for at least 10 years and you don't remarry. It doesn't matter if your ex has a new spouse; you both get to stake a claim to those benefits.

Resources

WEBSITES:

Alliance for Investor Education, *www.investoreducation.org:* A clearinghouse of information about investing, investments, financial planning, and financial markets. AIE also sponsors investor workshops and conferences.

American Association of Individual Investors, *www.aaii.com:* This group provides educational resources and materials for financial planning, stock investing, and retirement funding. AAII also publishes a tax guide and mutual fund guide for ages; (800) 428-2244.

Black Enterprise Teenpreneur Conference, *www.blackenterprise.com:* A two-day business entrepreneurial education program for ages 13 to 17 held annually in May in conjunction with the Black Enterprise Entrepreneurs Conference.

Independent Means Inc., *www.independentmeans.com/imi:* IMI provides financial education via books, seminars, newsletters, and activities for kids, parents, and mentors. IMI sponsors youth programs such as Camp Start-Up; (805) 965-0475.

NAACP Reginald F. Lewis Youth Entrepreneurial Institute, *www.naacp.org/youth/yei:* An out-of-school-based program offered through a partnership with historically black colleges and universities (HBCUs) in nine cities nationwide; (410) 580-5745.

National Endowment for Financial Education, *www.nefe.org:* This group creates educational materials and programs on personal finance, including those targeted at teens; (303) 741-6333.

The Enterprise Center, *www.theenterprisecenter.com:* The minority business development center's YES (Youth + Entrepreneurship = Success) program includes after-school business and entrepreneurship activities, and a five-day summer Business Boot Camp; (215) 895-4000.

The Stock Market Game, *www.smgww.org:* The Securities Industry Association's Foundation for Investor Education administers this electronic simulation of securities market and mutual fund trading for students in grades 4 through 12; (212) 313-1350.

360 Degrees of Financial literacy, *www.360financialliteracy.org:* A national volunteer effort of the nation's certified public accountants to help Americans understand their personal finances and develop money management skills. It focuses on financial education as a lifelong endeavor—from children learning about the value of money to adults reaching a secure retirement; (888) 777-7077.

YoungBiz, *www.youngbiz.com:* This national organization offers youth in-school and after-school programs, summer camps, and workshops that provide a hands-on introduction to investing, financial literacy, and entrepreneurship. YoungBiz has a catalog of education materials and publications; (800) 878-4982.

RECOMMENDED READING:

Smart Couples Finish Rich by David Bach (Broadway Books, 2002)

Black Enterprise: The Millionaires' Club: How to Start & Run Your Own Investment Club—and Make Your Money Grow by Carolyn M. Brown (Wiley, 2000)

Banking on Our Future: A Program for Teaching You and Your Kids About Money by John Bryant, (Beacon Press, 2002)

When Happily Ever After Ends: How to Survive Your Divorce Emotionally, Financially and Legally by Karen A. Covy (Sphinx Publishing, 2006)

The Big Payoff: 8 Steps Couples Can Take to Make the Most of Their Money—and Live Richly Ever After by Sharon Epperson (William Morrow, 2007)

Campus CEO: The Student Entrepreneur's Guide to Launching a Multimillion Dollar Business by Randal Pinkett (Kaplan, 2007)

Your Money and Your Man by Michelle Singletary (Ballantine Books, 2007)

Notes

1. _____

2. _____

3. _____

I will support the creation and growth of minority-owned businesses.

8

One of the cornerstones of wealth building is entrepreneurship. What role can you play in developing black-owned enterprises? Certainly you can support black-owned businesses as a consumer. But you might also consider a more direct investment by becoming a private investor in a thriving entity, or by launching your own business to fill a niche in the marketplace.

How to Help Black-Owned Businesses Thrive

Be a Patron

You can contribute more dollars to the African American community by being a regular patron of black-owned businesses—which number more than 1 million in the United States. Today, there's more to "buying black" than heading to a black-owned retail outlet in a local black neighborhood. Some of the nation's largest black-owned companies deliver products and services that positively impact the lives of all Americans, as well as consumers the world over.

Be an Advocate

You can champion black businesses by encouraging your company to buy products and services from African American-owned firms. Find out what your company's procurement policies are, especially as they relate to programs designed to increase the number of minority vendors. Does your organization have formal programs for setting, measuring, reporting, and achieving supplier diversity goals? If you control a budget within your company, you can make an active effort to request bids from black firms.

Be an Investor

A more direct way to support flourishing African American enterprises is through investments. For one, you can buy shares in a publicly held, black-controlled business such as Carver Bancorp Inc. (NASDAQ: CARV), the holding company for Carver Federal Savings Bank, No. 1 on the **BE BANKS** list with $812 million in assets. Secondly, diversify your mutual fund portfolio by using one of the black-owned asset management firms that control and manage mutual funds. As with any other investment, fully dissect a company's corporate performance over time and its prospects for growth. If the company is not a public entity, find out whether there is an opportunity to make a direct investment through a private placement or private venture firm.

BE Black Mutual Fund Index

Fund Name	Category	Ticker
Ariel	Mid-Cap Blend	ARGFX
Ariel Appreciation	Mid-Cap Blend	CAAPX
Ariel Focus	Large Value	ARFFX
Brown Cap Mgmt Mid Cap	Mid Cap Growth	BCMSX
Brown Cap Mgmt Small Co. Instl	Small Growth	BCSIX
Brown Cap Mgmt Int'l Equity	Foreign Large Blend	BCIIX
Edgar Lomax Value	Large Value	LOMAX
Lou Holland Growth	Large Growth	LHGFX
Corverus Strategic Equity	Large Blend	CVSEX
The Profit Fund	Large Growth	PVALX

Steps to Starting a Business

Starting a business is no easy task, and sustaining a viable business can be even harder. Most startups go belly-up in three years. Here are some steps you can take to start off on the right foot:

1. Do a self-assessment. Analyze your strengths, weaknesses, and professional and personal skills. Is there an unmet market need? Perhaps there is a franchise opportunity that matches your business acumen and experience.

2. Know your customer. Understand your target audience inside and out, including demographics (age, income, gender, etc.), geographics (tastes and buying patterns differ regionally), and psychographics (values, attitudes, and lifestyle).

3. Seek counsel. During the planning process, discuss your ideas with your friends and family members. Seek feedback from others in the industry, including trade groups and business organizations.

4. Develop a business plan. This is a much needed road map for how you will run your company. Put in writing what your business will offer, how it will offer it, and for whom. Include short-term and long-term goals and financial projections.

5. Conduct market research. Check out your competitors. Find out who else offers your product or service. How do they promote their business and what are their prices? What makes your business more attractive and effective?

6. Create a marketing plan. Determine how you will market your product. Who is your target audience? How will you get the word out about your business?

7. Determine operating costs. How much will you need to spend for supplies, equipment, and so on? Determine how much you'll need to generate in revenues to meet your financial obligations.

8. Identify sources of startup funds. What are realistic sources of seed money? Will you ask your relatives for a loan or use your personal savings? Can you get a personal bank loan or line of credit based on your assets or collateral, such as your home?

9. Choose a location. Can you get away with being a home-based operation or do you need a storefront? Would the best business model for you be a kiosk in a mall? Are licenses and permits needed?

10. Estimate your profit/loss. How long will it take you to break even—when you're neither making nor losing money? How long will it take before you net a profit—when your revenues exceed your expenses?

Resources

WEBSITES:

Association of Small Business Development Centers, *www.asbdc-us.org:* Centers housed at universities, colleges, and state economic development agencies, in partnership with the U.S. Small Business Administration, provide low-cost consulting and low-cost training to entrepreneurial startups; (703) 764-9850.

BLACK ENTERPRISE, *www.blackenterprise.com:* The premier resource on business, investing, and wealth building, and publisher of the BE 100s annual ranking of the nation's top black-owned businesses; (212) 242-8000.

International Franchise Association, *www.franchise.org:* Home to the Minorities in Franchising Program, which is committed to increasing the number of minorities in franchising; (202) 628-8000.

Minority Business Development Agency, *www.mbda.gov:* A part of the U.S. Department of Commerce and the only federal agency created specifically to foster the establishment and growth of minority-owned businesses; (202) 482-5061.

National Association of Investment Cos., *www.naicvc.com:* A trade group of private equity firms that invests in ethnically diverse, emerging, privately held businesses; (202) 204-3001.

National Black Chamber of Commerce, *www.nationalbcc.org:* Serves 100,000 black-owned businesses and is dedicated to the economic empowerment of African American communities; (202) 466-6888.

Small Business Administration 8(a) BD Program, *www.sba.gov/8abd:* Named for a section of the Small Business Act, SBA's business development program helps small, disadvantaged businesses compete for and access federal procurement contracts; (202) 205-5852.

RECOMMENDED READING:

Black Enterprise: How to Succeed In Business Without Being White by Earl G. Graves, Sr. (Harper Business, 1998)

Black Enterprise: Guide to Starting Your Own Business by Wendy Harris (John Wiley & Sons, 1999)

Venture Capital Handbook: An Entrepreneur's Guide to Raising Venture Capital by David Gladstone and Laura Gladstone (FT Press, 2001)

The Peebles Principles: Tales and Tactics from an Entrepreneur's Life of Winning Deals, Succeeding in Business, and Creating a Fortune from Scratch by R. Donahue Peebles (John Wiley & Sons, 2007)

Market Women: Black Women Entrepreneurs: Past, Present, and Future by Cheryl A. Smith (Praeger, 2005)

WEALTH FOR LIFE PRINCIPLE #9

I will guarantee wealth is passed on to future generations through proper insurance and estate planning.

9

One of the most important reasons to accumulate wealth is to pass it on to your children and grandchildren. Transferring wealth to the next generation means more than amassing it through equity investments or building the value of a business. You must engage in sound tax and estate planning for your heirs. Without careful preparation, your rock-solid estate could shatter and leave your heirs with a mere fraction of the assets you intended. Also, bear in mind that your loved ones will have some tough decisions to make, from handling funeral arrangements to sorting through your financial matters. All the assets that you own at your death, whether it's your bank account balance or your antique quilts, need to be parceled out to family and friends according to your wishes.

Safeguard Your Estate

The first step in creating an estate plan is to take inventory of your assets. Your estate ultimately includes your investments, savings, insurance policies, real estate, and business interests.

Prevent loss of principal. Because one of the keys to passing on wealth is preventing the loss of capital, continue to track and adjust your portfolio's asset allocation—the mix of stocks, bonds, and other investment vehicles—to minimize losses and produce income. You want to grow and protect your assets.

Estimate your estate taxes and probate costs. What will the value of your property be when you die (equity investments, real estate, and personal property)? What debts will you owe? What deductions will be taken from your estate, such as administration costs and marital deductions? Whom do you want to inherit your assets?

Determine distributions. Many stock brokerage accounts are registered to joint tenants with rights of survivorship. This title results in the immediate transfer of the account to the surviving joint owner upon the death of the other tenant. Aside from these accounts, your assets are distributed according to beneficiary designations (e.g., life insurance, retirement plans, and annuities). Figure out how distributions are to be handled in a tax-efficient manner.

Handling Your Affairs

Outline how your wishes will be carried out at the time of your death or should you become incapacitated. This is accomplished through a will, trust, power of attorney, and living will.

Finalize a will. A will governs how you want your assets to be distributed. Dying without a will, known as intestate, can be costly to your heirs and gives you no say over who gets your assets. It is best to hire an attorney to help draw up a will. Name an executor who will ensure that your wishes for the distribution of your estate are carried out. His or her duties will include paying off creditors and any outstanding taxes.

What's more, if you have minor children, you'll need to appoint a guardian. A will only becomes effective upon your death and after it is admitted to probate—the court supervised process of settling an estate. Review and amend your will periodically, especially after major life changes such as a marriage or divorce. Also, review your beneficiary designations for your 401(k), IRA, pension, and life insurance policy because these accounts will automatically go to your named beneficiaries when you die.

Establish a trust. It's a mistake to think of trusts as only a concern for the wealthy. In fact, it may be advisable for you to establish a living trust, which is an entity created to hold and manage property or goods. You can create a revocable trust that you can move assets in and out of, or an irrevocable trust, to which you cannot make changes. Assets transferred into a trust are immediately available to your heirs. By transferring assets, it's possible to avoid the probate process after your death, which will speed the distribution of your assets. Minors cannot inherit assets, such as a home or life insurance benefits. By putting your estate in a living trust and appointing a trustee, you can have someone follow your written instructions on how to dole out money or items to your minor children.

5 Handy Tips

1. Add ICE to your cell phone. This is In Case of Emergency information to contact those persons you put in charge of your health and financial directives.

2. Write a declaration of pet care. Without one your four-legged family member may get sent to the nearest shelter if your next-of-kin says no.

3. Make your final arrangements known. Tell family and friends your wishes. Do you want to be buried or cremated? Do you want a traditional funeral at a church or a memorial celebration with food and music?

4. Use checks and balances. Choose a guardian to care for your children and a custodian to handle your assets. Someone who is a great caregiver is not always a good money manager.

5. Understand parental rights. If you're a single parent and you don't want your child's absentee dad or mom to automatically get custody upon your demise, you will need to ask him or her to legally relinquish parental rights.

Preserve and Protect

Insurance isn't sexy: You can't drive it, wear it, or eat it. Plus the big payoff doesn't come along unless you're seriously ill or disabled, a catastrophe strikes, or you leave this earth. Take life insurance for example: proceeds will be used to pay off large obligations such as a mortgage, a children's college education, and funeral expenses. The remaining funds—in concert with your other assets—would then be used to sustain your beneficiaries. No one wants to ponder his or her death, but tending to your life insurance needs is one of the cornerstones of financial planning.

Life Insurance

Life insurance is simply about replacing the income stream that you provide to support and care for your loved ones. The death benefit protects your family from economic hardship when you are no longer around. If you don't have a spouse or dependents, you probably don't need life insurance—though a certain base level of coverage is often part of an employee's benefits package.

How much coverage?

The general rule of thumb is five to eight times your salary. So, if you earn $60,000 that would be $300,000 to $480,000 worth of coverage. But it really depends on how many people you support and what other resources you have.

What type of coverage?

Term life is the simplest and least expensive type of policy. In return for the premium payments over the course of your lifetime, the insurance company agrees to pay out the amount of the policy. The death benefit and the policy limit are the same—a $200,000 policy pays a $200,000 death benefit. One disadvantage is that premiums increase as the policy holder gets older.

Whole life also offers a savings component. The policy costs more, but the payments of the policy holder are allocated between premium payments and the "cash value" of the policy. The cash value grows on a tax-deferred basis. As long as you pay the premiums—and no loans, withdrawals, or surrenders are taken—the full face amount will be paid. Your beneficiaries receive a guaranteed or fixed amount of money, and premium payments do not change over the life of the policy.

Variable life is a variation of whole life insurance and is suitable for risk-tolerant policyholders. Because policyholders decide how the savings portion of the policy is invested—whether in stocks, bonds, mutual funds, etc.—the policy does not offer a guaranteed return. Variable life is also less expensive and offers flexibility with premium payments.

Other Insurance Needs

Disability insurance either, through your employer or from an individual policy, provides coverage if a physical or mental impairment limits your ability to work. If you are a small business owner, you may want to consider this coverage in the event of a disabling injury or illness. If you are in a partnership, buy-sell agreements and business continuation insurance can ensure an orderly transition.

Long-term care insurance offers care to the chronically ill or disabled. Services may be provided either at a hospital, nursing home, or at home. Consider getting a long-term care policy if you don't want to be a financial burden on your children as you age and especially if you want to preserve some assets for your heirs. Premiums vary based on your age, sex, geographical location, and policy type. Annual costs can vary from $400 a year for a 40-something man to more than $3,000 for a man aged 70 or older.

Be Prepared

Draft a living will. Also known as an advance medical directive, this document is a statement of your wishes for the kind of life-sustaining medical intervention you want or don't want. Your condition and the terms of your directive may be subject to interpretation by family members and medical staff. But you can increase the chances that your directive will be enforced by having a healthcare agent advocate on your behalf.

Assign a power of attorney. Who will handle your affairs if you're no longer able? Consider appointing a relative, attorney, or accountant to look out for your interests. A durable power of attorney is worded so that it remainsin effect when a person is disabled or otherwise incapacitated. Failure to include such language means that, if you are incapacitated, the power of attorney may be unenforceable.

- **Durable Power of Attorney for Healthcare** allows a designated person to make decisions for you in the event you are unable to provide consent for medical treatment. This person also would gain access to your medical files and could fire medical personnel.
- **Durable Power of Attorney for Property** empowers the appointed person to handle all your assets should you be unable to. This would include signing checks, paying bills, collecting benefits such as, Social Security, and making financial decisions on your behalf.

Death & Taxes

While death and taxes are quite certain, at least one tax—the federal estate tax—is impacting fewer people and is scheduled to take a vacation in 2010. The estate tax is assessed on the value of assets you leave to your heirs.

But experts caution individuals not to plan with the repeal in mind because various economic factors could cause legislators to change their minds. As it stands, the tax will return in 2011, with a $1 million cap.

Resources

WEBSITES:

Academy of Estate Planning Attorneys, *www.aaepa.com:* An organization that represents attorneys and law firms nationwide specializing in estate planning, elder law, after-death counsel, and financial services. This site provides a link for finding an attorney in your area; (800) 846-1555.

American Bar Association, *www.abanet.org:* A professional trade group for lawyers. This site has a property, probate, and trust law and estate planning FAQ section that answers common questions about topics, such as probate and administration of estates, and disability planning; (800) 285-2221.

Estate Plan Center, *www.estateplancenter.com:* This site offers articles and products covering a host of topics, including the estate planning process, living wills, living trusts, estate taxes, probate, medicaid planning, and legacy law. Other resources are available through its sister site *www.estateplanninglinks.com*; (800) 852-5974.

FindLaw, *www.findlaw.com:* The site features an estate planning section that includes legal forms, such as wills and powers of attorney. It also covers more complex issues such as estate laws as well as other general financial topics, including living trusts, conservatorship and guardianship, custodial accounts, and life insurance planning; (800) 455-4565.

Most Choice, *www.mostchoice.com:* This site offers information and free quotes for insurance policies. Also, it offers leads in home mortgages, real estate, and investments such as annuities; (877) 601-6678.

National Association of Estate Planners and Councils, *www.naepc.org:* A national organization of professional estate planners and affiliated estate planning councils. The site features articles on estate planning and a link to help you locate an estate planner in your area; (866) 266-2224.

National Association of Insurance and Financial Advisors, *www.naifa.org:* A membership organization of insurance and financial professionals. The site's consumer section has a link for finding an adviser and articles on buying life insurance, guarding against uncertainties, and growing an investment portfolio; (703) 770-8100.

National Association of Financial and Estate Planning, *www.nafep.com:* The site provides products and services on estate transfer, asset protection, taxes, and capital gains deferral; (801) 266-9900.

Nolo Press: *www.nolo.com:* A publisher of legal information for consumers and small businesses. Its site has a section devoted to Wills & Estate planning that includes online legal forms, books, and software such as Estate Planning Basics and Quicken Willmaker Plus 2010 Edition; (800)-728-3555.

RECOMMENDED READING:

AARP Crash Course in Estate Planning: The Essential Guide to Wills, Trusts, and Your Personal Legacy by Michael T. Palermo (Sterling Publishing, 2004)

The Easy Will and Living Will Kit: A Simple Plan Everyone Should Have by Joy Chambers (Sourcebooks, 2005)

Suze Orman's Will and Trust Kit by Suze Orman (Hay House, 2005)

New Life Insurance Investment Advisor by Ben Baldwin (McGraw-Hill, 2001)

The Insurance Maze: How You Can Save Money on Insurance and Still Get the Coverage You Need by Kimberly Lankford (Kaplan Business, 2006)

WEALTH FOR LIFE PRINCIPLE #10

I will strengthen my community through philanthropy.

10

Many communities embrace the practice of tithing—when a congregation contributes 10% of its income to the church. You may not be in a position to provide that level of funding, but you can make a donation. In fact, you should make it a habit to earmark a portion of your annual income to give back to charitable organizations. This contribution may be an educational institution, a fraternity or sorority, or nonprofit group. Just make sure that the organization has 501(c)(3) legal status, which refers to a section of the tax code that grants exemption to certain nonprofit organizations.

Engage in planned giving as a way to maximize the financial and tax benefits for both you and the charity (for example: bequests through wills, charitable trusts, and donor-advised funds). Planned giving also helps create community self-sufficiency by reducing the organization's reliance on government and corporate grants, and it enables you to leave a legacy for future generations.

Donate...

Money

A charitable gift can be cash, real estate, stock and income from trust funds, or personal belongings, such as artwork, jewelry, or a used car. You can deduct up to 50% of your annual adjusted gross income for gifts of cash to an established charity or foundation. Some giving strategies depend on an organization's policies for accepting non-cash gifts, such as real estate and appreciated securities. For instance, the United Negro College Fund has a system in place to accept the donation of stock. It also has an electronic transfer program that allows you to automatically make monthly donations to the fund.

Other giving strategies include making a bequest, that is, leaving a stated amount of assets to a charity in your will; making an organization the beneficiary of a life insurance policy; and/setting up a charitable trust.

It's important that you work with financial, tax, and legal advisers to help you make informed decisions about what strategy is best for you. It will help you to incorporate your values and motivations for giving and also to understand any relevant investment, tax, and estate planning consequences.

Time

Consider becoming a mentor to a young person through programs such as Big Brothers Big Sisters of America or The Boys & Girls Club of America. You can also participate in after-school programs designed to help students in need.

Talent

Share your corporate and business experience when you become a board member of a community organization or nonprofit group. Being invited to join a corporate board is often a matter of who you know. But nonprofit board membership can get you noticed for a seat at the corporate table.

To get a board seat, first analyze what expertise you have to offer. Then work on becoming visible in your industry, through public speaking, for instance. Know any executive recruiters? A number of new board appointments come through headhunters. One resource is The Executive Leadership Council, *www.elcinfo.com;* another is Boardroom Bound, a Washington, D.C.-based nonprofit that promotes boardroom diversity, *www.boardroombound.biz*

Tips for Charitable Giving

More than 80% of the money raised by charities in this country comes from individuals. To help donors make wise giving decisions, the BBB Wise Giving Alliance offers the following tips:

1. Do not give cash. Always make contributions by check or credit card and make the amount payable to the charity, not the individual collecting the donation.
2. Keep records of your donations (receipts, canceled checks, bank statements) so you can document your charitable giving at tax time. Although the value of your time as a volunteer is not deductible, out-of-pocket expenses (including transportation costs) directly related to your volunteer service to a charity are deductible.
3. Don't be fooled by names that look impressive or that closely resemble the names of other well-known organizations.
4. Check out the organization with the charity registration office (usually a division of the state Attorney General's office) and with your Better Business Bureau.

Ways to Give Back

1. Make annual gifts to an established charity. Make sure the charity has 501(c)(3) legal status, which means you can claim the appropriate federal tax deduction (up to 50% of your adjusted gross income for cash contributions and 30% for stock or property).

2. Create a trust. With a charitable remainder trust, you can earn a tax break by giving appreciated securities—such as stocks, bonds, or property—to a charity in exchange for a qualified annuity. The charity can sell the asset without incurring capital gains taxes and then pay you an annuity from the proceeds.

3. Establish a giving circle. Find like-minded people with whom you can pool funds and then distribute the income and/or principal in the form of grants. The funds may be held at a public foundation or some other nonprofit or commercial entity that will invest the funds to earn income. This set-up saves individual donors the cost of establishing private foundations.

4. Create a family or private foundation. This allows your family to retain control and flexibility in its giving. The foundation can be organized as a nonprofit or charitable trust. The tax benefit is that you get to deduct up to 30% of your annual adjusted gross income for cash donations and 20% for gifts of stock or property.

5. Develop a corporate giving program. If you have a family-owned business, you can establish a giving program or corporate foundation. It usually starts with a single donation that becomes an endowment. The business owners are usually the governing board, and the foundation is subject to excise tax and a payout minimum requirement.

6. Develop a donor-advised fund through a public charity. Donor funds allow you to make simple tax-deductible contributions. These funds are set up through a public foundation and considered an alternative to establishing a private foundation because there are no fees or complex paperwork.

Resources

WEBSITES:

American Institute of Philanthropy, *www.charitywatch.org:* A national charity watchdog that grades various charities and offers other resources to help donors make informed giving decisions; (773) 529-2300.

Associated Black Charities, *www.abc-md.org:* This group raises and distributes funds from individuals and institutions, and educates African American donors about philanthropy and various ways to give; (888) 450-5936.

Charity Guide Volunteer Directory, *www.charityguide.org:* A good resource for those who have busy schedules and are looking for flexible volunteer opportunities.

The Partnership for Philanthropic Planning (formerly the National Committee on Planned Giving); *www.pppnet.org:* This association of charitable gift planning professionals has a network of more than 110 local planned giving councils that provide community-based education and networking opportunities; (317) 269-6274.

The Mobile Giving Foundation; *www.mobilegiving.org:* MGF permits consumers to make donations through their mobile phones (by way of texting) and provides a list of all supported charities. Through MGF, donors can obtain a tax report of all donations made from their cell phone number; (866) 810-1203.

The M Give Foundation; *www.mgivefroundation.org:* MGive collects mobile donations on behalf of nonprofits. Donors can use its online interface to obtain a receipt of their mobile donations for tax purposes; (303) 962-8001.

Council of Better Business Bureaus, *www.give.org:* The Better Business Bureau Wise Giving Alliance provides reports on charities and other organizations that solicit nationally, to help consumers investigate before they donate; (703) 276-0100.

Network for Good; *www.networkforgood.org:* Through this organization contributors can give to their favorite charities and access all their donation records, which are stored in one convenient place; (888) 284-7978.

Servenet.org, *www.servenet.org:* This website helps connect youth volunteers with local opportunities.

Twenty-First Century Foundation, *www.21cf.org:* An endowed national public foundation that advances strategic giving in black communities; (212) 662-3700.

Volunteer Match, *www.volunteermatch.org:* Helps individuals connect with nonprofit organizations to volunteer and make a difference in their communities, (415) 241-6855.

RECOMMENDED READING:

Charity Rating Guide and Matching Report from the American Institute of Philanthropy

BBB Wise Giving Guide quarterly magazine for contributors to the BBB Wise Giving Alliance

Make a Difference: America's Guide to Volunteering and Community Service by Arthur I. Blaustein (Jossey-Bass, 2003)

Multicultural Philanthropy Curriculum Guides from the Center on Philanthropy and Civil Society

Giving: Philanthropy for Everyone by Robert A. Esperti and Renno L. Peterson (Quantum Press, 2002)

Strategic Giving: The Art and Science of Philanthropy by Peter Frumkin (University of Chicago Press, 2006)

Volunteer Vacations by Bill McMillon, Doug Cutchins, and Anne Geissinger (Chicago Review Press Inc., 2009)

The Essence of Strategic Giving: A Practical Guide for Donors and Fundraisers by Peter Frumkin (University Of Chicago Press, 2010)

Financial Glossary

It's time to talk the talk, as well as walk the walk when it comes to your wealth-building plan. Our glossary should help raise your comfort level as you get started.

Aggressive growth fund: A mutual fund that aims for the highest capital gains. Oftentimes by investing in smaller emerging companies that offer maximum growth potential.

Adjustable Rate Mortgage (ARM): A mortgage loan where the interest rate is periodically adjusted based on an index. ARMs permit borrowers to lower their initial payments because they are assuming the risk of an interest rate change. The adjustments are necessary for the lender to ensure that it maintains a steady profit margin on the loan, i.e., the cost to the bank of funding a loan also goes up when interest rates rise, so that cost is passed along to the borrower.

Asset allocation: The process of reviewing a portfolio to divide assets among different types of investments—such as stocks, bonds, and real estate—to ensure that the overall risk is in line with the investor's goals and circumstance.

Balanced fund: A mutual fund with a mix of stocks and bonds. It offers safety of principal, regular income, and modest growth.

Bond: An interest-bearing government or corporate security in which an investor lends a corporation money. In turn, that company pays the bondholder interest, usually at specific intervals, and pays the principal amount at maturity.

Closed-end mutual funds: Funds that issue a fixed number of shares. The price of the share is set by the supply and demand of the marketplace, and not by the net asset value of the securities held by the fund.

Credit quality: The ability of issuers to pay principal and interest on the bonds when due.

Diversification: An investment strategy focused on reducing overall risk by assembling a portfolio comprised of a variety of investment vehicles, such as stocks, bonds, and real estate.

Dividend Reinvestment Plan (DRIP): Offered by some corporations, such a plan allows you to automatically reinvest cash dividends and capital gains distributions, allowing you to purchase more shares, often without commissions.

Dividend yield: This compares the dividend paid to the price of the stock. It's calculated by dividing the dividend per share by the share price of the stock.

Dow Jones industrial average: Thirty actively traded blue-chip stocks that represent a wide array of industries, including energy, financial services, technology, and transportation.

Earnings Per Share (EPS): A key statistic in evaluating the performance of a company, it represents the portion of earnings that's allocated to each share of outstanding common stock. For example, a company that reported earnings of $1 million, and that had 2 million shares outstanding, would report earnings of $.50 per share. Analysts' earnings estimates are a key indicator of their outlook for a particular stock.

Emerging market fund: A mutual fund that invests primarily in countries with developing economies—they tend to be more volatile due to political instability and currency fluctuations.

Expense ratio: This figure reveals how much a mutual fund charges for its operating expenses. It's expressed as a percentage of the fund's total assets under management. For example, a fund with an expense ratio of 1.05%, charges $1.05 for every $100 it has under management.

FICO score: Though there are several measures of creditworthiness, FICO scores, issued by the Fair Isaac Corp. are the most widely used. Scores range from 300 to 850—scores above 700 are a very good sign of strong financial health.

Fixed-income: A type of security that pays a fixed rate of return. It usually refers to corporate, municipal, and government bonds, which pay a fixed interest rate until the bond matures, and to preferred stock, which pays a fixed dividend.

Fund family: A group of mutual funds with a common investment adviser.

Growth fund: A mutual fund that seeks long-term capital appreciation. These funds invest principally in common stock.

Growth investment style: An investment approach that looks for stocks with earnings that have grown rapidly and seem likely to continue to do so in the future.

High-yield bonds: Non-investment grade corporate bonds that have a higher risk/return potential. Also called junk bonds.

Index fund: These mutual funds invest in securities tied to an index, such as the S&P 500. Index funds seek to have their returns equal the performance of the index.

Keogh plan: A retirement plan for self-employed individuals, sole proprietors, or partners in a business and their employees.

Ladder: A bond portfolio strategy where investors stagger the maturities of their holdings in order to provide a regular income stream as the bonds come due.

Large cap: Describes the market capitalization of the largest companies—generally regarded as equal to $5 billion or more.

Limit order: When you place a limit order, you specify the highest price you're willing to shell out for shares if you are in the market to buy, and the lowest offer you'd be willing to entertain if you're selling. If the broker can't meet your price or better, the order won't be executed.

Liquidity: The ability of an individual or corporation to convert assets into cash or cash equivalents without significant loss.

Load: A sales charge paid by an investor who buys shares in a mutual fund that is sold by a brokerage firm or other sales representative.

Market capitalization: The value of a corporation determined by the market price of its outstanding common stock. It is calculated by multiplying the number of outstanding shares by the current price of the shares.

Market order: A market order is an instruction to buy a certain number of shares at the best price available.

Maturity: The date on which a bond or other debt instrument becomes due and payable.

Mid cap: Describes the market capitalization of mid-size companies—generally regarded as being from $1 billion to $5 billion.

Mutual fund: A professionally managed fund that pools the money of its investors to buy a variety of securities.

NASDAQ: The National Association of Securities Dealers Automated Quotations system is the largest U.S. equities exchange. With a total of approximately 3,200 companies, it lists more companies and, on average, trades more shares per day than any other U.S. electronic market. The NASDAQ is owned by The Nasdaq Stock Market Inc. (NDAQ).

Nasdaq Composite Index: An index that tracks all of the stocks traded on the NASDAQ stock market. It's widely followed as an indicator for the performance of technology companies.

Net Asset Value (NAV): The current value of one share in a mutual fund.

Net worth: The difference between an individual's total assets and his or her liabilities. (See "BE Wealth Calculator," page 8)

No-load fund: A mutual fund offered by an open-end investment company that does not impose a sales charge or "load" on its shareholders.

Open-end mutual fund: A fund that has an unfixed number of shares available to its investors. The number of shares changes as investors buy and sell shares.

Portfolio manager: The person, or group of people, who decide which securities the fund buys and sells in order to maximize returns.

Price/Earnings ratio (P/E): The P/E ratio is the price of a stock divided by its earnings per share. The P/E, also known as the multiple, gives investors an idea of how much they are paying for a company's earning power. The higher the P/E, the more investors are paying, and therefore the more earnings growth and risk they are expecting. A low P/E ratio may indicate that a stock has fallen out of favor, or it may be a blue-chip stock with a long record of earnings stability and regular dividends.

A trailing P/E ratio is calculated using earnings over the past 12 months, while a forward P/E is calculated using earnings estimates for the year ahead.

Real Estate Investment Trust (REIT): A publicly traded company that invests in a specific type of property, from shopping centers and office buildings, to apartment complexes and hotels. REITs typically provide high dividends because, by law, they are required to distribute 90% of their taxable income to shareholders.

Small cap: Describes the market capitalization of smaller companies—generally regarded as being less than $1 billion.

Standard & Poor's 500 Index: An index of 500 leading U.S. companies that's maintained by the S&P Index Committee. Though the index focuses on large cap stocks, the S&P 500 is widely viewed as proxy for the performance of the total market.

Stock: Ownership of a corporation represented by shares that are a claim on the corporation's earnings and assets. Common stock usually entitles the shareholder to vote in the election of directors and other matters taken up at shareholder meetings. Preferred stock generally does not give the shareholder voting rights, but it has a prior claim on assets and earnings.

Stop loss order: A stop loss order helps limit your losses on a stock trade by specifying a price at which your broker has instructions to sell shares. For instance, if you purchased shares of Apple Inc. at $20, and the stock climbed all the way to $90 per share. If you then placed a stop loss order of $70 on the shares, as soon as the stock falls to $70, your broker will sell them for you. Used effectively they can help protect your profit, or at least help minimize losses on a plummeting stock.

Treasuries: Bonds, notes, and bills issued by the U.S. government and backed by its full faith and credit.

Value investment style: An investment approach that looks for stocks whose market price appears to be less than the intrinsic value of the company.

Yield: The percentage rate of return on the principal invested by the holder of the security.

Additional Resources

BLACK ENTERPRISE MAGAZINE:

Career Development

Every month read *Workplace* and *Motivation* to help you achieve your best both professionally and personally. Also look for the February Careers issue, which features coverage of the Women of Power: Insight from the Top African American Women in Business; and our September issue, which features **BE**'s Corporate Executive of the Year.

Consumer Affairs

Read *Shopsmart* in every issue to learn how to better manage your debt, get the best deals, and safeguard your credit.

Entrepreneurship

Gain insight into the operations of black-owned businesses, large and small. Our June issue features the **BE 100s**, an annual report on the nation's largest black-owned businesses, while our November issue features our Small Business Success Guide. Every month in Enterprise we address the complex matters that business owners encounter day-to-day.

Investing and Money Management

Every month you can benefit from the investment guidance found in *Moneywise*. You can also learn more about Wall Street and managing your finances in our April and October issues.

Technology

Techwatch will help you stay on top of the latest gadgets, software, and other tech tools that can help you both on the job and at home.

ONLINE

Our website, ***www.blackenterprise.com***, enables users to experience the true utility of **BLACK ENTERPRISE** magazine by featuring complementary content, and interactive tools and resources. Users can also sign-up for a free digital e-newsletter that brings the latest news on entrepreneurship, wealth building, and careers, straight to your inbox.

TELEVISION

Black Enterprise Business Report is a nationally syndicated television series that focuses on African American financial and personal empowerment.

Our World with Black Enterprise is a weekly television series that spotlights the contemporary African American experience. The nationally syndicated program features news, entertainment, and stories about African Americans from all walks of life.

EVENTS

Entrepreneurs Conference

The Black Enterprise Entrepreneurs Conference is the nation's largest black business conference where professionals, business owners, and corporate sponsors come together to exchange ideas and celebrate success. (Held annually in May)

Golf & Tennis Challenge

The Black Enterprise/Pepsi Golf & Tennis Challenge provides unparalleled opportunities in black business networking by uniting the nation's top business minds for a weekend of friendly competition. (Held annually during Labor Day weekend)

Women of Power Summit

The Black Enterprise Women of Power Summit is a professional leadership conference designed especially for executive women of color. The summit provides an exclusive venue for networking, sharing strategic advice, and spiritual rejuvenation through professional and lifestyle empowerment sessions. (Held annually in February)

BLACK ENTERPRISE BOOK SERIES

Guide to Building Your Career
by Cassandra Hayes (2005);

The Millionaires' Club: How to Start and Run Your Own Investment Club—and Make Your Money Grow!
by Carolyn M. Brown (2004);

Guide to Investing
by James A. Anderson (2003);

Guide to Technology for Entrepreneurs
by Bernadette Williams (2002);

In the Black: A History of African Americans on Wall Street
by Gregory S. Bell (2001);

Wealth Building Journal: A Day-by-Day Journey to a Brighter Future, a Better You
by the editors of **BLACK ENTERPRISE** magazine (2001);

Take a Lesson: Today's Black Achievers on How They Made It and What They Learned Along the Way
by Caroline V. Clarke (2001);

Lessons from the Top: Success Strategies from America's Leading Black CEOs
by Derek T. Dingle (2001);

Against All Odds: Ten Entrepreneurs Who Followed Their Hearts and Found Success
by Wendy Harris (2001);

Guide to Starting Your Own Business
by Wendy Beech (1999).

Other Books

How to Succeed in Business Without Being White: Straight Talk on Making it in America,
by Earl G. Graves, Sr. (1998)

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