Indiana MoneyWise

Indiana Secretary of State

MONEY SKILLS FOR NEWLYWED COUPLES

WELCOME

Whether you're just beginning to think about marriage, are recently engaged or just got married, it's important not to overlook one crucial aspect of your relationship: financial compatibility. Questions like "How much debt do you have?" "What's your investing philosophy?" and "How much do you save each month?" can be difficult to ask. But discovering these answers early on in a relationship can prevent stress and arguments after saying "I do."

Even the most compatible couple may find they exhibit vastly different attitudes and experiences with spending and saving habits. Assuming your significant other is financially fit can be a recipe for disaster. For example, some people are naturals at saving, investing and living on a budget. Others are quick to spend without prior planning and may drain their personal checking accounts every month.

Money Skills for Newlywed Couples aims to guide you through these tough discussions. Before you jump into conversation, keep in mind these general tips:

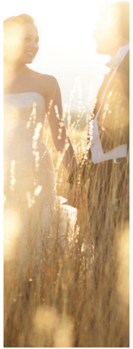
SHARE THE RESPONSIBILITY. Don't put the burden of managing finances on one person. Split up the duties or schedule monthly meetings to review everything together. This spreads out the stress of managing finances and helps ensure both partners fully understand the situation in case of an emergency.

KEEP A POSITIVE ATTITUDE. Go to the table with an open mind and an understanding that there is more than one right way to manage money. Compromising and finding what works for you as a couple should be the goal. Keep in mind it may take time to adapt to your shared budget and slip ups may happen, especially early on. Learn from those experiences and regularly communicate about how well you are sticking to the financial plan.

AGREE ON A JOINT BUDGET. Decide how much of your money will be pooled together. Some couples combine everything into one account. Others maintain individual accounts while contributing a percentage of their income to a joint account used for joint expenses. Remember, there's no one right or wrong way to manage your money as a couple. Find what works best for you.

Congratulations and best wishes as you start planning your financial future together.

TABLE OF CONTENTS



Indiana MoneyWise

Indiana Secretary of State

Securities Division

BASICS OF BUDGETING

Budgeting is one of the most fundamental money management skills, yet few people actually do it. To start, choose a method that will make it easy for you and your partner to maintain your budget each month. Traditional paper and pencil accounting can help if you want to post your budget somewhere to keep both of you accountable. On the other hand, if you prefer computers, try software programs like Microsoft Excel or Quicken. Next, follow this step-by-step guide:

1. Determine your combined monthly net income and what percentage of it, if any, you will use for your joint budget.
2. List your monthly expenses, fixed and flexible.
   a. Fixed expenses stay the same each month (i.e., rent or mortgage payments, car insurance). You know exactly how much these bills will be each month and can budget accordingly.
   b. Flexible expenses change each month (i.e., food, gas, entertainment). Estimate how much you spend in each category. If you don't know how much you're spending, try using a spending log for one week to see where your money is going.
3. Don't forget to save! If you can, try to budget 10 percent of your monthly income for savings.
4. It's never too soon to make room for investing in your budget. Check out the Investing 101 section on page 6 for tips on getting started.

Download a sample budget worksheet and spending log on the Personal Finance 101 page at www.IndianaMoneyWise.com.

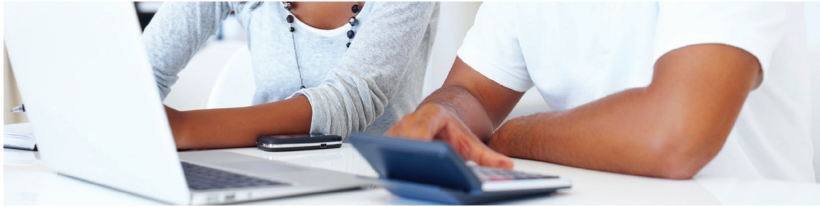
Creating a budget is just the first step. After setting up a budget, you both need to follow through with it. Create a master copy of the planned budget then create a copy for each of you to fill in what actually is being spent in each category throughout the month. At the end of the month, compare the actual budget to the planned one. Did you spend more or less on your flexible expenses? How much were you able to save and invest?

For tips on filing joint taxes for the first time, visit www.in.gov/dor.

If you and your partner were over budget, look at your flexible expenses and determine if you can cut back in certain areas. For example, you could eat out only once per week instead of two or three times to save money.

Bottom line: Don't overlook the importance of budgeting. Crafting and utilizing a solid, effective budget may help you both better manage the finances, pay the bills on time and stay out of debt.

INVESTING 101



GETTING STARTED

Planning now for you and your partner's financial future is important. Investing can be a great way to build wealth as long as both of you understand the basics, make informed decisions and do the research.

Simply put, investing is putting money into a securities product with the expectation it will grow over time. However, you are never guaranteed to make money. There are several types of investment products, each with their own level of risk. For example, purchasing stocks carries more risk than a bond, meaning you may stand to gain or lose higher amounts of money with stocks than with bonds.

With so many different products, knowing where and when to invest can be overwhelming. Keep in mind not every investment may be right for you and investing in products that are suitable, or appropriate, for your needs should be the top priority. When determining where you should invest, consider the following:

- **Why are you investing?** Your reason for investing will influence the type of products you want to invest in. For example, as a couple you may be planning ahead for retirement, funding your child's college education or saving for a down payment on a house. The most suitable investment product will differ based on each scenario.

- **How long do you want your money to be invested?** Are your goals short-term or long-term? Some investment products like Certificates of Deposit (CDs) are designed for short-term investing whereas others like annuities are designed for long-term investing. Help your money work for you by making sure the product is suitable to your timeframe.

- **What is your risk tolerance level?** Your risk tolerance level is essentially how comfortable you are with big gains and losses versus smaller gains and losses. You and your partner may not share the same risk tolerance level so be prepared to openly discuss and compromise investing styles.

Over time your investment goals, investing timeframe and risk tolerance level may change. Re-evaluate these questions on a regular basis and adjust your investment strategy accordingly.

COMMON INVESTMENT PRODUCTS

Annuity: Designed to accept and grow funds from an individual and then at a designated time pay out a stream of payments to the individual on a periodic basis.

Bond: Debt investment in which an investor loans money to an entity — corporate or governmental — that borrows the funds for a defined period of time at a fixed interest rate.

Certificate of Deposit (CD): Savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks and are insured by the Federal Department Insurance Corporation (FDIC). The term of a CD generally ranges from one month to five years.

Individual Retirement Account (IRA): IRAs are established by individual taxpayers who are allowed to contribute 100 percent of compensation up to a set maximum dollar amount. Traditional IRAs are tax-deferred – you don't pay taxes on the money in the account until you withdraw it. In some cases, contributions to a traditional IRA may be tax-deductible. Roth IRAs work differently – contributions are taxed, and therefore not tax-deductible, but money in the account grows tax-free. When you withdraw funds later you are not taxed on that money or the interest it's earned. The "what you see is what you get" aspect of tax-free Roth IRA withdrawals can be helpful when budgeting for retirement.

Mutual Fund: Made up of a pool of funds collected from many investors for the purpose of investing in securities. Mutual funds are operated by money mangers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors.

Promissory Note: Written, dated and signed two-party instrument containing an unconditional promise by the maker to pay a definite sum of money to a payee on demand or at a specified future date. Promissory notes can be investments or merely a loan between the maker and the payee. Whether or not it is a security depends mostly on the intent of the parties in the transaction.

Stock: Type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.

For a full list of investment terms and products, visit www.investopedia.com.

CHOOSING A FINANCIAL SERVICES PROFESSIONAL

Some couples turn to a financial services professional for help with investing. Before settling on a financial planner, investment adviser or broker-dealer, ask the following questions:

1. What are your qualifications?

Verify licensing and registration by calling the Indiana Securities Division at 1-800-223-8791 or use the searchable databases online at www.IndianaMoneyWise.com.

2. How are you compensated?

Fee-based professionals charge an hourly rate or a fee based on the performance of the funds they are managing. In comparison, commission-based professionals earn a commission each time they buy or a sell a product for their clients.

3. Do you have a fiduciary duty?

There are two standards of care in the financial services industry: suitability requirement and fiduciary duty. Under the suitability requirement, financial professionals must offer products appropriate to their client's needs, goals and risk tolerance level. However, they are not obligated to act within the best interest of their client, meaning they can push investments that secure a higher commission for them but may not provide the highest returns for the client.

Under a fiduciary duty, financial professionals must offer products in the best interest of the client, meaning they put the needs of the client before the needs of their employer and themselves. Fiduciary duty is the highest standard of care in the industry.

4. Do you understand our needs?

Legitimate financial professionals will want to understand you and your partner's unique needs, goals and risk tolerance levels before offering any investment advice. Typically, you will complete a suitability assessment of some type for the financial professional to better understand your financial goals. You should be leery of working with anyone who offers you investment advice before understanding your needs.

5. Can I get it in writing?

Every investment opportunity should come with a prospectus or circular outlining the details of the investment. Investment professionals who don't want to put it in writing may not be legitimate and should send up a red flag in your mind. Once you enter an investment, be sure to closely examine your financial statements for suspicious activity.

You should walk away from a person who hesitates to answer any of your questions. When it comes to your hard-earned money, you can never be too careful. Finding a legitimate investment professional you and your partner feel comfortable with and can trust should be a top priority.

AVOIDING INVESTMENT FRAUD

Americans lose an estimated $40 billion each year to investment fraud, according to the North American Securities Administrators Association.

How do you know if an investment opportunity and the person offering it are legitimate? It can be difficult to spot con artists since they don't always look like the stereotypical image. Often they are well-dressed, well-spoken and work hard to gain your trust. They know if they looked like a fraudster, you probably wouldn't invest your money with them.

Unfortunately, they might even be someone you know. It's becoming increasingly common for fraudsters to defraud people within their own community. **Affinity fraud** occurs when someone you know and trust takes advantage of you, not a stranger. These unlikely fraudsters could be a neighbor, friend, someone you know through church or even a family member. Avoid investing with someone solely because they have a good reputation or you and your partner think you can trust them. Always take time to fully research the opportunity and make sure it's legitimate.

You should also use caution when investing over the Internet. It's easy to have a false sense of security online, but the Internet remains largely unregulated and completely anonymous. Anyone can create a website and appear to be a qualified professional. Take the same precautions as you would with other investment opportunities and try to meet in person if possible. Most importantly, never give out your personal information online unless you are sure the company and/or individual is legitimate.

Additional tips for avoiding investment fraud:

- Hang up on unsolicited phone calls.
- Get written information. Every investment should have a circular or prospectus that outlines the details of the investment.
- Never invest based solely on reputation or word of mouth.
- Ask questions. If the person hesitates to give you answers or changes their response, walk away.
- Call the Indiana Securities Division at 1-800-223-8791 or use databases on www.IndianaMoneyWise.com to verify licensing and registration of the investment and the person selling it.

If you believe you've been the victim of investment fraud, call 1-800-223-8791 or file a complaint online at www.IndianaMoneyWise.com.

RED FLAGS OF FRAUD

*"You have to act now.
This is a limited time offer."*

*"This investment is guaranteed
to make money. And there's
no risk involved."*

*"I can promise to
double your money."*

*"I got a hot tip
this investment is about
to take off!"*

BUYING A HOME

Buying a home is one of the biggest investments a couple can make. Only the two of you truly know if you are ready to take on this responsibility – both financially and personally. It's important to weigh all of the costs and benefits of homeownership before taking on the major commitment. Consider the following as you think about buying a home together:

SAVING FOR A DOWN PAYMENT

Most lenders require a down payment of three to 10 percent of the purchase price. This may require you both to adjust your budget to save enough money for the payment. First-time homebuyers can qualify for down payment assistance through the Indiana Housing and Community Development Authority. Visit www.in.gov/ihcda for more information.

KEEP YOUR OTHER FINANCIAL RESPONSIBILITIES IN CHECK

Make sure you have read, understand and resolved any disputes on your respective credit reports. You can obtain free credit reports from www.annualcreditreport.com. Additionally, address all forms of debt you currently owe before taking on the added debt of a mortgage. A good rule of thumb is that your total monthly debt (including your home) should not exceed 35 percent of your gross income.

CONSIDER YOUR SPENDING HABITS

Making a major purchase like buying a home requires sacrificing in other areas. Commit to spending less in general and avoid taking on new debt, which can hurt you when applying for a mortgage. Consider starting a savings account dedicated for unexpected expenses that go along with owning a home, such as emergency repairs. As a general rule, housing expenses, including mortgage payments, insurance and repairs, should not exceed 25 percent of your income.

UNDERSTANDING THE MORTGAGE PROCESS

Taking on a new mortgage can be a complicated process and a major financial decision. As homebuyers, you should thoroughly research and understand your options together. The better you understand the process, the more comfortable you may be when you do finally make the decision to purchase your home. Don't be afraid to ask questions and hold your mortgage originator accountable.

PROTECTING YOURSELF AGAINST MORTGAGE FRAUD

The majority of loans originated in Indiana are by honest, ethical mortgage originators. As a potential homebuyer, it's important to know how to find the good mortgage originators and avoid falling victim to fraud with the bad. Protect yourself against mortgage fraud with these tips:

- Make sure your mortgage originator is licensed and registered with the State of Indiana by calling 1-800-223-8791 or using the searchable databases on www.IndianaMoneyWise.com.
- Get everything in writing and keep copies of all documents you provide to your mortgage originator.
- Get a complete Good Faith Estimate of Closing Costs.
- Report any suspicious and/or fraudulent activity to the Indiana Securities Division by calling 1-800-223-8791 or filing a complaint online at www.IndianaMoneyWise.com.

Visit the Personal Finance 101 section of www.IndianaMoneyWise.com for helpful mortgage calculators and more tips for first-time homebuyers.

PLANNING
FOR A FAMILY

Choosing to start a family can be an emotional decision, but it should also be a financial decision. The following article, reprinted from www.PracticalMoneySkills.com, walks through some of the financial factors in planning for a family.

Starting your Family

Brace yourself. You will be spending much more than expected to buy things you never even thought of. Start planning financially for having a baby as soon as you can — before conception if possible.

Set aside as much as you can every month in a savings account. The actual event of birth can be expensive as well as all the first time purchases you'll make. Don't forget to save some money for your maternity or paternity leave. This may be unpaid time off work.

How much do you need? As much as you can save. Have a brainstorming session with an experienced parent to figure out all the things you need to purchase before the delivery. Here's a starter list for your brainstorming session. This is far from a complete list, but it will help get you thinking.

- *Car seat: By law, you can't even take the baby home from the hospital without one.*
- *Crib: You want one that meets the highest safety standards.*
- *Bassinet: One with wheels will add to your mobility around the house.*
- *Stroller: Consider getting one that's part of a stroller/car seat combo. It makes transitions easier.*

- *Baby monitor: "Baby calling Parents, come in, Parents."*
- *Safety gate: Keep your newly mobile child away from staircases and other hazards.*

Maternity and Paternity Leave

Some companies don't provide paid maternity leave — and don't have to. The Family and Medical Leave Act (FMLA), which only applies if a company has more than 50 employees, ensures mothers should be able to return to their old job or an equivalent job up to 12 weeks after they begin their leave. The actual policy varies from company to company, especially if the company has fewer than 50 employees.

Fathers should ask their employer about paternity leave. The FMLA does not cover this time, but many employers are offering the same or similar benefits to their male employees.

Plan monetarily for maternity and paternity leave, as it is unpaid. You may be able to save up sick time and vacation time to continue receiving income for several weeks. But most likely, you will lose some income during this time.

SAVING FOR COLLEGE

Whether children who will one day attend college are in your future, or if you and/or your partner are considering going back to school, you should start thinking about saving for college right away. While it may seem far in the distance, planning now will help you and your partner avoid anxiety when it comes time to pay for college tuition.

Time and consistency are important factors when saving for anything, and college is no different. The earlier you start saving and the more often you save, the better off you'll be in the long run. You can start by opening a savings account dedicated to this purpose. Determine how much of your monthly budget you can realistically contribute and commit to saving that amount each month; even the smallest amount will help in the long run.

Some couples turn to investing to help save for college because their money can sometimes grow at a faster rate than with a traditional savings account. There are a variety of investment products available but one designed specially for this purpose is the Indiana CollegeChoice 529 Plan.

Learn more about Indiana College Choice 529 Plans at www.collegechoiceplan.com.

The Indiana CollegeChoice 529 Plan is an education investment vehicle combining attractive tax benefits along with flexible investment options. The earnings on a CollegeChoice Plan are exempt from federal and state income taxes when used for qualified expenses. Also, Indiana taxpayers are eligible for a state income tax credit of 20 percent of contributions to their CollegeChoice 529 account, up to $1,000 credit per year.

In addition to long-term saving and investing, students can help pay for college through financial aid, scholarships and/or grants. The amount of aid awarded is typically based on income level and the cost of the school. Prospective students can apply for federal aid online at www.fafsa.ed.gov. Students should also check with the Department of Financial Aid at the school to which they are applying for additional assistance and scholarship opportunities.

Finally, visit www.triptocollege.org for a step-by-step guide to the college planning process. The site provides a timeline with financial planning tips for every age. Even a small amount of saving early on can make a big impact when your child is ready to graduate and head to college.

ADDITIONAL RESOURCES

INVESTING

www.IndianaMoneyWise.com

www.InvestorProtection.org

www.NASAA.org

www.investor.gov

www.collegechoiceplan.com

www.investopedia.com

CONSUMER PROTECTION

www.ftc.gov

www.bbb.org

MONEY MANAGEMENT

www.mymoney.gov

www.PracticalMoneySkills.com

www.in.gov/dor

www.in.gov/ihcda

www.HUD.gov

www.surebaby.com

www.mommysavers.com

www.triptocollege.org

www.fafsa.ed.gov

To request additional materials, please contact:

INDIANA MONEYWISE

302 W Washington St, Room E-111
Indianapolis, IN 46204

TOLL-FREE 1-800-223-8791

INDIANAMONEYWISE.COM

Search for Indiana MoneyWise

@IndMoneyWise

Indiana MoneyWise

Indiana Secretary of State