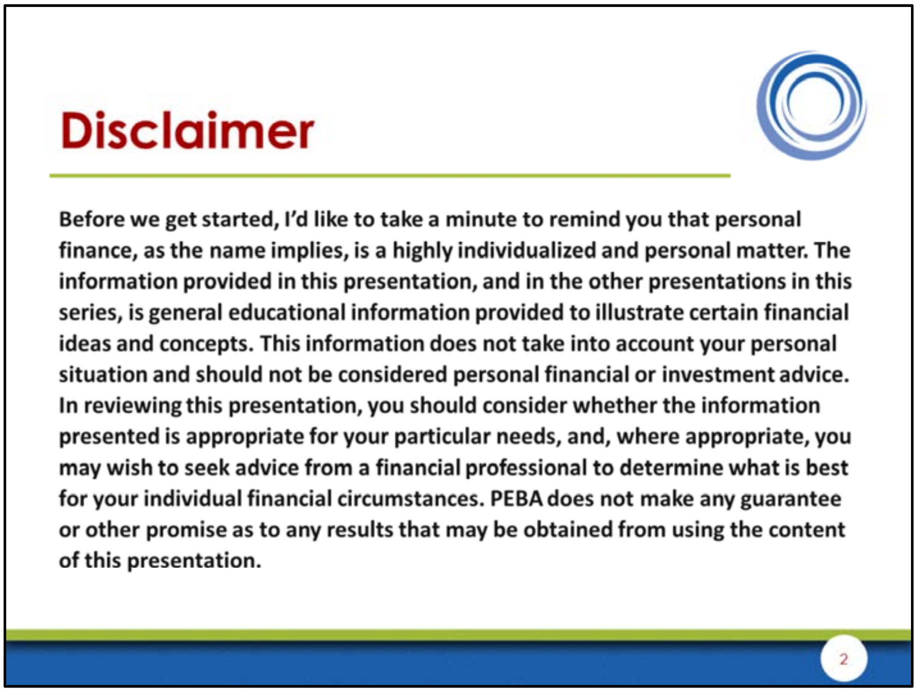
Hi there! I'm Tiffany and I'll be taking you through PEBA's retirement readiness information series. The South Carolina Public Employee Benefit Authority has prepared this series to provide you with information that may help you take some important yet practical steps toward securing your financial future. Welcome to "Planning for Your Future, Part Two: Setting Financial Goals and Building a Financial Safety Net."



Before we get started, I'd like to take a minute to remind you that personal finance, as the name implies, is a highly individualized and personal matter. The information provided in this presentation, and in the other presentations in this series, is general educational information provided to illustrate certain financial ideas and concepts. This information does not take into account your personal situation and should not be considered personal financial or investment advice. In reviewing this presentation, you should consider whether the information presented is appropriate for your particular needs, and, where appropriate, you may wish to seek advice from a financial professional to determine what is best for your individual financial circumstances. PEBA does not make any guarantee or other promise as to any results that may be obtained from using the content of this presentation.

In the first part of this series, we created a budget. This helped determine how much money is coming in and how much is going out. Now it is time to set some short- and long-term financial goals. After that, we'll determine how much of a financial safety net you'll need and learn how to begin saving for retirement. Let's get started!

Setting financial goals

Getting started

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Now that we have a better picture of your current financial status after creating and reviewing your budget in the first presentation in this series, we can set some short- and long-term financial goals.

We will begin by setting short-term goals and then we will move on to setting long-term goals. Short-term goals generally can be achieved in six months to one year while long-term goals can take one year or longer to accomplish.

Ideas for setting financial goals

- Be specific
- Be realistic
- Be simple

Goal	Time frame	Total cost	Monthly commitment
Pay off credit card	Eight months	$1,200	$150
Replace old computer	Six months	$750	$125

When setting your goals, remember to be specific, realistic and simple. Write down your goals and include a time frame as well as a total cost and the dollar amount you are committing to. Let’s take a look at these two examples. In the first example, you can eliminate your credit card debt in eight months by making a solid monthly payment commitment. And, as the second example shows, financial goals don’t have to be all about paying off debt. You can plan wisely for purchases such as a new computer.

Setting financial goals

Short-term financial goals

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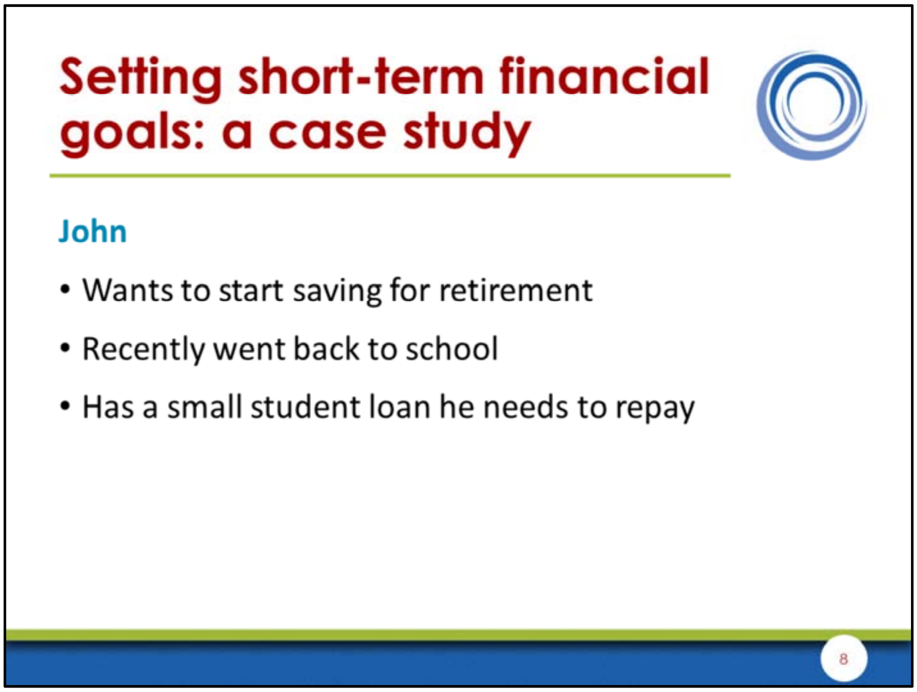
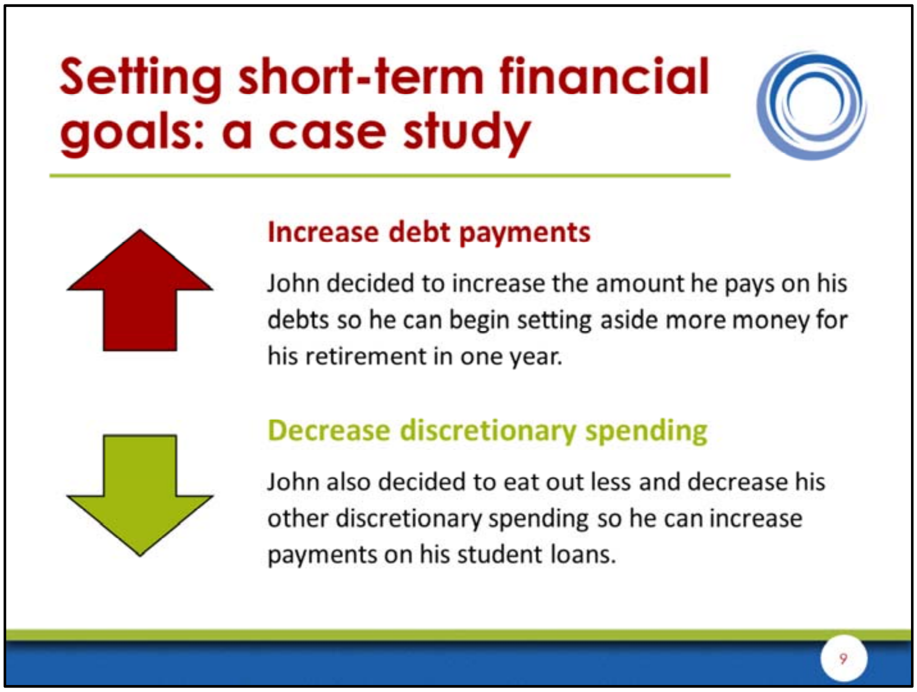
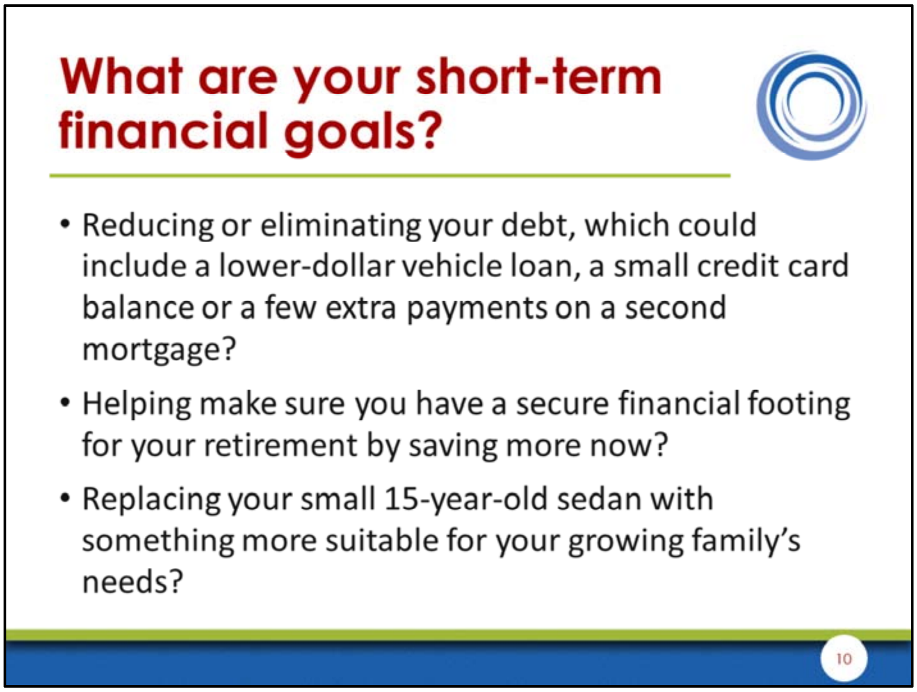


Let's look at a case study focused on short-term financial goals. John, here, is eager to begin saving for his retirement, but he has a few things standing in his way. John recently went back to school for an advanced degree and has a small student loan he is trying to repay before taking on any other expenses.



In our case study, John has already started making some good financial decisions. He is trying to make sure all of his debts and expenses are under control before he takes on something larger. John is doing this by first paying off his small student loan on which he is paying interest. Repaying this debt sooner will not only help John allocate more of his money to his long-term goal, but it will also help him save additional money as he reduces the overall amount of interest he will pay on his loan.



So, what are your short-term financial goals? We've listed a few common goals here because it will be helpful to achieving your short-term goals if you identify a few of the things you would like to accomplish. Whether you want to tackle your debts to get your financial house in order or start saving for a family vacation, it helps to identify a goal and then put together a solid plan that will help you achieve that goal.

Setting financial goals

Long-term financial goals

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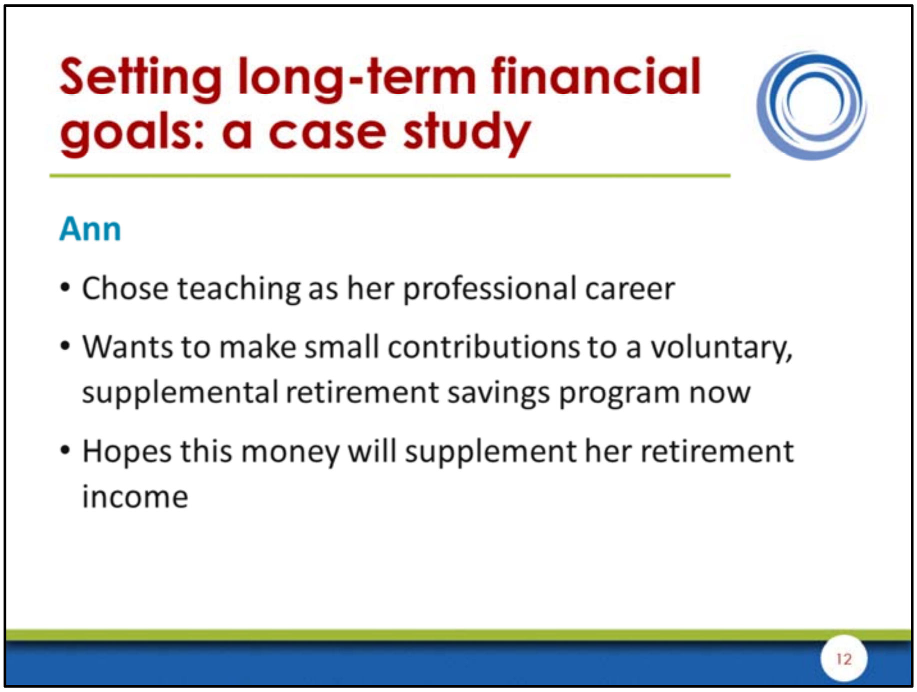
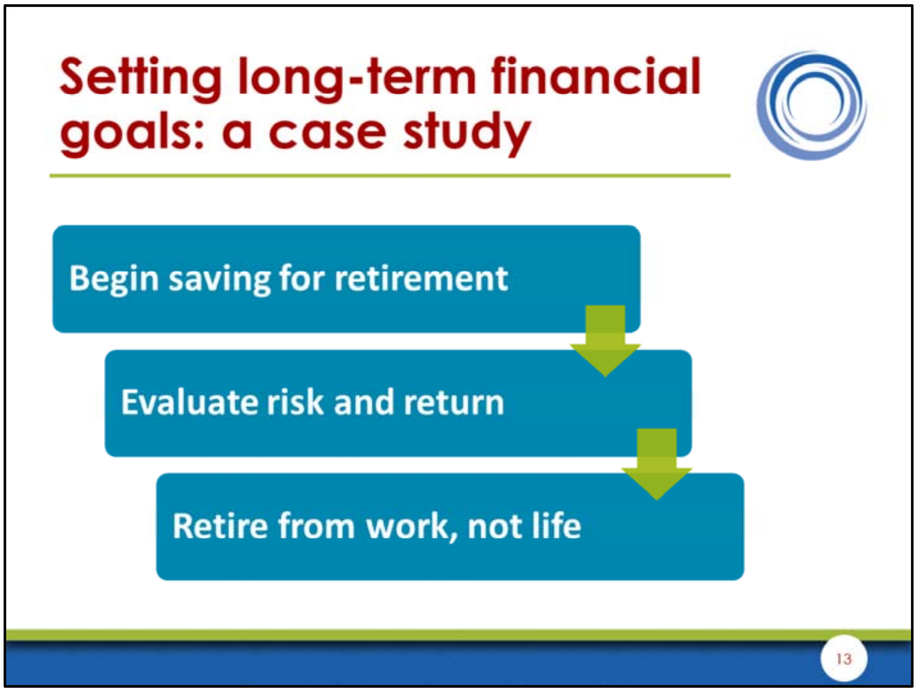
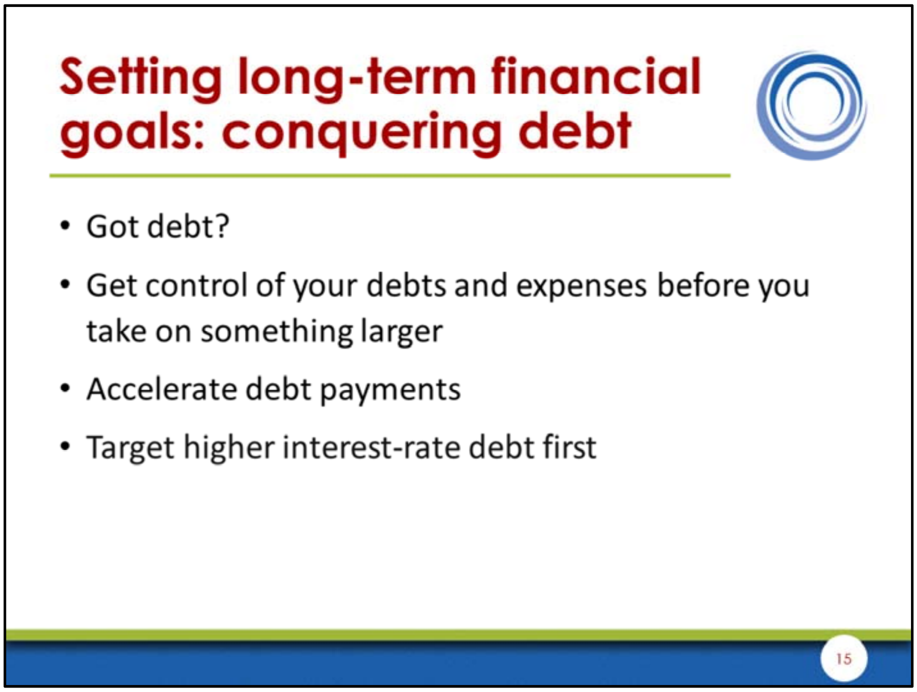


Ann just started teaching English at a South Carolina public high school and chosen teaching as her professional career. She plans to remain in the teaching field until she meets retirement eligibility. Ann has already made a good decision to participate in the South Carolina Deferred Compensation Program. By doing so, she may begin contributing a small amount each pay period toward her supplemental retirement savings program now. Ann hopes to be able to use the money accumulated in her account to supplement her income when she retires.



Ann has decided that she will begin her supplemental retirement savings by contributing $10 each pay period to a Deferred Compensation Program 401(k) account. Ann plans to evaluate her account and any earnings each quarter to determine whether she should increase or decrease her contribution amount or allow it to remain the same. Ann also plans to periodically evaluate her investment elections to ensure that her portfolio, including the risk and return characteristics of the portfolio, remains appropriate for her financial goals. After Ann retires, she plans to use her extra savings to supplement her post-employment lifestyle.

Take a minute now to write down a few of the things you would like to accomplish financially in long-term. Whether you want to tackle having enough money to supplement your retirement income or save toward a large purchase, identifying a long-term financial goal and having a plan to get there will help you achieve your goal.



As you think about your long-term financial goals, keep in mind that it may be in your best financial interest to make sure all of your debts and expenses are under control before you take on something larger. Remember John? He is doing this by first paying off his small student loan on which he pays seven percent interest. Paying this debt off sooner will not only help John allocate more of his money to his long-term goal, but it will also help him save additional money as he reduces the overall amount of interest he will pay back.

You can do this, too. When working through your budget, use some of the money you would typically spend on discretionary activities or items to increase the dollar amount of your monthly debt payments. It also makes financial sense to take on the debt with the highest interest rate first even if it feels like a daunting task. Others have done it and you can, too. If you are in a similar situation, or if you are trying to pay down debt, you may want to consider a strategy. With debt payment acceleration you first identify the smallest debt, pay it off and then add that payment amount to the next lowest debt to accelerate that payment. You continue this process until all debts are paid.

Another strategy some people use to mitigate debts is to identify debts with the highest interest rate attached and begin paying those debts first. Both methods are a great way to help you regain more control of your finances and begin working toward your long-term goals.

Building a financial safety net

Plan and save now

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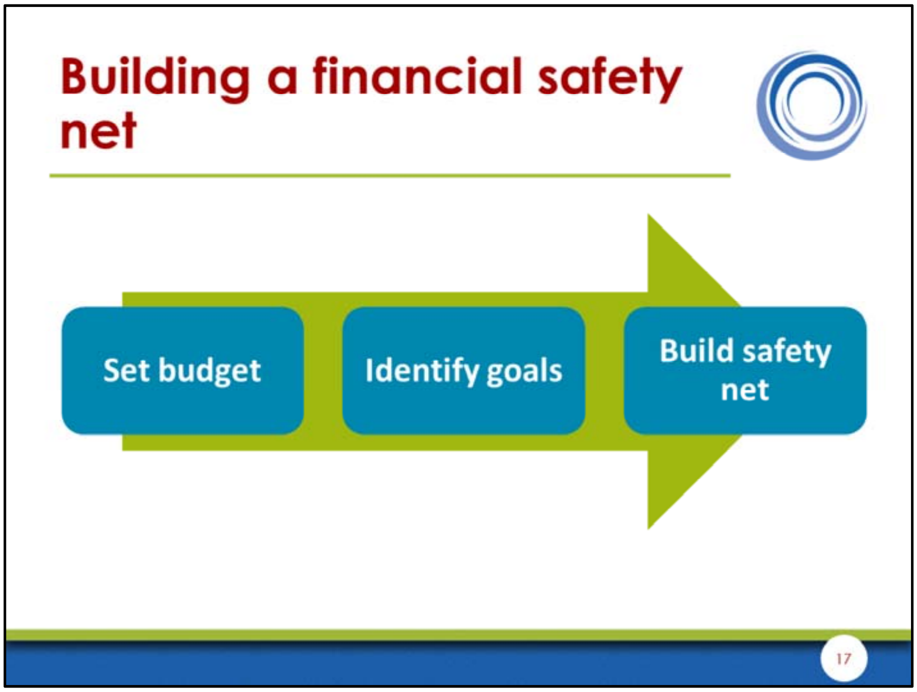
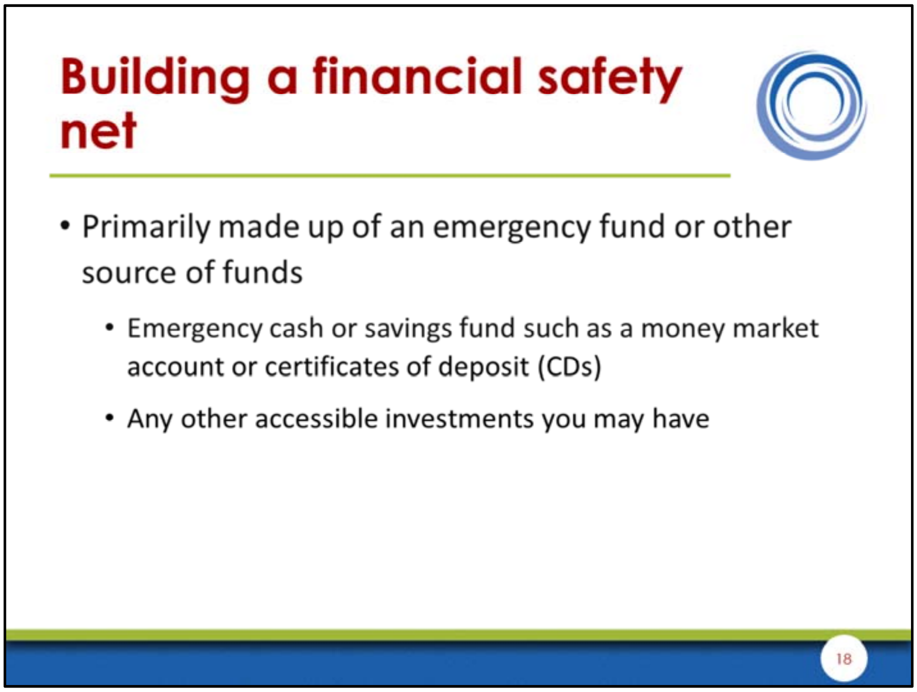


Now that we have a better picture of your current financial situation and have identified a few goals for your future, we can create a plan to build a financial safety net. A financial safety net can help you through any unexpected financial upsets, such as the loss of a job, and can help you reach your long-term financial goals, which we hope will include a secure financial future in retirement.

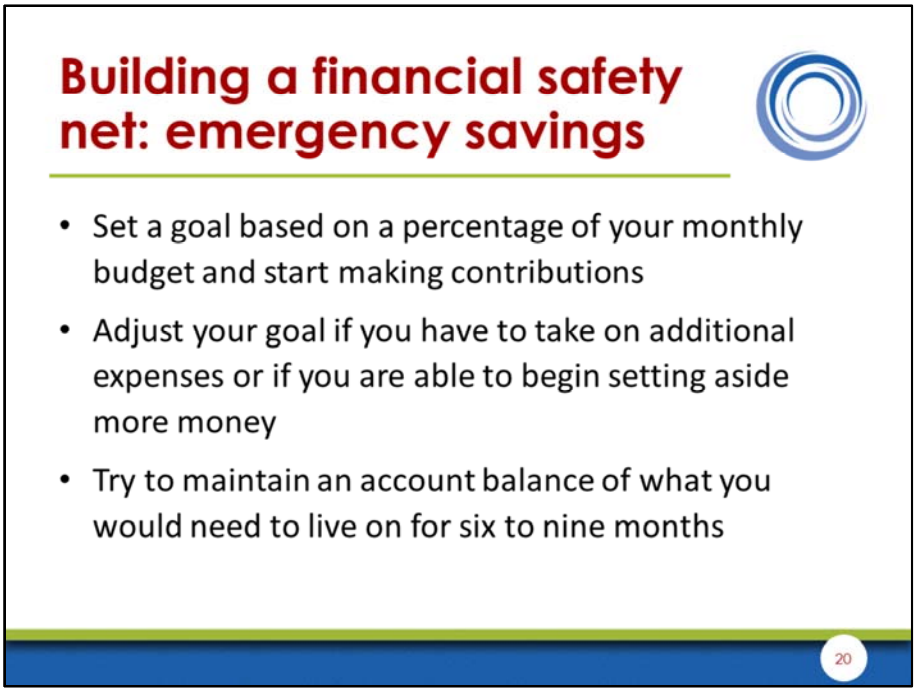


For most people, a financial safety net is primarily comprised of an emergency fund or source of funds. This could include an emergency cash or savings fund such as a money market account or certificates of deposit or any other accessible investments you may have.

Most financial advisers encourage you to have at least six months of cash on-hand or readily available in case you experience an unexpected financial upset such as the loss of a job. Some advisors would argue that up to nine months or a year of savings for basic expenses would be a more conservative approach. Obviously, the more you can save for unexpected expenses, the better financial position you'll be in. Having the financial safety net can help get you through an unexpected job loss, a natural disaster, or the loss of a loved one, each of which could drastically impact your ability to meet your basic financial needs.

Figuring out what savings vehicle you would like to use is easy since there are many options available. These include traditional savings accounts, money market funds and certificates of deposit.

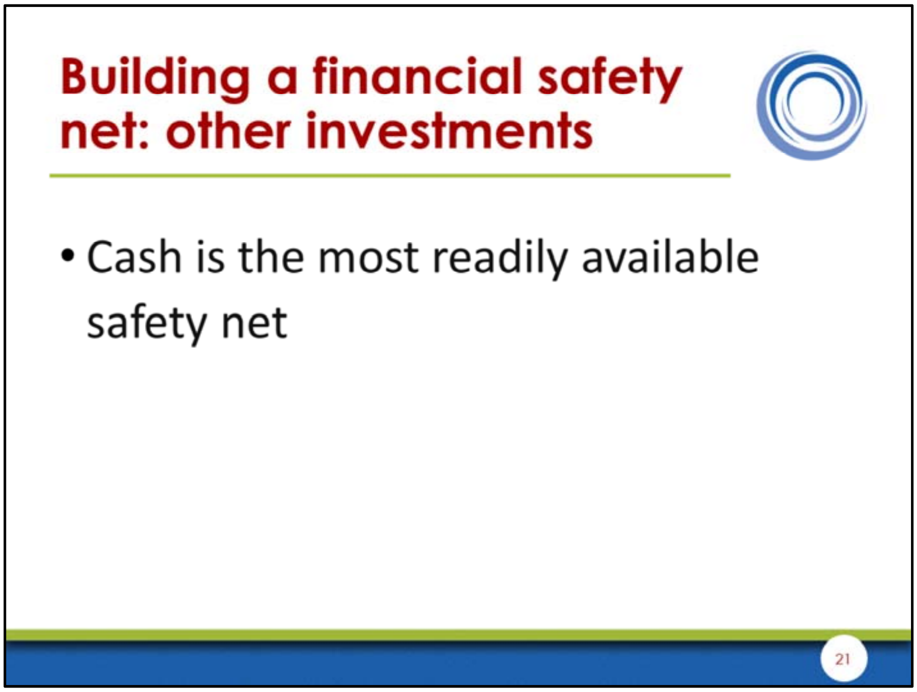
If you're like most us, though, you're probably thinking this is great information to know but you're also wondering how you can actually get there.



It isn't as hard as you would think if you take small, planned steps to achieve your financial safety net goals. You can begin by setting a goal that represents a percentage of your monthly budget and start contributing to your savings mechanism each month. You may feel like there is no wiggle room in your current budget for this, but go back and take a very careful look at your discretionary spending. Can you afford to skip one meal out this week and cook at home instead? Can you temporarily reduce the amount you spend on vacations and short trips to build your financial safety net?

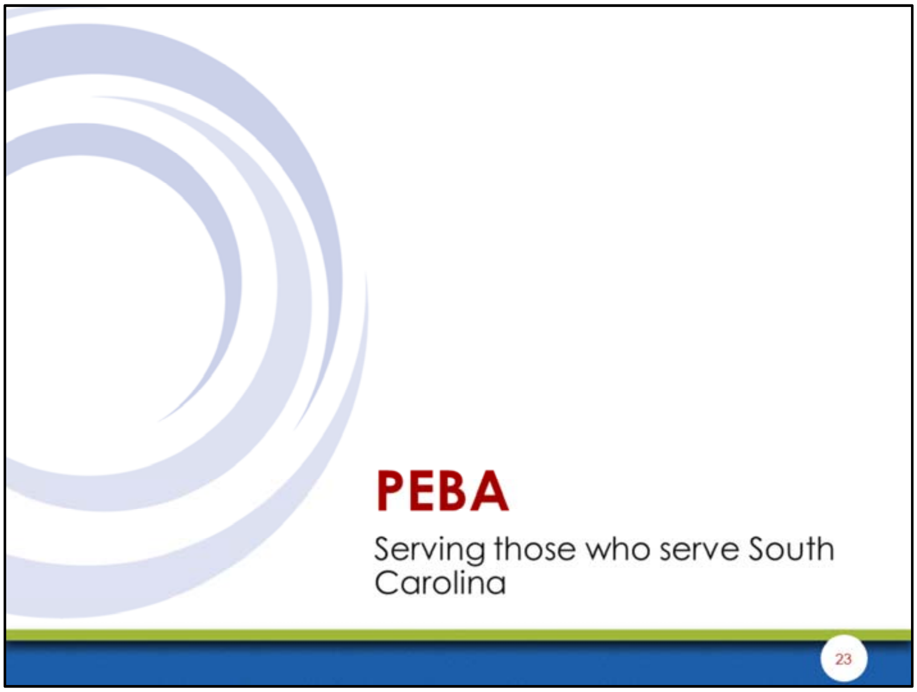
Keep in mind that you aren't necessarily trapped into the same contribution amount each month. While it is best to set an amount and stick to it, you may find that your goal isn't appropriate based on your spending. If you have to take on additional expenses such as child care or auto repairs, reduce the money you set aside for your financial safety net until you can readjust your budget. If you receive any additional income and are able to begin setting aside more money now, by all means, go ahead and build up your savings while it is easier for you.

Once you reach your goal try to maintain a balance in your account that is representative of what you would need to live on for six to nine months. As tempting as it may be to take the money out of your account, but try to resist using your financial safety net for discretionary spending or splurges.



While cash is the most readily available safety net, other investments could be helpful to building your financial safety net. Once you have reached the financial goal for your emergency fund, you can consider other possible investments. We will cover this topic and a few others in our “Investing for the Your Future” presentation, which is also part of PEBA’s retirement readiness information series.

Remember we started off this series with four basic steps toward helping you secure your financial future. We addressed Step 1, creating a budget, in our first presentation. In this presentation, we have learned about setting short- and long-term financial goals as well as how important it is to build a financial safety net. Now, you're all set to continue developing your personal financial plan by looking at options for saving for your retirement. To learn more about saving, please view the next presentation in PEBA's retirement readiness information series, "Saving for Your Future."



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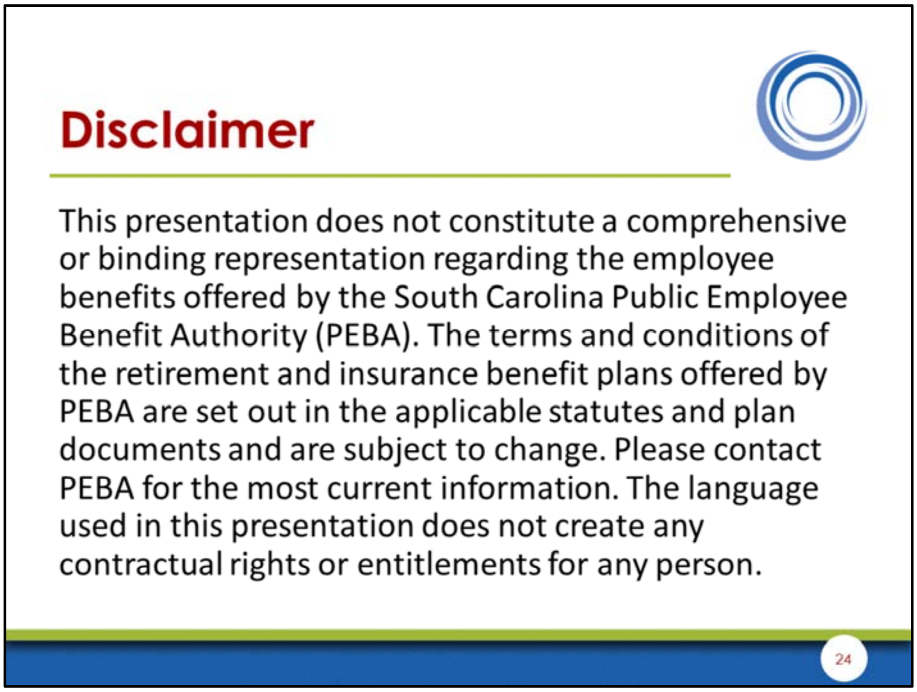

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