



FinancialCoach.money

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ELEVATE YOUR FINANCES:

THE ESSENTIAL GUIDE TO ACHIEVING LASTING FINANCIAL WELL-BEING

One thing is making money and another is keeping it!
Budget, Save, Invest, and Enjoy!

WELCOME MESSAGE

Ana Arboleda

Owner



Hi, I'm Ana, a dedicated Lieutenant for the New York Police Department. I love my job and have explored many places worldwide. While I've always been good at making money through work and trading, I wasn't the greatest at managing it. Despite enjoying travel, good food, and great memories, I ended up with some debts.

Life events like marriage, COVID, and the upcoming arrival of my kids made me rethink my priorities. Even though my job provides retirement benefits, unexpected things do happen; so, I decided to step back from trading and focus on investing in my family's future and on becoming a financial coach. Shifting from trading to investing was a significant change for me, but it's not just about my future – it's about creating a legacy for my kids. I want them to understand money management principles and be prepared for a secure future.

My life journey has been full of mistakes and challenges – not always making the best financial decisions, lacking knowledge, and facing unexpected events, but through it all, I've learned valuable lessons. Now I want to share those lessons with you all and help you make better decisions than I did, and that's why I created this free guide. I want you all to learn about budgeting, how to save, invest, and enjoy your life with your loved ones.

Feel free to let me know if you have any specific questions or if there's anything else you'd like to discuss one on one, please don't hesitate to reach out; I'm here to help.



OUR GOAL

Welcome to “Elevate Your Finances: The Essential Guide to Achieving Lasting Financial Well-Being”. This booklet is designed to be your comprehensive resource for achieving financial well-being and securing your future. In these pages, we’ll explore the essential aspects of financial planning and how a financial coach can be your trusted partner on this journey if needed.

The Role of a Financial Coach

Financial wellness is not just about having money; it's about knowing how to handle it wisely. Think of a financial coach as your guide to help you with money decisions. They can assist with planning for the future, investing, and protecting what you have.

In this guide, we'll talk about setting clear money goals, growing and managing your money, finding smart ways to deal with taxes, and securing what you leave behind. We'll also look at different ways to invest, talk about getting ready for retirement, and understand how to divide up your assets.

This booklet is a helpful tool, that gives you tips and advice to help you make smart money choices. By learning about financial wellness and getting help from a financial coach, you can move toward a more secure and peaceful financial future.

Feel free to use this guide on your own, but if you want more help, you can ask for a one-on-one session. Let's start this journey to financial wellness together!





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(*except mortgage*)
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1 BUDGETING

Your financial journey starts with understanding the money coming in and going out each month. Even though the word 'budget' might sound intimidating, it's a crucial task. The truth is, you're already handling your money in some way, whether you're actively doing it or just going with the flow. Taking control of this process is the first step to being financially healthy.

There are many free and easy-to-use budgeting templates available online or you can use the one I provide. Using these can help you figure out how you're managing your money, making sure you're not just paying bills but actively steering your financial situation. It's like taking the wheel of your financial ship.

As you go through this, it's important to be honest with yourself. This could involve cutting back on things like subscriptions, negotiating bills, or selling things you don't need. At the same time, as you look at your budget, figure out how much you owe, whether it's from a car loan, student loan, or credit card. Note the interest rates for each, as this sets the stage for dealing with and managing these debts in the future.

When you identify areas where you can save money, especially in non-essential things, or if you can find ways to increase your income, you can actively contribute to building an emergency fund. This careful approach allows for a focused and effective strategy to achieve financial stability, especially for unexpected situations.



1 BUDGETING

My Personal Budget and Debt Sheets

A budget helps you identify problem areas in your spending, providing the reality check often needed to improve, start our financial journey, and/or stay on track toward long-term financial goals. Below is my personal budget and debt management worksheet. Feel free to use it or find one that appeals to you and encourages you to take action.

DEBT PAYMENTS (10% of							
	Credit Card 1	Credit Card 2	Credit Card 3	Credit Card 4	Credit Card 5	Credit Card 6	Total
Total Debt							0
APR %							-
Minimum payment							0

	Car Loan 1	Car Loan 2	Car Loan 3	Total
Total Debt				0
APR %				-
Minimum payment				0

	Personal Loan 1	Personal Loan 2	Personal Loan 3
Total Debt			
APR %			
Minimum payment			

	Student Loan 1	Student Loan 2	Student Loan 3
Total Debt			
APR %			
Minimum payment			

	Medical Bill 1	Medical Bill 2	Medical Bill 3
Total Debt			
APR % / Fees			
Minimum payment			

Expenses / Budget Worksheet

INCOME		ACTUAL	DEBT PAYMENTS (10% of Income)		ACTUAL
Pay check 1			Car Loans		
Pay check 2			Medical bills		
Paid Detail / Side Gig			Credit Cards		
*Spouse / Partner check 1			Personal Loans		
*Spouse / Partner check 2			Student Loans		
Spouse / partner other income					
TOTAL INCOME			INVESTMENTS TOTAL		

FIXED COSTS (50% of Income)		ACTUAL	INVESTMENTS (10% of Income)		ACTUAL
Mortgage/Rent			Mutual Funds		
Utilities - Gas			Stocks		
Utilities - Water			Crypto		
Utilities - Electricity			Real Estate		
Utilities - Cable			Other		
Utilities - Internet			Other		
Insurance - Auto			INVESTMENTS TOTAL		
Insurance - Home/Renters			SAVINGS GOALS (8% of Income)		ACTUAL
Insurance - Medical			Emergency Fund		
Payments - Cellphone			College Fund		
Payments - Child Care			Gifts		
Food			Vacation / Travel		
Gas / Toll			INVESTMENTS TOTAL		
Subscriptions - Gym			MINDFUL SPENDING (12% of Income)		ACTUAL
Subscriptions - Netflix			Dining out		
Subscriptions - Hulu			Movies		
Subscriptions - Amazon			Party /drinks		
Subscriptions - Meal services			Anything you want		
Other			Anything you want		
Other			Anything you want		
Other			INVESTMENTS TOTAL		
FIXED COSTS TOTAL					





2 EMERGENCY FUND

An emergency fund is like a financial safety net for unexpected problems, such as car repairs, medical bills, or a broken appliance. These surprise expenses can happen at inconvenient times and cause a chain of challenges. It's a good idea to save up money equal to 3 to 6 months of your living expenses, this ensures you have a strong safety net to handle unexpected issues without financial stress.

Having an emergency fund not only helps with immediate financial problems, like losing overtime, but also gives you time to deal with money issues in case of a suspension or if your significant other loses their job. After using the fund for emergencies, it's important to regularly save money to build it back up to cover 3-6 months of living expenses.

An emergency fund is a key part of being financially secure as it provides stability for you and your family when unexpected problems come up. As of January 2023, 57% of Americans can't afford a \$1,000 surprise expense and by focusing on your emergency fund you're taking steps to avoid being part of that statistic and ensuring your financial stability in life's unpredictable situations.

When saving your emergency fund, make sure to keep it in a high-yield savings account. This type of account protects your savings from losing value over time due to inflation, and helping your emergency fund grow more effectively. Choosing a high-yield savings account is a smart way to make your money keep its value and purchasing power, supporting your long-term financial plans. Go to www.bankrate.com and start looking for banks that offer high-yield savings accounts.



3 DEBT

When you're making a budget, it's crucial to list all your debts and their interest rates. It might seem overwhelming, but don't worry you're taking a positive step to deal with this challenge. Ignoring debts isn't a good idea because they tend to grow over time.

Now, there are two strategies to handle your debts: the snowball method and the avalanche method. The snowball method is about paying off your smallest debts first, while the avalanche method focuses on the ones with the highest interest rates.

You choose between these methods based on your personality and how you handle money. Whether you go for the snowball or avalanche method, commit to it and work hard to become debt-free. Every small step you take gets you closer to financial freedom.



4 COMPOUND INTEREST

Compound interest is like a financial magic trick that helps you grow your money over time. It's the interest you earn not just on your initial money but also on the interest that has already been added. The earlier you start using compound interest, the more your money can grow. It's like making money while you sleep!

When it comes to compound interest, time is not your enemy; it's your friend. The earlier you start leveraging the power of compound interest, the more it works in your favor. To illustrate, consider the following example:

Compound Interest Calculator

Compound Interest Calculator

How much do you have saved currently?

\$ 0

How many years will you save for?

30

What's your rate of return?

4

%

How much extra will you contribute?

\$ 500

How often will you contribute?

Per month

How often will your interest compound? ⓘ

Compound annually

Calculate

Your estimated savings

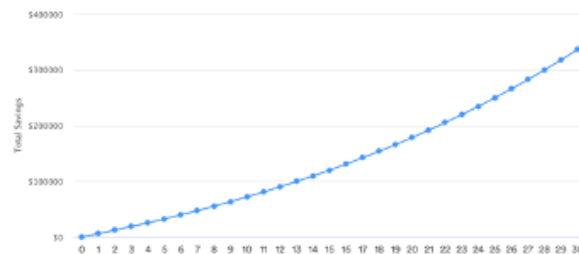
\$336,509.63

Total amount contributed

\$180,000.00

Total interest

\$156,509.63



Regular Savings: Save \$500/month for 30 years = \$180,000

High-Yield Savings: Save \$500/month for 30 years in an account that has 4% rate of return = \$336,509

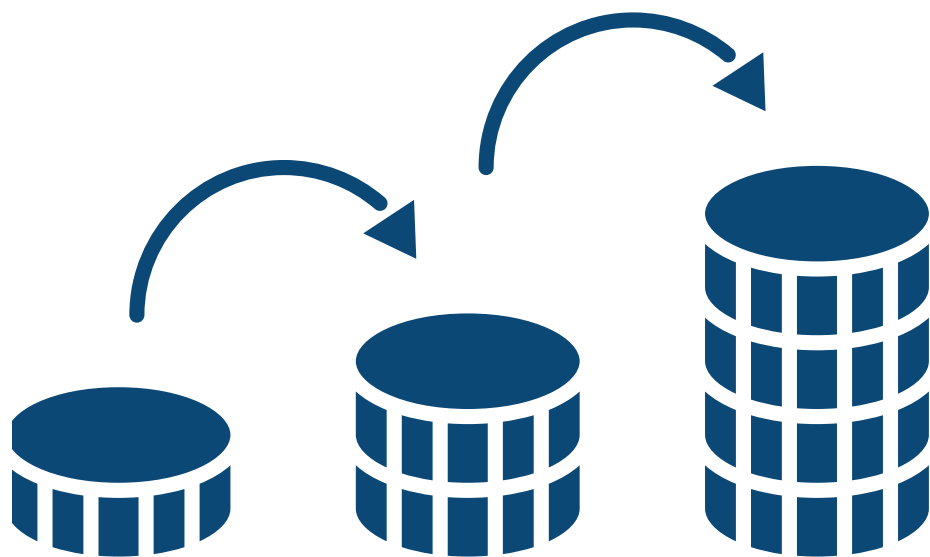


4 COMPOUND INTEREST

When you keep your money in a regular savings account at a regular bank, it might lose value over time because of inflation. This is especially true when the interest rates are very low, like around 0.01% per year.

On the other hand, choosing a high-yield savings account can be a better option. These accounts usually offer much higher interest rates, typically between 4.00% and 5.00%. This can help you grow your money more effectively.

Looking beyond your local bank and exploring other options can open up opportunities for better returns and help protect your wealth. It's important to actively search for financial institutions or accounts that offer higher interest rates to counteract the impact of inflation on your savings.





5 RETIREMENT (INVESTING)

Now that you've seen how compound interest can make your money grow, this is even more exciting when we talk about investments. You can do this by putting your money into a retirement account with our job, such as a 457 or 401(k), or by doing it on your own. You can even choose to do both.

5.1 Retirement Accounts offered by NYPD:

- 457/401(k): Offered by our employer, these accounts allow you to contribute a portion of your salary—whatever percentage you can afford. The maximum limit for each account in 2024 is \$23,000. You have the option to choose between traditional, Roth, or a combination of both. Each account offers a selection of mutual funds, from which you can choose the ones with the highest potential return and the safest options.
- Annuity Fund – Each rank has its own annuity fund, and your association makes periodic contributions to this fund. Essentially, it's free money given to you based on the Collective Bargaining Agreement. Limited mutual funds are offered in each account; you just have to pick the one with the highest return.
- The Deferred Compensation Plan also offers a Self-Directed Brokerage (SDB) Option for those participants who are knowledgeable about investments and understand the associated risks. You may invest up to 20% of the balance of your account balance in the SDB Option.



5 RETIREMENT (INVESTING)

5.2 Brokerage Account - A brokerage account is a type of financial account that allows you to buy and sell various financial securities, such as stocks, bonds, mutual funds, and exchange-traded funds (ETFs). In this account, you can invest in whatever you want; there are no limits on what or how much you can invest.

5.3 Children's Accounts: You can also start building wealth for your children with specific accounts designed for this purpose, helping you plan for their future. Accounts such as 529, UGMA/UTMA, and Custodial IRA & Roth IRA are available (the child must have earned income). The goal is to plan for a brighter future by investing wisely and taking advantage of different accounts tailored to your situation. If you have more specific questions or want more details, feel free to ask!





6 INVESTMENT ACCOUNTS

Now, let's review each retirement investment option, including who they are offered to and their differences/advantages, to help you determine where to start investing for your retirement.

457

- 457 Pretax (Traditional) – You can withdraw your funds 45 days after retirement without penalties. For example, if you are retiring at 48 years old, you can take the money out 45 days after retirement. (Pre-Tax money can be withdrawn without penalties, but you do have to pay taxes.)
- 457 Roth – can be withdrawn after reaching age 59 ½. It's not required, but highly recommended. Please refer to a CPA for more information.
- There's also a program for people with 3 years left before retirement. In this program, you can play catch-up and invest double the limited amount. Participants aged 50 or older are also allowed catch-up contributions.

401(K)

- 401(K) Pretax (Traditional) - You can't touch this money until you are 59 ½, unless you retire at the age of 50 or older. If you need to withdraw from it, they will charge you a 10% penalty. (Why invest in something that has more restrictions for you?)
- 401(K) Roth - can be withdrawn after reaching age 59 ½. It's not required, but highly recommended. Please refer to a CPA for more information.
- If you already have a 401(k), you can't roll it over to the 457, so there's not much you can do there. Upon retirement, roll it over no matter what.



6 INVESTMENT ACCOUNTS

Contributions

- 457 - The maximum contribution for 2024 is \$23,000 (applies to both Roth and traditional).
- 401(K) - The maximum contribution for 2024 is \$23,000 (applies to both Roth and traditional).

Note: You can contribute up to \$46,000 annually towards your retirement (or \$60,000 if you're over 50). You can allocate all that money into Roth, traditional, or a combination of both.

Traditional vs Roth

Traditional - Saves you taxes now because it offers pretax withdrawals, but the challenge is that most people don't fully understand future tax implications. If both you and your significant other earn a substantial income, then choosing the traditional option makes sense as you are likely in a higher tax bracket. With the traditional option, you save money now by not being taxed on your contributions. For example, if you make \$1000 and contribute \$200, you'll only be taxed on the \$800 remaining, and that's how you save on taxes. However, the growth of this investment is taxable upon withdrawal.



6 INVESTMENT ACCOUNTS

Roth –You are not saving anything right now. You make \$1000, and they tax you on that \$1000, then the \$200 gets contributed. The significant benefit here is that when you are 59 ½ and withdraw that money, everything is tax-free. It won't matter what your tax bracket is, and it won't matter how much debt the US is in. The money is not taxed, and all the capital gains you make are not taxed either; they won't be added to your income for the year either. For example, if you retire and need to supplement your income with a retirement account, withdrawing \$50,000 from traditional will be added to your income for that year, potentially pushing you into a higher tax bracket. With Roth, that doesn't happen because you already paid taxes on that money.

Note: The one good thing about staying in NY is that if you have a traditional account, you can withdraw up to \$20,000 when you are 59 ½ years old, and you won't pay state taxes on that amount. *The RMD (required minimum distribution) rules apply to all employer sponsored retirement plans. Roth 457 and 401k have an RMD. An IRA Roth doesn't have an RMD. RMDs start the year you turn 73 years old, and the RMD deadline is December 31 each year.”

Custodial IRA:

- An account held by a custodian (usually a parent) for a minor with earned income.
- Custodian manages assets until the child reaches age 18 (or 25 in some states).

529 College Savings Plan:

- Similar to a Roth 401(k) or Roth IRA, invests after-tax contributions in mutual funds, ETFs, etc. The state provides the elections (limited).
- Grows tax-deferred, and withdrawals are tax-free for qualified higher education expenses only.

UTMA/UGMA Custodial Account:

- A flexible investment account for minors, controlled by an adult custodian.
- Assets transfer to the minor at the age of majority, providing savings and investment flexibility, regardless of college attendance.



7 WHY INVEST?

Now that you know about different accounts and why investing is important, let's talk about why it's a good idea. Investing is like planting seeds that grow into more money over time. It's smart to put as much money as you can into retirement accounts, not just because it helps with taxes now, but also because it builds up more money for the future.

When you contribute more to retirement accounts, you get more benefits. The more money you put in, the more you can earn through compound interest. Remember, the sooner you start, the more money you can make. So, it's like having time as your helper to grow your savings.

Once you decide to put the money into your retirement account, the next question is where to put that money. It's important to be smart about it, considering things like how much you can earn, return rates, and spreading your money out. The New York City Deferred Compensation Plan (DCP) offers different strategies for investing your money: investing in one of the Pre-Arranged Portfolios or creating your own portfolio using a combination of the core investment funds.

A pre-arranged portfolio is like a mix of different things that automatically adjusts as you get older. It's simple, but it might not make the most money. Another option is creating your mix of investments. In your retirement account, you can make a mix that earns money, spreads out the risk, and stays balanced. You should check and adjust if things have changed in your life or goals.



7 WHY INVEST?

When creating your own portfolio using a combination of the core investment funds, think about what to invest in, check out the S&P 500 fund (Equity Index). The S&P 500 is a group of the 500 largest companies in the U.S. When you invest in it, you're spreading out the risk, which makes it safer. While investing always has some risk, choosing the S&P 500 reduces the risk a lot.

Below, I provided the 10-year performance for each custom core investment portfolio as of 2024:

- Stable Fund has a 2% return rate during there 10-year performance.
- Bond Index has a 1.4% return rate during there 10-year performance.
- Equity Index has a 12.9% return rate during there 10-year performance.
- Global Index has a 8.1% return rate during there 10-year performance.
- Mid-Cap Index has a 10.2% return rate during there 10-year performance.
- International Index has a 5.9% return rate during there 10-year performance.
- Small-Cap Equity Fund has a 10.5% return rate during there 10-year performance.

The two best funds that the Deferred Compensation Plan has are the **Equity Index fund**, representing the S&P 500, and the **Small Caps fund** because it's the most aggressive and can outperform the Equity Index, especially in a bull market.



7 WHY INVEST?

What percentages should you allocate to each fund? Should you go for traditional, Roth, or both? These are important questions that can only be answered after considering factors such as years in service, current age, your retirement plan, income level, current financial situation, financial goals, how much you contribute to your deferred comp, and many more. Generally speaking, I would recommend a 50% allocation to each fund (equity and small), but do take into consideration that the older you get, the more you should be in the Equity Index fund, unless you know you are not touching this money for a long time. If you are retiring soon (less than two years), I don't recommend having small caps because in the event of a market crash, this is where you will see the most losses. If you are retiring soon, put everything in the Equity Index fund as it represents the S&P 500, so no need to worry too much. Every case is different, so contact me for a one-on-one discussion because you might need to put your money in a stable fund depending on various factors.

In summary, investing and planning for retirement mean understanding different accounts, knowing why investing matters, and making smart choices about where to put your money. Whether you prefer traditional or Roth, or determining the right allocations, the key is to make good decisions. Both options have their benefits and drawbacks, but choosing the correct allocations gives you more control. Also, including the S&P 500 in your investments is a reliable and safe choice, lowering the risk in the unpredictable world of financial markets. Taking steps now for a well-managed retirement fund is crucial for a secure and prosperous future.



8 WITHDRAWALS UPON RETIREMENT

Tier II Withdrawals Upon Retirement

Tax free money - Not taxed and it doesn't count as income.

Final withdrawal - Taxed and will count as income if younger than 50 years old. (You'll receive about 30% less - 10% penalty and 20% withholding for taxes) If over the age of 50, you won't pay the 10% penalty. Can be rolled over to avoid the 30% fee.

457 traditional - 45 days after separating from the department and you'll pay taxes and it will count as income.

457 Roth - You can use it after 59 1/2, tax free and it doesn't count as income. You'll pay 10% penalty and there are tax complications if withdraw before 59 1/2. Can be rolled over with no penalties or tax complications.

401k - You can use it after 59 1/2, but you will pay taxes and it does count as income. You'll pay 10% penalty if use and retire before the age of 50. Penalty does not apply if you retire after age 50.

Annuity fund - If you are under 50 years old, you can roll over or keep the money in the account. If you decide to withdraw the money before age 50, you will pay a 10% early withdrawal penalty, in addition to counting the amount as taxable income and paying regular income on it. If you are over 50 years old, you can withdraw from the account without the early penalty, but you will still need to pay regular federal income taxes on the withdrawal amount.

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