

## Instructor's Tutelage

JULY 2016

### Celebrating Benjamin Franklin, Independence, and Personal Financial Freedom

Ben Franklin wrote many books such as *The Way to Wealth: Advice, Hints, and Tips on Business, Money, and Finance* and the *Poor Richards' Almanac*. And truly, many of his thoughts and opinions about money, saving, and personal finances still ring true.

Let's visit a couple of famous historical quotes from the 1700's and how they apply to us today:

**"An investment in knowledge pays the best interest."**

Financial literacy programs are on the rise. They teach topics like budgeting, saving for retirement, and investment strategies to help employees become knowledgeable, which paves the way to finding financial freedom. Employers can't dictate where, how, and when their

employee's spend money, but they can provide education and tools to ensure they spend it wisely.

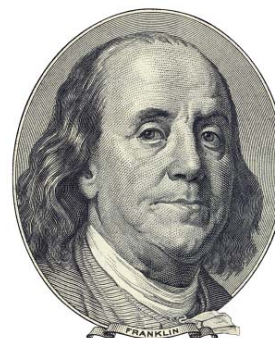
**"A penny saved is two pence clear."**

In today's society, it seems many times people focus more on status, materialistic goods, and spending, while maxing out credit limits, then being financially stable and saving. Benjamin Franklin closed with this statement in a column called "Hints For Those That Would Be Rich." He asserts that a penny saved from foolish purchases is equivalent to two pennies free and clear from debt. Franklin makes it clear that a foolish debtor is not just running slower in the competitive marketplace; rather, he is running in the opposite direction. Every penny will end up on someone else's balance sheet. When it leaves yours

on credit, you are two pennies behind the people who never consumed unnecessarily in the first place.

Maybe it's time we learn to think more from our asset bases than our credit limits.

A Penny Saved was never a Penny Earned, Blaine McCormick & Burton Folsom 8/18/14



### The Need to Avoid Greed

By Shelley Hoffmire, June 2016, PFEF

I was recently speaking with a professional investor who in the early 2000s had been approached to invest with Bernie Madoff. He refused. When I asked him why, he answered, "It was long assumed that Madoff was doing something illegal, likely front-running (in which a broker places his own trades in front of his clients'). We don't do business with people like that." I responded, "A great many successful and high profile people invested with Madoff. Why do you think they did?"

His answer was insightful: "Successful and high-profile people can be greedy just like everyone else. Many of them no-doubt thought that Madoff was a crook like we did, but they also thought he was 'their' crook. They let their greed get the better of their judgment. Happens all the time, unfortunately."

Later that evening, I was watching an episode of "American Greed." In that episode, a number of elderly people put all of their retirement savings into a dubious investment that turned out to be fraudulent.

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## The Need to Avoid Greed (cont.)

As we were watching, my wife wondered aloud, "Why would they put everything they had into these investments?" As she asked, one of the people profiled in the episode said something to the effect that, "I should have known better. I just got greedy."

It is natural to desire wealth. Who doesn't want nice things? However, many people assume that being wealthy means living a life of leisure and being worry-free. While this might be true for some wealthy people, it is not true for all of them.

For example, I know a number of very successful professional investors. While each of them is different personally, they have many things in common professionally. Foremost amongst these is their work ethic: These investors, and their staffs, work a great deal more than 40 hours per week. Theirs is most definitely not a life of leisure.

Another thing they have in common is

an acute sense of risk. Investments can lose money for any number of reasons, and as such they work very hard to identify and monitor all potential causes of loss. In fact, some of these investors equate their long-term investment success to how intensely they worry about, and monitor, their investments.

Based on the above, here are some ways to mitigate the risk of loss due to greed:

- \* You cannot be defrauded if you do not give your money to a fraudster. Therefore, be extremely careful whom you trust with your money.

- \* If you are not wealthy and yet are presented with a seemingly lucrative investment opportunity, ask why you have been approached, or "targeted," with the opportunity.

- \* Unless you have ample time to carefully screen potential investments and to perform intensive due diligence - and by due diligence I do not mean Google searches - consider

hiring a professional money management firm to invest for you.

- \* Absent a very compelling reason, only hire large money management firms. Large firms tend to have large assets of their own and therefore ample amounts of insurance to protect those assets in the event of lawsuits.

- \* No matter who invests your money, you must carefully and continuously monitor their performance to ensure that things stay on track, and to take timely action if they veer off course.

Everyone has the potential to be greedy, which is why you have to be careful not to let it get the better of your judgment.



## Views The No. 1 reason Financial Wellness Programs Work

By Mark Singer ebn, Employee Benefit News June 2016

The reason that financial wellness programs work is that we are touching employees at their own points of financial pain and not trying to force the conversation about retirement.

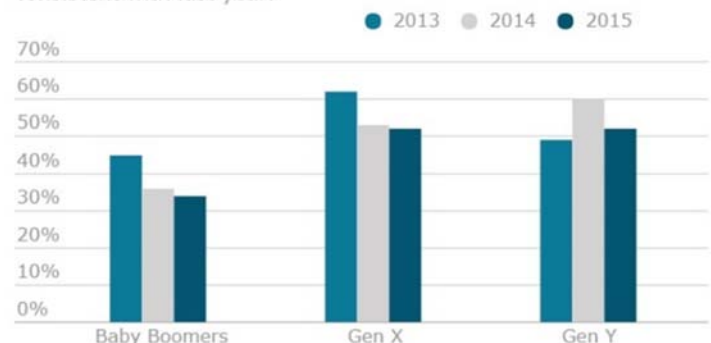
In this way, we connect with them more effectively at the point where they are in the here and now, concerning issues that truly stress them and keep them up at night. Such programs provide practical guidance for improving the status of debts, mortgages, emergency funds, credit scores and various assets.

One of the main problems adversely affecting millions of workers is the assumption that they know how to appropriately manage their financial affairs. However, studies show unequivocally that this is not the case. On the contrary, millions of Americans are floundering in debt and suffering from a lack of extra funds to save for

emergencies, college and retirement. This is most often due to their lack of knowledge and inability to properly manage their finances and plan effectively for their retirement.

### Financial pressures

The percentage of Baby Boomers and Gen X employees who find dealing with their economic situation stressful remained relatively consistent with last year.



Source: PwC 2015 Employee Financial Wellness survey

## Views The No. 1 reason Financial Wellness Programs Work (cont.)



### Happy and productive

Financial wellness programs take into consideration the individual's level of knowledge and work to increase employee education and ease monetary burdens so that they are less stressed, happier and more productive. Besides providing training on the tools and concepts required to effectively save for retirement, they are also provided general education

on financial practices that tend to produce more efficient financial outcomes. Students in financial wellness programs then receive a solid foundation in financial education that produces practical ways of employing their newly gained knowledge, which in turn improves their financial decisions through practical application.

Financial wellness education, therefore, teaches people how to make the right financial decisions here and now that directly improve their immediate financial state, as well as how to properly apply freed-up funds for future investment. In a nutshell, we help to relieve the financial stress of employees on a day-to-day basis while, at the same time, improving the prospects of their retiring with more dignity as well as assets.

Source: <http://www.benefitnews.com/opinion/the-no-1-reason-financial-wellness-programs-work>

## Workers ill-prepared for healthcare-related financial obligations

By Caroline Spiezio

ebn, Employee Business News June 2016

Many consumers are still unprepared for increased responsibility in their healthcare plans, a report released this week by consumer funding platform Alegeus finds. As many employees continue to face rising deductibles and out-of-pocket costs, some are unsure of how to navigate choosing benefits and saving for healthcare. Consumers, on average, are more able to calculate the value of buying things such as a television or a car than costs crucial to their health — and retirement and emergency savings funds still take precedence.

Of the more than 1,000 healthcare consumers surveyed for the report, 66% said they don't know how much they need to save for healthcare costs this year, and only 23% are aggressively saving for healthcare. While 76% of consumers say they are focused on getting the best value for their healthcare dollars, almost 70% are not confident they have maximized their tax benefit for healthcare savings.

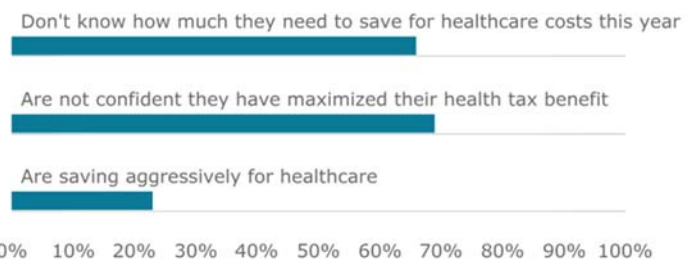
"The consumer index continues to reconfirm the critical need to help the average U.S. consumer get better support around managing their healthcare dollars," says Steve Auerbach, CEO of Alegeus.

### Adviser education

He says employers and benefit advisers can play a crucial role in changing this. Because much of this

### Consumers still feel unsure about healthcare decisions

Healthcare responsibilities are increasing for Americans who are underprepared and uninformed about their options.



Source: Alegeus

unpreparedness stems from a lack of education about healthcare and savings, advisers can be a tool to get consumers knowledgeable and engaged. This should be an ongoing process — not a short, once a year event.

"Most benefit advisers view healthcare as an annual event, but consumers use healthcare all year long," Auerbach says.

Advisers should have multiple check-ins throughout the year, and personalize these check-ins to the consumer. Using platform technology, advisers can analyze the different needs between a millennial just out of college



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## Workers ill-prepared for healthcare-related financial obligations (cont.)

and someone starting a family.

Modern technology can also be used to reach out to consumers in multiple ways — via text, email or whatever seems to be the most effective for engaging a certain individual.

“Benefit advisers are in a unique position now because tools used to

help their customers have rapidly advanced,” Auerbach says. “They have the opportunity to build trust with the consumer and personalize communication and messaging.”

Source: <http://www.benefitnews.com/news/workers-ill-prepared-for-healthcare-related-financial-obligations>

### HIFE Financial Wellness

The Heartland Institute partners with colleges and universities throughout the United States to provide financial education courses to businesses and their employees, organizations and their members, and even civic and community groups who desire this type of purely educational coursework and information. These courses are taught by CFE Certified Financial Educators® who have both instructional and practical business experience. Our team of certified Instructors work with organizations and their employees to outline financial training that best suits the organization and its needs.

The results of these non-solicitous classes have been amazing.

Employees and private citizens who would never take the time to attend a course in financial education are joining their colleagues for class at the community center, office or plant after work. As a further incentive, spouses/partners are invited to join the class for no additional cost.

Whether your employees need help with retirement planning, cash flow planning, debt management, investment planning or other important areas of financial education, we can help.

For more information, please visit our website at [www.hife-usa.org](http://www.hife-usa.org)

Empowering Organizations and Their People Through Financial Education