SMARTHER MONEY

WORKBOOK!

WHAT WOMEN NEED TO KNOW

IOWA | Department of Insurance and Financial Services

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Welcome to the Smart*HER* Money

WORKBOOK!

This guide is here to help women in Iowa learn important money skills so they can become independent, empowered, and secure in their finances. Inside, you'll find tips on budgeting, saving, investing, and handling big life changes. You deserve to feel more confident in making smart financial choices that fit your life. It's time to get started!

Want more from SmartHER Money? Follow us on social media and subscribe to our monthly newsletter! Scan the QR code for quick access to these links and more:

KNOW WHERE YOUR MONEY IS GOING

Knowing how much money you make and spend is key to staying in control of your finances. Start by keeping track of your spending, to see where you can cut costs and use your money more wisely.

Cutting Expenses and Budgeting

Cutting costs doesn't have to mean giving up everything you enjoy—it's about making small, intentional changes that add up to big savings over time. Here are some easy ways to cut expense s:

1. Trim Your Food Costs

- Plan meals in advance to avoid impulse purchases.
- Buy store brands instead of name brands.
- Use coupons and cash-back apps for additional savings.
- Stick to a shopping list and avoid shopping when hungry.
- Limit restaurant visits and opt for home-cooked meals instead.

2. Reduce Monthly Subscriptions

- Review all your subscriptions (streaming services, magazines, memberships) and cancel the ones you don't use regularly.
- Consider sharing streaming services with family or friends to split the cost.
- Look for free or lower-cost alternatives, such as public library memberships for books, audiobooks, and streaming services.

3. Be Energy Efficient

- Unplug electronics when they're not in use.
- Switch to LED bulbs to save on electricity.
- Adjust your thermostat a few degrees lower in winter and higher in summer to reduce heating and cooling costs.
- Wash your clothes in cold water to save on the costs of heating that water.

4. Lower Your Transportation Costs

- Carpool, take public transportation, or combine errands to save on gas.
- Shop around for better auto insurance rates.
- Keep up with vehicle maintenance to prevent costly repairs down the road.

5. Rethink Your Shopping Habits

- Follow the 24-hour rule—wait a day before making non-essential purchases.
- Use cash instead of credit cards for discretionary spending.
- Buy secondhand or trade with friends for clothes, furniture, or home goods.

6. Reduce Debt Interest

- Pay off high-interest debt first to save on interest over time.
- Refinance loans if better interest rates are available.
- Set up automatic payments to avoid late fees.

7. Take Advantage of Free Entertainment

- Attend free community events, concerts, or workshops.
- Explore nature—hiking, picnicking, and visiting parks are great low-cost activities.
- Use free online resources for workouts, classes, and hobbies.

8. Negotiate Bills and Expenses

- Call service providers (internet, phone, insurance) and ask for discounts or promotions.
- Bundle services to lower overall costs.
- Compare rates from different providers annually to ensure you're getting the best deal.

9. Automate Your Savings

- Set up automatic transfers to your savings account—pay yourself first.
- Round up purchases to the nearest dollar and save the difference.
- Take advantage of employer retirement matching programs to maximize your savings.

By making a few of these simple changes, you'll find extra money in your budget without feeling like you're sacrificing too much. Every dollar saved brings you one step closer to your financial goals!

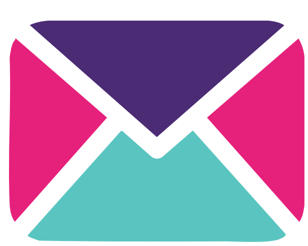
Use budgeting strategies to manage your money such as the 50/30/20 Rule or the Envelope System! Scan the QR code to the right to access more of our recommended budgeting worksheets on SmartHER.Iowa.gov.

50/30/20 Rule

Spend 50% on needs (like rent and groceries), 30% on wants (like dining out or hobbies), and 20% on savings and paying off debt.

Envelope System

Use cash for categories like groceries and entertainment by keeping money in labeled envelopes. When the cash is gone, you stop spending in that category.



MANAGING DEBT

While debt can help build your credit score, like student loans or a mortgage, it can also be harmful (like using high-interest credit cards). This is why handling debt wisely is so important for staying financially stable.

Debt Snowball vs. Debt Avalanche: Which One is Right for You?

If you're looking to pay off debt, you may have heard of the Debt Snowball and Debt Avalanche methods. Both can help you become debt-free faster, but they work in slightly different ways. Let's break them down so you can choose the best approach for you!

Debt Snowball: Small Wins, Big Motivation

The Debt Snowball method focuses on paying off your smallest debt first while making minimum payments on everything else. Once the smallest debt is gone, you roll that payment into the next smallest debt, creating a "snowball" effect.

How It Works:

1. List all your debts from smallest to largest (ignore interest rates for now).
2. Pay the minimum on all debts except the smallest one.
3. Put any extra money toward paying off the smallest debt as quickly as possible.
4. Once the smallest debt is paid off, take that payment and apply it to the next smallest debt.
5. Repeat until you're debt-free!

Best For: People who need quick wins to stay motivated. Seeing debts disappear one by one creates momentum and keeps you focused.

Example:

- Credit Card A: $500 balance **(20% interest)**
- Car Loan: $5,000 balance **(6% interest)**
- Student Loan: $10,000 balance **(5% interest)**

With the Debt Snowball, you'd focus on the $500 credit card first. Once that's paid off, you'd take what you were paying toward it and apply it to the car loan, then tackle the student loan last.

Debt Avalanche: Save More on Interest

With the Debt Avalanche, you'd pay off Credit Card A first since it has the highest interest rate, then move on to the car loan, and finally, the student loan.

1. List all your debts from highest to lowest interest rate (ignore balances for now).
2. Pay the minimum on all debts except the one with the highest interest.
3. Put any extra money toward paying off the highest-interest debt first.
4. Once that's paid off, move to the next highest-interest debt.
5. Repeat until all debts are gone!

Best For: People who want to pay less in interest and don't need small wins to stay motivated.

Example: Using the same debts from above, but sorting by interest rate:

- Credit Card A: $500 balance (20% interest)
- Student Loan: $10,000 balance (5% interest)
- Car Loan: $5,000 balance (6% interest)

With the Debt Avalanche, you'd pay off Credit Card A first since it has the highest interest rate, then move on to the car loan, and finally, the student loan.

Which One Should You Choose?

If you need motivation and love checking things off a list, go with the **Debt Snowball** — it helps you build momentum.

If you want to save the most money on interest, the **Debt Avalanche** is the way to go.

Either way, the goal is the same: getting out of debt and gaining financial freedom! Choose the method that works best for you and stick with it — **you've got this!**

BUILDING AND IMPROVING YOUR CREDIT

Your credit score is like your financial reputation—it tells lenders how responsible you are with money. A strong credit score can help you qualify for lower interest rates, better loan terms, and even save money on insurance and utilities. Whether you're starting from scratch or working to improve your score, here are some simple steps to build good credit.

1. Always Pay Your Bills on Time

Your payment history makes up the largest portion of your credit score, so paying your bills on time is crucial. Late or missed payments can hurt your score and stay on your credit report for years. Set up automatic payments or calendar reminders to ensure you never miss a due date. And remember, you should pay your full statement balance every month, not just the minimum payment. If you pay the minimum payment, you will be charged interest on anything that remains. You will be charged interest on anything left.

The length of your credit history matters too — the longer your history of good credit usage, the better your score will be.

2. Keep Your Credit Card Balances Low

How much of your available credit you're using —known as credit utilization — also plays a big role in your score. Aim to keep your balance below 30% of your credit limit, and if possible, pay off your credit card in full each month to avoid interest charges. This shows lenders that you're not overly reliant on credit.

3. Have a Mix of Credit Types

Lenders like to see that you can manage different types of credit responsibly. A mix of revolving credit (like credit cards) and installment credit (like car loans or student loans) can help your score — just be sure to only take on debt you can comfortably manage.

Additionally, when you apply for a new credit card, loan, or mortgage, lenders check your report to assess how responsible you are with debt. This check is called a credit inquiry, and it plays a role in your overall credit score.

There are two categories of credit inquiries:

- **Hard inquiries:** These happen when a lender pulls your credit report as part of an application for a new credit account, such as a credit card, mortgage, or car loan. Hard inquiries can slightly lower your credit score, especially if you have multiple inquiries in a short period.
- **Soft inquires:** These occur when you check your own credit report or when a company reviews your credit for a pre-approved offer. Soft inquiries do not affect your credit score.

4. Check Your Credit Report Regularly

Mistakes on your credit report—like accounts you don't recognize or incorrect late payments — can lower your score unfairly. You can get a free credit report weekly for all 3 credit bureaus at annualcreditreport.com. Review it for errors and dispute any inaccuracies to keep your credit in good shape.

5. Be Patient and Stay Consistent

Building good credit takes time. If you're just starting out or repairing past mistakes, focus on consistently making smart financial choices — paying on time, keeping balances low, and avoiding too many new credit applications. Over time, your efforts will pay off with a stronger credit profile.

Why Good Credit Matters: Credit is a key part of your financial well-being, and small, smart decisions today can lead to big benefits in the future. It determines your buying power and how much you will pay for things in the long run. **Take charge of your credit — your future self will thank you!**

GROWING YOUR MONEY FOR THE FUTURE

Saving and investing are important steps toward a strong financial future. This section will help you learn how to build an emergency fund, plan for healthcare costs, and save for big goals like college and retirement. You'll also discover how investing can grow your money over time and how compound earnings can help your savings grow even faster. By making smart financial choices now, you can set yourself up for a more secure future.

Emergency Fund First

An emergency fund is savings for unexpected expenses like medical bills or car repairs. Aim for at least 3-6 months of living expenses in a safe, easy-to-access account.

Here's how to build an effective emergency fund!

1. **Make sure your savings are separate, but accessible.**
   Your emergency savings should be liquid, meaning they are easily converted to cash. You do not want these funds tied up in an account that you will be penalized for accessing.
2. **Set savings goals.**
   Set a goal for how much you want to save, like enough to cover 3-6 months of expenses, so you have a clear target to work toward.
3. **Make savings hassle free with automatic transfers from your checking account.**
   Set up automatic transfers from your checking account to your savings account so you can save money without even thinking about it.
4. **Earn interest.**
   Choose a savings account that earns interest so your money can grow over time while you keep it safe.

Planning for Health Care Expenses

Planning ahead for healthcare costs can help reduce financial stress. Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs) are two options that allow you to save money for medical expenses while getting tax benefits.

- **Health Savings Accounts (HSAs)** — HSAs are available if you have a high-deductible health plan and let you save money that rolls over each year and grows without being taxed.
- **Flexible Spending Accounts (FSAs)** — FSAs are usually provided by employers and let you set aside pre-tax money for medical expenses, but you usually need to use it by the end of the year.

Saving for College

Investing in your education is a smart choice, and planning ahead can help make it more affordable. The ISave 529 Plan is Iowa's college savings plan, which gives you tax benefits and different investment options. The money you put in grows without being taxed, and when you use it for school expenses, you don't pay taxes on it. The earlier you start saving, the more time your money has to grow, which can help reduce the need for student loans later. Even small, regular contributions can add up over time, making college more affordable.

Here are some anticipated college expenses to keep in mind:

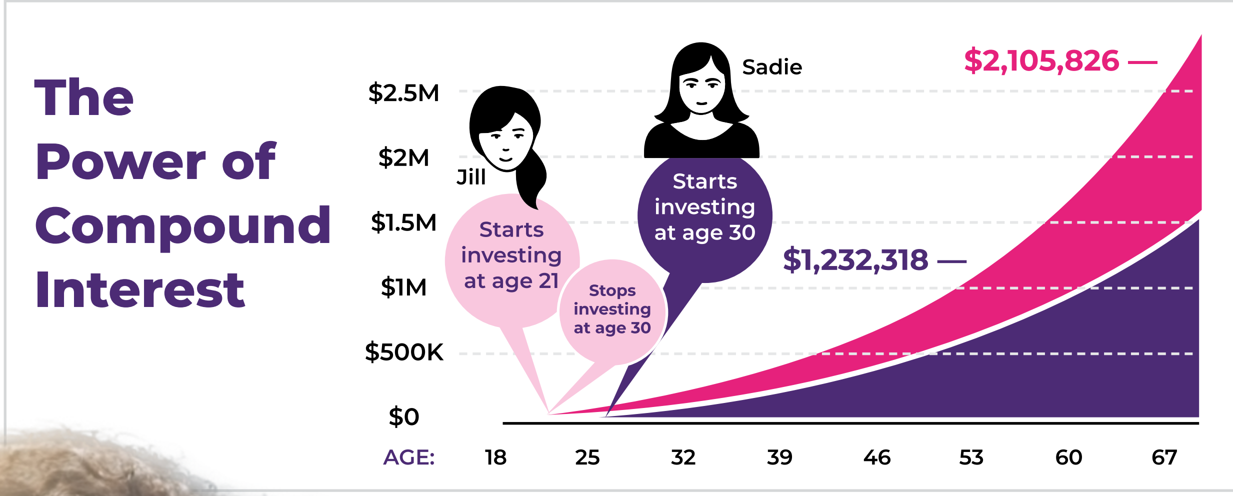
- **Tuition** — The cost of classes and programs, which can vary depending on whether the school is public or private.
- **Room and Board** — Housing and meal plans, whether you live on campus or off campus.
- **Books and Supplies** — Textbooks, lab materials, and other supplies needed for classes.
- **Computer and Technology** — A laptop or other technology required for coursework.
- **Transportation** — Costs for traveling to and from school, whether it's gas, public transportation, or parking.

Retirement

It's NEVER too late or too early to start planning for retirement! Whether you're just getting started or need a little help to get back on track, these insightful tips and considerations will meet you right where you are.

>> Importance of Starting Early

The earlier you start saving for retirement, the more time your money has to grow. Compound interest means your money earns interest, and that interest also earns more interest over time. Starting early will allow you to contribute less of your own money to reach your goals. Even if retirement feels far away, saving regularly now can make a big difference later.



>> Catch-Up Contributions

If you're getting close to retirement and haven't saved enough, you can take advantage of "catch-up contributions." If you're 50 or older, you can save extra money in retirement accounts like a 401(k) or IRA. This helps you save more during your peak earning years and catch up on your retirement savings.

>> Run the Numbers

It's important to check your retirement savings regularly. Scan the QR code below to access SmartHER Money recommended online calculators to figure out how much you need to save based on how you want to live, your expenses, and how much money you expect to get in retirement. Think about things like rising prices (inflation), healthcare costs, and how long you might live. This will help you know if you're on track or if you need to save more or adjust your plans.

>> IRAs – Roth vs. Traditional

Individual Retirement Accounts (IRAs) are a good way to save for retirement with tax benefits. With a Traditional IRA, your contributions are tax deductible, but you'll pay taxes when you take it out in retirement. A Roth IRA lets you pay taxes upfront, but your money is tax-free when you take it out in retirement. Which one is better depends on your current taxes, how much you think you'll pay in taxes later, and your retirement plans. It may even be smart to use both types of IRAs.

>> Social Security

Social Security is an important source of income for many people when they retire, however, it will likely not be enough to pay for bills in retirement and additional planning will be necessary.

Begin by understanding how your benefits are calculated and how the age you start claiming them affects the amount you get. If you wait to claim benefits after your full retirement age, you'll get more money each month, then but claiming earlier means smaller payments. Think about your health, money needs, and job plans when deciding when to start your Social Security benefits.

>> Consider Long-Term Care Insurance

Women live longer and are more likely to be single later in life than men. Long-term care insurance helps protect your savings from the high costs of long-term medical care, like nursing homes or in-home care. Medicare and regular health insurance don't cover long-term or custodial care costs unless medical care is needed. Having long-term care insurance can help keep your savings safe. The earlier you get a policy, the cheaper it might be. Think about your health, family history, and finances to decide if long-term care insurance is right for you.

>> Medicare – SHIIP Information

Medicare can be confusing, but Iowa's Senior Health Insurance Information Program (SHIIP) can help. SHIIP offers free advice on Medicare benefits, extra insurance (Medigap), prescription drug plans, and eligibility rules. As you get close to retirement, use SHIIP's help to make sure you're choosing the right health coverage for you.

Contact SHIIP by phone at 1-800-351-4664 or by email at shiip@iid.iowa.gov.
You can also learn more by visiting SHIIP's website at shiip.iowa.gov.

Investing

Investing is a powerful tool to grow your wealth and achieve long-term financial goals. By putting your money to work, you can potentially earn returns that outpace inflation and provide financial security. Let's explore various investment options and the crucial role diversification plays in a successful investment strategy.

What Can I Invest In?

There are several asset classes you can consider when building your investment portfolio:

- **Stocks:** Purchasing shares of companies allows you to become a partial owner and potentially benefit from their growth and profits.
- **Bonds:** Lending money to corporations or governments in exchange for fixed interest payments over a specified period.
- **Mutual Funds:** Pooled investments managed by professionals that invest in a diversified mix of stocks, bonds, or other securities.
- **Exchange-Traded Funds (ETFs):** Similar to mutual funds but traded like stocks on exchanges, offering diversification with trading flexibility.
- **Real Estate:** Investing in property to generate rental income or capital appreciation over time.
- **Commodities:** Physical assets like gold, oil, or agricultural products that can hedge against inflation.
- **Alternative Investments:** Assets like private equity, hedge funds, or collectibles that may offer unique return opportunities but often come with higher risk and less liquidity.

The Importance of Diversification

Diversification is a fundamental principle in investing that involves spreading your investments across various asset classes, industries, and geographic regions. This strategy aims to reduce risk by ensuring that the performance of one investment doesn't disproportionately impact your overall portfolio.

Benefits of Diversification:

- **Risk Reduction:** By holding a variety of investments, poor performance in one area may be offset by better performance in another.
- **Smoother Returns:** Diversification can lead to more stable returns over time, as different assets may react differently to economic events.
- **Capital Preservation:** It helps protect your portfolio from significant losses, preserving your capital for future growth opportunities.

How to Diversify Your Portfolio:

1. **Asset Allocation:** Determine the appropriate mix of asset classes (stocks, bonds, real estate, etc.) based on your financial goals, risk tolerance, and investment horizon.
2. **Industry and Sector Spread:** Invest in various industries (technology, healthcare, consumer goods) to avoid concentration in a single sector.
3. **Geographic Diversification:** Include international investments to benefit from global economic growth and reduce reliance on a single country's economy.
4. **Investment Vehicles:** Utilize different investment vehicles like mutual funds, ETFs, and individual securities to achieve diversification efficiently.

Remember, while diversification can mitigate risk, it doesn't guarantee against loss. It's essential to align your investment choices with your financial objectives and risk appetite.

Compound Earnings

One of the best ways to build wealth is through compound interest. This happens when the money your investment earns starts to earn more money over time. The longer your money is invested, the more it grows. By starting early and reinvesting your earnings, you can grow your wealth much faster. Use a compound interest calculator to see how your money can grow over time based on how much you invest and the interest rate.

Scan the QR code below to calculate how much compound interest can grow your money!

WORKING WITH A FINANCIAL PROFESSIONAL

A financial professional can help you develop an investment strategy, manage risk, and plan for major life events. Whether you're saving for retirement, investing in your child's education, or simply looking for guidance, choosing the right financial professional is key to reaching your financial goals.

Types of Financial Professionals

There are different types of financial professionals, each offering varying levels of service, expertise, and compensation structures. Understanding these differences can help you determine the best fit for your needs.

1. Investment Advisers

- Investment Adviser Representatives (IARs) work for registered investment adviser firms and provide personalized investment advice.
- They have a **fiduciary duty**, meaning they must act in your best interest and disclose any potential conflicts of interest.
- Fees are typically **fee-based**, meaning they charge a percentage of assets managed, an hourly rate, or a flat fee.

2. Financial Planners

- A financial planner helps you create a **comprehensive financial plan** that includes investment strategies, budgeting, tax planning, and retirement planning.
- Some planners sell financial products, while others provide only advice.
- Look for **Certified Financial Planners (CFP®)** or **Chartered Financial Consultants (ChFC)** for reputable credentials.
- Compensation may be **fee-only, commission-based, or a combination of both.**

3. Stockbrokers (Registered Representatives)

- Stockbrokers buy and sell securities for clients and typically work for brokerage firms.
- They are registered with the **SEC and FINRA** and must ensure their recommendations are **suitable** for your financial situation.
- Many brokers earn **commissions**, which can sometimes lead to potential conflicts of interest.

Key Considerations When Choosing a Financial Professional

- **Look for Fiduciary Responsibility** — Investment advisers have a legal obligation to act in your best interest, whereas brokers follow the "suitability standard," which means they only need to ensure an investment is appropriate but not necessarily the best option for you.
- **Check Credentials and Licensing** — Designations like CFP®, CFA, and ChFC require rigorous training and adherence to ethical standards. You can verify credentials through **FINRA's BrokerCheck** (brokercheck.org) or the **SEC's Investment Adviser Public Disclosure** (adviserinfo.sec.gov).
- **Understand the Fee Structure** — Some professionals charge a **percentage of assets managed (typically around 1%)**, while others charge flat fees, hourly rates, or earn commissions from selling financial products.
- **Watch for Conflicts of Interest** — If an adviser earns commissions, be sure to compare their recommendations with alternative options to ensure you're getting the best deal.

Making an Informed Decision

Before hiring a financial professional, ask:

What services do you provide? Do they specialize in investments, retirement planning, tax strategies, or estate planning?

Are you a fiduciary? Will they always act in your best interest?

How do you get paid? Is their compensation structure transparent and aligned with your financial goals?

What experience and credentials do you have? Are they licensed and in good standing with regulators?

By working with a trusted financial professional, you can gain clarity, confidence, and a well-structured plan for your financial future.

NAVIGATING LIFE'S TRANSITIONS: DIVORCE AND LOSS

Navigating finances after the loss of a spouse or a divorce can be overwhelming. Having a plan in place can help you make informed, rational decisions during an emotional time.

Divorce

- **Revisit Financial Plans** — Adjust your budget, savings, and investment strategies based on your new financial reality.
- **Update Beneficiaries** — Change beneficiaries on life insurance policies, retirement accounts, and wills to reflect your current wishes.
- **Postpone Big Financial Moves** — Major financial decisions should be made carefully, especially during the emotional aftermath of a divorce. Avoid large purchases or investments until you've reassessed your long-term goals.
- **Know Your Social Security Rights** — If you were married for at least 10 years, you may be eligible for Social Security benefits based on your ex-spouse's earnings. Understanding these rights can help you maximize your retirement income.

Death of a Spouse

- **Gather Documents** — Secure copies of the will, life insurance policies, financial accounts, marriage certificate, and tax returns.
- **Seek Help** — Consult a lawyer, tax preparer, and financial advisor to guide you through legal and financial decisions.
- **Notify Insurers** — Inform insurance companies of the death to process life insurance claims and update policies.
- **Apply for Survivor Benefits** — Contact Social Security and any pension providers to determine eligibility for survivor benefits.

EVERY WOMAN HAS THE POWER TO CHANGE HER FINANCIAL STORY. START TODAY, DREAM BIG, AND MAKE IT HAPPEN.

NOTES

Glossary of Terms

- **Asset Allocation** – The process of dividing investments among different asset categories, such as stocks, bonds, and cash, to balance risk and reward.
- **Beneficiary** – The person who will receive money or assets when you pass away.
- **Bonds** – Loans made to companies or governments in exchange for periodic interest payments and the return of the principal amount at maturity.
- **Budget** – A financial plan outlining income and expenses to manage money effectively.
- **Compound Interest** – Interest earned on both the initial investment and the accumulated interest over time.
- **Credit Inquiry** – A request to check your credit report, which can be either a hard inquiry (affecting your credit score when applying for credit) or a soft inquiry (which does not impact your score, such as when checking your own credit).
- **Credit Score** – A number that represents a person's creditworthiness, affecting their ability to obtain loans and interest rates.
- **Credit Utilization** – The percentage of your available credit you are currently using. Keeping it below 30% can help maintain a good credit score.
- **Debt Avalanche** – A method of paying off debt by focusing on the highest-interest debts first to save money over time.
- **Debt Snowball** – A debt repayment strategy where the smallest debts are paid off first to build motivation.
- **Diversification** – A risk management strategy that spreads investments across different financial assets to reduce potential losses.
- **Emergency Fund** – Savings set aside for unexpected expenses, such as medical bills or car repairs.
- **Fiduciary** – A financial advisor or professional legally required to act in their client's best financial interest.
- **Financial Planner** – A professional who helps individuals create long-term financial plans, including investments, budgeting, and retirement planning.
- **Health Savings Account (HSA)** – A tax-advantaged savings account for medical expenses available to individuals with high-deductible health plans.
- **Flexible Spending Account (FSA)** – A tax-advantaged account offered by employers that allows individuals to set aside pre-tax money for eligible medical and healthcare expenses within a specific plan year.
- **Liquidity** – The ease with which an asset can be quickly converted into cash without significantly affecting its value.
- **Individual Retirement Account (IRA)** – A tax-advantaged retirement savings account, available in traditional (pre-tax contributions) and Roth (after-tax contributions) forms.
- **Investment Adviser** – A professional who provides advice on investments and manages client portfolios, often with a fiduciary duty.
- **Medicare** – A federal health insurance program for individuals 65 and older, as well as certain younger people with disabilities.
- **Mutual Fund** – A pooled investment vehicle managed by professionals that invests in a diversified mix of stocks, bonds, or other assets.
- **Portfolio** – A collection of investments, such as stocks, bonds, and mutual funds, held by an individual or institution.
- **Rebalancing** – The process of adjusting a portfolio's asset allocation to maintain an intended level of risk.
- **Retirement Planning** – The process of setting financial goals and strategies for maintaining income after leaving the workforce.
- **Social Security** – A government program that provides retirement, disability, and survivor benefits to eligible individuals.
- **Stocks** – Shares of ownership in a company, allowing investors to benefit from its growth and profits.
- **529 Plan** – A tax-advantaged savings plan designed to help pay for education expenses, such as college tuition.

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