

Cash and Debt Management



Florida Retirement System



YOUR Money
• • • YOUR Choice



Florida Retirement System



Florida Retirement System

*Successful retirement planning includes
planning for all aspects of one's
financial life.*



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The Reasons We Are Here!

- Learn a process for cash and debt management
 - 4 simple steps
- Review the resources available to you
 - Through the FRS and your Employer
- Create an easy to follow action plan
 - Customized to meet your cash flow needs and debt reduction goals


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Resources Available to You - FREE

MyFRS Financial Guidance Program



MyFRS.com
Advisor Service
Choice Services
FAQ's, Calculators



Toll-free MyFRS
Financial Guidance Line,
staffed by
Ernst & Young financial
planners and the Division
of Retirement




Employee workshops:
Visit MyFRS.com for an
updated list of workshops,
locations and dates



Print and e-mail
communications

**All resources are available to FRS
Pension & Investment Plan Members**


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Personal Action Plan

Action Steps	Done
	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>

Action Step

- See Appendix A to start your own Personal Action Plan



What is Your Cash Flow?

$$\text{Cash Flow} = \text{Income} - \text{Expenses}$$

Action Step

- See Appendix B for a Cash Flow Worksheet



Sample Cash Flow Statement

Annual Pay	\$35,000
Interest & Dividends	500
Total Income	\$35,500
Necessary Living Expenses	\$(18,000)
Discretionary Living Expenses	(4,800)
Non-Deductible Debt Repayments	(2,400)
Federal Income and FICA Taxes	(5,500)
Taxable Savings	(1,000)
Tax-Deferred Savings	(2,800)
Total Expenses	\$(34,500)
Annual Net Cash Flow	\$1,000


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The Cash/Debt Management Process

Step 1: Evaluate current spending

Step 2: Deal with shortfalls and debt

Step 3: Create a spending plan

Step 4: Review your progress


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The Cash/Debt Management Process

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Step 4: Review your progress

- Who is spending?
- How much are you spending?
- How are you spending?
- Why are you spending?
- Is spending reflecting your values?



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Who Is Spending?

Spouse

Children

Parents

Siblings

Other

You!



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How Much Are You Spending?

- Account for your total spending
 - Checkbook(s)/Passbook(s)
 - Cash receipts
 - Credit card statements
 - Notebook
 - Electronic organizer
 - Money management software

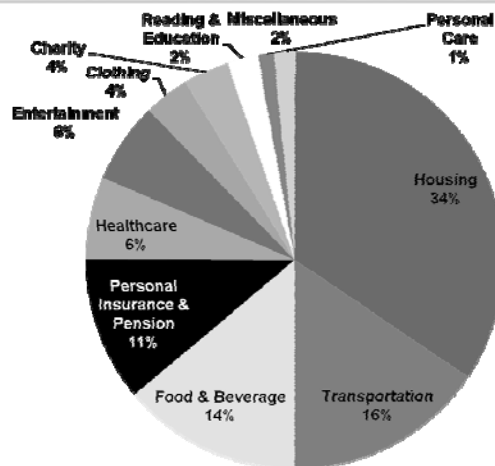
Action Step

- See Appendix C for your own Spending Worksheet

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Breakdown of Typical Family's Out-of-Pocket Expenses



Source:
Average annual expenditures of all consumer units and percentages, Consumer Expenditure Survey, 2009, conducted by U.S. Census Bureau for the Bureau of Labor Statistics. Based on approximate \$62,900 average income before taxes and \$49,100 average annual out-of-pocket expenditures. Out-of-pocket expenses does not include federal or state income taxes.

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How Are You Spending?

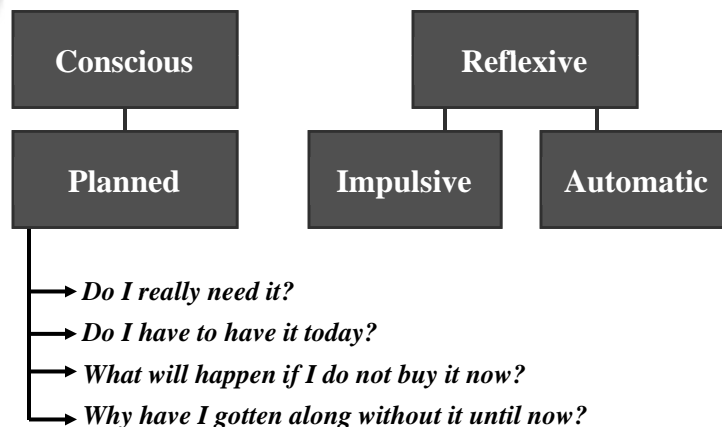
	Spending Approach	Use For	Don't Use For
Cash	<ul style="list-style-type: none"> • Cash • Check • ATM • Debit Card • Electronic Funds Transfer 	<ul style="list-style-type: none"> • Day-to-day expenses • Big ticket items 	<ul style="list-style-type: none"> • Big ticket items you cannot afford over a short period of time – e.g. buying a home
Borrow	<ul style="list-style-type: none"> • Loans <ul style="list-style-type: none"> • Home Mortgage • Home Equity • Savings Plan • Investment • Student • Credit Union • Credit Card 	<ul style="list-style-type: none"> • Big ticket items - e.g. home improvement • Education • Items that can be paid off in 12 months or interest free 12 months same as cash • Pay at work is stable or growing 	<ul style="list-style-type: none"> • Daily expenses • When more important goals than what you want to borrow for are not being met • When you think you could lose your job • When your health is poor or concerned about a change in family's situation
Defer	<ul style="list-style-type: none"> • Before-tax • After-tax 	<ul style="list-style-type: none"> • Big ticket items • Items that you do not wish to borrow for • Items you'll want when you won't be working • If you want to use time and compounding to make items less expensive 	<ul style="list-style-type: none"> • When you are giving up buying items that are more important to you today



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Why Are You Spending?



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Spending Considerations

- Use money you know you have for purchases
- Reserve ATM withdrawals only for budgeted cash amounts and/or emergency cash needs
- Establish an Emergency Fund
- Use budget envelopes
- Reduce spending amounts



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The Cash/Debt Management Process

Step 1: Evaluate current spending

Step 2: Deal with shortfalls and debt

Step 3: Create a spending plan

Step 4: Review your progress

- What type of debt?
- How much debt?
- How much is debt costing you?
- What is your ability to manage debt?

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Consequences of Debt

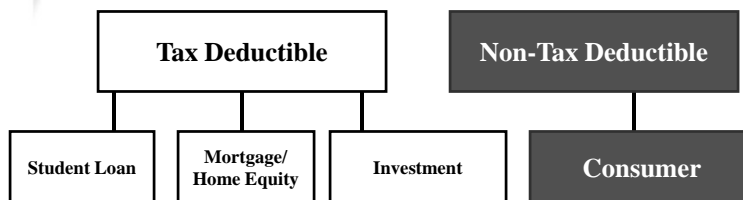
- Interest charges
- Fees
 - Late
 - Overlimit
 - Accrue interest on fees
 - Negative credit consequences
- Stress
- Living paycheck to paycheck



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Types of Debt



Convert non-tax deductible debt to tax deductible debt
Convert both to lower rate debt

Action Step

- Review your debts and determine which are deductible and nondeductible

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How Much Is Debt Costing You?

How Much Do Your Credit Cards Cost You?



\$1,500
\$60/month

Credit Card Rate

18%



Payoff Time

32
Months



Total Paid

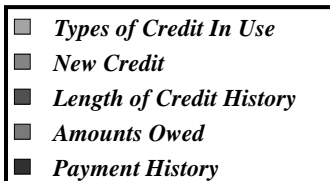
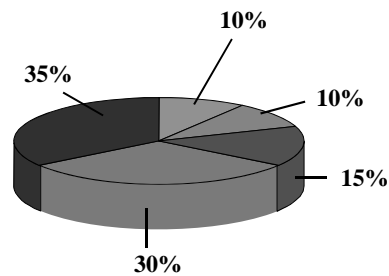
\$1,920

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FICO Credit Risk Score

- Scores range from 300 to 850
- Higher the score, the lower the risk to creditors
- 5 categories of information evaluated
- www.annualcreditreport.com or call 1-877-322-8228



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Managing Your Credit Score

- Make payments on time
- Manage available credit
- Low ratio of used/available credit
- Maintain long-running accounts
- Minimize new credit
- Utilize various types of credit
- Ensure data is correct



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What Is Your Ability to Manage Debt?

- Consolidate or transfer debt to lower interest rate debt where possible
- Use savings to pay off debt where appropriate
- Pay high interest rate debt first
- Freeze credit cards



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Consolidate or Transfer Debt

<i>Cost of Debt</i>			
	Auto Loan	Credit Card	Home Equity Loan
Rate	6.50%	18.00%	7.00%
Tax Effect	(0.00%)	(0.00 %)	(1.75%)
Net Rate	6.50%	18.00%	5.25%

Note: Assumes a 25% marginal tax rate and deductions can be itemized on tax return (Schedule A, Form 1040)

Action Step

- Evaluate your opportunities to lower the cost of your debt



What Is Your Ability to Manage Debt?

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Consider Using Savings to Pay Off Debt

Cost of Debt

	<i>Deductions</i>			<i>Income</i>
	Mortgage Loan	Home Equity Loan	Auto Loan	Investment Earnings
Rate	5.50%	7.00%	6.50%	8.00%
Tax Effect	(1.38%)	(1.75%)	(0.00%)	(2.00%)
Net Rate	4.12%	5.25%	6.50%	6.00%

Note: Assumes a 25% marginal tax rate and deductions can be itemized on tax return (Schedule A, Form 1040)

Action Step

- Use the debt reduction calculator at www.choosetosave.org
- Visit www.yourmoneyyourlife.org for financial resources directed at Floridians

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The Cash/Debt Management Process

Step 1: Evaluate current spending

Step 2: Deal with shortfalls and debt

Step 3: Create a spending plan

Step 4: Review your progress

- Increase income
- S.H.R.E.W.D Spending
- Increase savings
- Use debt wisely


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Increase Your Income

- Withhold from paycheck appropriately
- Re-educate yourself (may need to temporarily lower standard of living)
- Collect old debts
- Have a yard sale
- Sell collectibles
- Use savings to pay off high interest debt
- Open an interest-bearing checking account


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S.H.R.E.W.D. Spending

Shift
Halt
Restructure
Exchange
Wait
Decrease

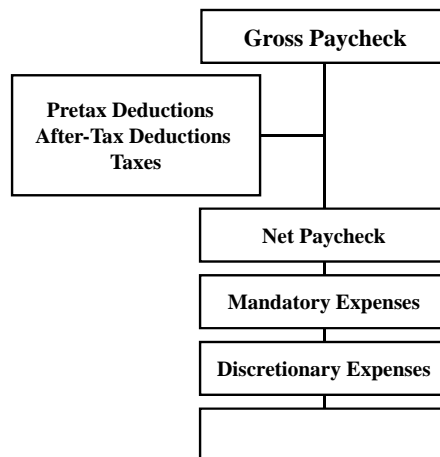
Action Step

- See Appendix D for a detailed list of SHREWD spending tips

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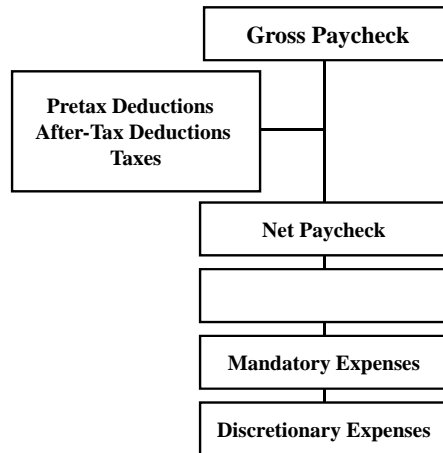
Spending Plans



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Spending Plans



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Tips for Your Spending Plan

- Pay yourself first
- Go into debt only as required
(*e.g., housing, education, car*)
- Pay fixed monthly expenses automatically with electronic fund transfers

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Tips for Your Spending Plan cont...

- Establish an emergency fund
- Use reserve checking/savings account for infrequent expenses
- Use cash or debit card instead of credit cards
- Set spending limits on discretionary expenses

Make conscious vs. reflexive spending decisions!

Action Step

- See Appendix E for a closer look at how you are spending



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The Cash/Debt Management Process

Step 1: Evaluate current spending

Step 2: Deal with shortfalls and debt

Step 3: Create a spending plan

Step 4: Review your progress

- Review monthly and annually
- Have financial goals stayed the same?
- Are you on track with your spending plan?
- How has inflation affected your finances?
- Has your tax situation changed?



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Resources Available to You - FREE

MyFRS Financial Guidance Program



MyFRS.com
Advisor Service
Choice Services
FAQ's, Calculators



Toll-free MyFRS
Financial Guidance Line,
staffed by
Ernst & Young financial
planners and the Division
of Retirement



Employee workshops:
Visit MyFRS.com for an
updated list of workshops,
locations and dates



Print and e-mail
communications

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Next Steps: Personal Action Plan

<i>Action Steps</i>	<i>Done</i>
	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>



Questions and Answers



Cash/Debt Management



APPENDICES

Cash and Debt Management Workshop

Appendix	Description	Page
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PERSONAL ACTION PLAN

[illegible]

CASH FLOW WORKSHEET

	Monthly		Annual	
<u>Income</u>				
Salary	\$		\$	
Bonuses				
Dividends				
Capital gains				
Interest				
Net rents and royalties				
Self-employment income				
Social Security				
Distributions from trusts or partnership				
Pension income				
Other income _____				
Total cash available (A)	\$	(A)	\$	

CASH FLOW WORKSHEET

	Monthly		Annually	
Expenditures				
Home mortgage (or apartment rent)	\$		\$	
Utilities				
Gas/oil				
Electricity				
Water				
Sewer				
Home maintenance				
Property taxes				
Car payments				
Car/commuting expenses				
Maintenance and repairs				
Gas				
Commuting fees/tolls				
Credit card/loan payments				
Insurance premiums				
Life				
Health				
Disability				
Car				
Home				
Liability				
Other				
Income taxes				
Employment taxes (Social Security & Medicare)				
Clothing				
Child care				
Food				
Medical expenses				
Education				
Vacations				
Entertainment				
Alimony				
Charitable contributions				
Gifts				
Personal items				
Savings/investments				
Company savings plans				
Emergency fund				
Investment fund				
Other payments _____				
Total cash expenditures	\$	(B)	\$	
Net cash inflow/(outflow)	\$	(A-B)	\$	

SPENDING WORKSHEET

Spending Worksheet as of _____

You can adapt this spending worksheet to reflect your particular circumstances. The worksheet will help you organize regular expenses as well as those incurred less frequently.

Fixed, variable and discretionary expenses.

The spending worksheet breaks out your expenses into three categories – fixed, variable and discretionary. Categorizing your expenses in this manner will help you to determine exactly where you can immediately cut back and where you simply cannot redirect spending right away.

- Fixed required expenses include regular living expenses which remain constant, for example, rent or mortgage payments, tuition, car payments, insurance payments, etc.
- Variable required expenses include expenses incurred regularly, but the amount varies, for example, clothing, groceries, gifts, haircuts, your telephone bill, etc.
- Discretionary expenses are those that you have complete immediate control over, for example, entertainment, books and CDs, decorating, etc.

Often, the lines get blurred over which expenses are fixed, which are variable and which are discretionary. For instance, if a telephone bill remains roughly the same amount each month, it would be a fixed expense. If the telephone bill changes substantially each month, it would be a variable expense. Any amounts represented by special features like call waiting, would be discretionary expenses.

To understand where you can cut spending, write down your expenses and label each one as fixed, variable or discretionary. Suggestion: Make copies of this worksheet and update it as your spending habits change.

Savings	Amount	Fixed	Variable	Discretionary
401(k), 403(b) or 457 account	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Savings Total	\$			

Cash and Debt Management – Smart Spending Workshop

Appendix C (continued)

Housing	Amount	Fixed	Variable	Discretionary
Rent	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mortgage	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Maintenance fees	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lawn care	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Repairs	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Home improvements	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Utilities: phone, electric, heat, and water	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Property taxes	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Homeowner's insurance	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Housing Total	\$			

Other housing (home furnishings)	Amount	Fixed	Variable	Discretionary
Bedding: sheets, pillows, blankets, etc.	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kitchen appliances	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cookware	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decorating	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Furniture	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Electronic equipment	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other Housing Total	\$			

Food	Amount	Fixed	Variable	Discretionary
Regular grocery shopping	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Restaurant meals	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
School lunches	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee, vending machines, snacks	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Food Total	\$			

Appendix C (continued)

Cash and Debt Management – Smart Spending Workshop

Clothing	Amount	Fixed	Variable	Discretionary
Work clothes	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Casual clothes	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Formal wear	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Accessories: handbags, wallets, belts, etc.	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coats	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shoes	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sneakers	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hosiery/socks	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Underwear/sleepwear	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dry cleaning	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
School uniforms	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sports clothes	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clothing Total	\$			

Insurance	Amount	Fixed	Variable	Discretionary
Life (Person 1)	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Life (Person 2)	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Excess liability	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Long-term care (Person 1)	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Long-term care (Person 2)	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Disability (Person 1)	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Disability (Person 2)	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insurance Total	\$			

Transportation	Amount	Fixed	Variable	Discretionary
Gas	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tolls	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Vehicle insurance	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trains/buses	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Loan or lease payments	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Car maintenance, washes, etc.	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transportation Total	\$			

Appendix C (continued)

Medical & Dental	Amount	Fixed	Variable	Discretionary
Insurance	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Co-payments	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Amounts not covered	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Prescriptions	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Over-the-counter medicine	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Vision	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Medical & Dental Total	\$			

Debt	Amount	Fixed	Variable	Discretionary
Education loans	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Home equity loans	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Credit card: balances, interest, etc.	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other personal loans	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mortgage	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Car	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Debt Total	\$			

Children	Amount	Fixed	Variable	Discretionary
Daycare	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tuition payments	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Music and dance lessons	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sports	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other after school activities	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Day Camp/ Sleep-away camp	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Allowance	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clothing	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Children Total	\$			

Cash and Debt Management – Smart Spending Workshop**Appendix C (continued)**

Entertainment	Amount	Fixed	Variable	Discretionary
Movies, videos	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Theater	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Amusement parks	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Music CDs/music downloads	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Books	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subscriptions/dues	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cable T.V.	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Vacations	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Entertainment Total	\$			

Gifts	Amount	Fixed	Variable	Discretionary
Holidays	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Birthdays	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Anniversaries	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mother's Day/Father's Day	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Valentine's Day	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Weddings	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bridal showers	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
House warming	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Charities	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gifts Total	\$			

Personal	Amount	Fixed	Variable	Discretionary
Haircuts	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special hair styling	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Manicures/pedicures	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cosmetics	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contact lens fluid	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Health club	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personal Total	\$			

Appendix C (continued)

Cash and Debt Management – Smart Spending Workshop

Pets	Amount	Fixed	Variable	Discretionary
Food	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supplies	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Boarding	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grooming	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Veterinarian bills	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pets Total	\$			

Taxes	Amount	Fixed	Variable	Discretionary
Federal income taxes	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
State taxes	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local taxes	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Social Security taxes	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Taxes Total	\$			

Miscellaneous	Amount	Fixed	Variable	Discretionary
Bank fees	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Annual credit card fees	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Luggage	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Travel	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Miscellaneous Total	\$			

Appendix D

S.H.R.E.W.D. SPENDING TIPS

Cash and Debt Management – Smart Spending Workshop

S.H.R.E.W.D. Household Spending	
Shift	<ul style="list-style-type: none"> • Purchase front-load clothes washer • Purchase curtains to alleviate heating/ cooling • Install plastic storm-windows • Caulk window and door frames • Weather-strip doors • Use low-watt light bulbs when possible
Halt	<ul style="list-style-type: none"> • Don't purchase cordless phones (take advantage of warranties if you do) • Don't let the hot water run while shaving or rinsing dishes • Don't daydream while staring at an open fridge • Don't let the water run while brushing your teeth • Turn outdoor lights off overnight
Restructure	<ul style="list-style-type: none"> • Purchase checks from manufacturer rather than from bank • Run the dishwasher, clothes washer and clothes dryer only when full • Cook as many things in the oven at one time as possible and open the oven door as little as possible
Exchange	<ul style="list-style-type: none"> • Use fans instead of air conditioners
Wait	
Decrease	<ul style="list-style-type: none"> • Place long-distance calls during bargain times • Purchase items at an estate sale/auction or yard sale • Turn lights and the TV off when you leave the room • Set thermostat to 68 degrees and lower to 60 degrees at night and when no one is in the house • Place an insulation blanket on your water heater • Keep radiators and air outlets clean • Dust the coils on the refrigerator
S.H.R.E.W.D. Dining Out Spending	
Shift	<ul style="list-style-type: none"> • Pay cash when dining out
Halt	<ul style="list-style-type: none"> • Avoid restaurants in tourist areas
Restructure	
Exchange	<ul style="list-style-type: none"> • Form a dinner club with friends
Wait	
Decrease	<ul style="list-style-type: none"> • Order restaurant specials • Do not over tip • Limit drinks to one per person • Pack a lunch for school or work • Eat at home whenever possible

Appendix D (continued)

S.H.R.E.W.D. Clothing Spending	
Shift	<ul style="list-style-type: none"> Bring only the cash needed to purchase the clothes on your list
Halt	<ul style="list-style-type: none"> Avoid malls Avoid trendy fashions
Restructure	
Exchange	<ul style="list-style-type: none"> Buy clothes that can mix and match Buy quality
Wait	<ul style="list-style-type: none"> Shop the change of season sales
Decrease	<ul style="list-style-type: none"> Return clothes that will not be worn Shop at outlets <ul style="list-style-type: none"> Discount, Factory, or Irregular Shop with a written list Always try clothes on before you buy

S.H.R.E.W.D. Food Spending		S.H.R.E.W.D. Auto Spending	
Shift	<ul style="list-style-type: none"> Plan a weekly menu 	Shift	
Halt	<ul style="list-style-type: none"> Avoid junk foods 	Halt	<ul style="list-style-type: none"> Avoid car dealers for specialty work
Restructure		Restructure	<ul style="list-style-type: none">
Exchange	<ul style="list-style-type: none"> Buy the store brand 	Exchange	<ul style="list-style-type: none"> Downsize cars for fuel efficient vehicle
Wait		Wait	<ul style="list-style-type: none"> Drive current car longer
Decrease	<ul style="list-style-type: none"> Compare prices/check unit values Clip coupons Avoid convenience stores Shop the specials Use price books Buy non-food items at a discount store Shop with a written list Bring only the cash needed to purchase groceries on your list Shop alone Shop once a week to avoid impulse buys Double-check grocery cart before check-out Eat before you shop 	Decrease	<ul style="list-style-type: none"> Comparison shop Purchase lower octane gas Use public transportation, car pool, bike or walk Shop for the best gas price Service your car regularly Fix minor problems before they escalate to major problems Combine errand trips Shop around for repair prices and obtain written quotes Get a second opinion for unexpected repairs

HOW ARE YOU SPENDING?

Examine the mechanics of your spending. Taking a closer look at how you spend could help to pinpoint any possible trouble areas. As you create a lifetime spending plan, you should reassess whether your current spending methods are the best based on your current needs and spending habits.

If you are like most people, you probably use two or more of the spending methods mentioned below.

Spending Approach		Use for:	Don't use for:
Cash	<ul style="list-style-type: none"> • Cash • Check • ATM • Debit Card • Electronic Funds Transfer • Charge Card 	<ul style="list-style-type: none"> • Day-to-day expenses • Big ticket items 	<ul style="list-style-type: none"> • Big ticket items you cannot afford over a short period of time – e.g., buying a home
Borrow	<ul style="list-style-type: none"> • Loans <ul style="list-style-type: none"> ○ Home mortgage ○ Home equity ○ Investment ○ Student ○ Credit Union • Credit Card 	<ul style="list-style-type: none"> • Big ticket items – e.g., home improvements • Education • Items that can be paid off in 12 months or interest free 12 months same as cash • Pay at work is stable or growing 	<ul style="list-style-type: none"> • Daily expenses • When more important goals than what you want to borrow for are not being met • When you think you could lose your job • When your health is poor or concerned about a change in family's situation
Defer	<ul style="list-style-type: none"> • Before-tax • After-tax 	<ul style="list-style-type: none"> • Big ticket items • Items that you do not wish to borrow for • Items you'll want when you won't be working • If you want to use time and compounding to make the items less expensive 	<ul style="list-style-type: none"> • When you are giving up buying items that are more important to you today

Appendix E (continued)

The chart below shows the advantages and disadvantages for each spending method listed.

Spending Method	Advantages	Disadvantages
Cash	You will not be tempted to spend money that you do not have	Provides no record of spending unless you keep receipts
		No protection if property is lost or stolen
Check	Provides a record of spending	Not always accepted
	You will not be tempted to spend money that you do not have	More time consuming
ATM	Provides a record of spending	No protection if property is lost or stolen
	You will not be tempted to spend money that you do not have	ATM user fees
Debit Card	Provides a record of spending	No protection if property is lost or stolen and not reported promptly
	You will not be tempted to spend money that you do not have	
	Overdraft protection if issued by credit holder	
Electronic Funds Transfer	Provides a record of spending	Transfer mistakes
	You will not be tempted to spend money that you do not have	Provides no record of spending unless you receive a confirmation
Home Mortgage Loan	Interest paid may be deductible on your personal income tax return	Potential for significant balance
		Higher interest rate the longer the term of the loan
	Enables you to purchase a home you otherwise could not afford to buy	Tax law limitations on the amount of the interest deduction
Home Equity Loan	Interest paid may be deductible on your personal income tax return	Generally, higher interest rate than home mortgage loans

Appendix E (continued)

Home Equity Loan	Enables you to purchase something you otherwise could not afford to purchase	Tax law limitations on the amount of the interest deduction
	Generally lower interest rate than personal loans and/or credit cards	
Investment Loan	Interest paid may be deductible on your income tax return	Interest deduction allowed only to the extent of interest income realized
	Enables you to invest when you otherwise could not afford to	Achieve lower return on investment than the interest rate incurred on the loan to fund such investment
Student Loan	Interest paid may be deductible on your personal income tax return	Potential for significant balance
		Higher interest rate the longer the term of the loan

* Float: The time period between the date of purchase and the date your payment is due and the potential to earn interest on the funds earmarked to pay off the purchase at it's due date.

NOTICE TO FRS EMPLOYEES

Dear Employee:

The FRS has engaged Ernst & Young LLP to provide financial planning education workshops to its employees. We expect that you will find Ernst & Young's services to be valuable, but we think it is also important that you understand the scope of these services. The following explains what financial education workshops can and cannot do for you, particularly as regards investment planning.

General Financial Planning Considerations

Here are points to understand regarding your personal financial planning and your participation in financial planning workshops:

- Ernst & Young has prepared certain financial planning materials and is providing other services for your personal use as an employee of the FRS.
- The financial education program includes historical financial information and well-accepted financial planning strategies. It may also include information on Social Security benefits and your company benefit plans. This information is based on sources that Ernst & Young believes to be reliable. However, Ernst & Young cannot guarantee its accuracy.
- Past performance, which may be referenced in the program, is not a guarantee or even necessarily an indication of future results.
- The financial planning materials you receive will not change or affect your rights under your company benefit plans. In all cases, the company's plans govern.
- As you plan your financial future, you will need to make assumptions about future financial trends (such as inflation and rates of return), laws and regulations, and apply these to your particular circumstances. Your results can be significantly affected by even small changes in your assumptions, your individual circumstances or laws and regulations, as well as the extent to which your assumptions ultimately vary from actual financial conditions. You may need to reevaluate your financial planning strategy and your decisions from time to time to determine if any changes have occurred that would necessitate amendments to your assumptions or plan.
- A financial education program provides only some of the resources for assisting you in preparing your financial planning strategies. Financial education does not provide accounting, tax or legal advice and does not involve recommendation of specific investments.
- You need to decide on your own whether to consult with a financial advisor or other professional regarding your personal circumstances. If you do, please be aware, you may incur additional costs.
- In providing financial education, Ernst & Young may help you decide on your asset allocation or help you make informed assumptions about rates of return and other investment issues. While Ernst & Young will help you understand what you need to do, you are responsible for making and acting on these decisions. Ernst & Young cannot provide you with all information that may be relevant nor can any materials provided address every possible scenario in connection with such decisions.
- Neither Ernst & Young nor your employer will make any financial planning decisions for you or assume any responsibility for decisions you make.
- Ernst & Young may provide audit or other accounting services to the investments or service providers discussed. The provision of other services will not be a determining factor whether to discuss or recommend an investment or service provider.

Appendix F (continued)

Privacy of Information Provided to Ernst & Young

In the event Ernst & Young collects nonpublic personal information about you from you or other sources authorized by you, Ernst & Young will not disclose such information to third parties, except as permitted by law or as otherwise authorized by you. Ernst & Young maintains physical, electronic, and procedural safeguards to guard your nonpublic personal information.

Further Considerations

All services are provided “as is,” and there are no warranties of any kind or nature, whether express or implied, including but not limited to warranties of merchantability or fitness for a particular purpose or use. In addition, neither Ernst & Young nor its affiliates nor any of their partners, officers, directors or employees shall be liable to you for any services performed or omitted or for any errors of judgment, or for consequential, incidental, indirect, punitive or special damages in connection with providing the services described above. Federal securities laws impose liabilities under certain circumstances on certain persons, even those who act in good faith, and therefore nothing in this notice constitutes a waiver or limitation of any rights that you may have under these laws.
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If you should have any kind of claim or dispute with Ernst & Young as a result of this program, these will be resolved in accordance with Ernst & Young's Alternative Dispute Resolution Procedures (“Procedures”) in effect on the date of this notice. You may receive a copy of the Procedures by requesting them from the Compliance officer of Ernst & Young, at the following address:

200 Plaza Drive
Suite 2222
Secaucus, NJ 07094

* * * * *

If, after considering the issues discussed above, you do not want to participate in financial education and counseling in conjunction with this program, please contact your Human Resource Professional for the FRS, as soon as possible.

FOR INFORMATIONAL PURPOSES ONLY

DISCLOSURE STATEMENT

**Ernst & Young LLP
Ernst & Young Investment Advisers LLP**

Employee Financial Services

Ernst & Young LLP (“E&Y”), under the supervision of Ernst & Young Investment Advisers LLP (“EYIA”), provides Employee Financial Services (“EFS”), including investment education and counseling services to employees, members of associations, unions or other large groups (“Participants”) pursuant to engagements by corporate employers, pension plan trustees, or other entities formed for the benefit of such Participants (“Sponsors”). Such services are provided through E&Y’s Personal Financial Services Practice, a functional specialty within the firm’s Tax Department. EYIA is registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940 (“Advisers Act”) and maintains its main office at 200 Plaza Drive, Suite 2222, Secaucus, NJ 07094 (telephone: 201-872-6547).

Employee Financial Services (“EFS”)

E&Y’s services to Participants are rendered to such persons in a manner determined by their Sponsors. E&Y services to Participants may include some or all of the following:

1. Enabling Participants to access a toll-free “EY Financial Planner Line”, staffed by E&Y planners or consultants, for assistance with personal financial planning matters.
2. Designing or presenting workshops for Participants concerning the financial planning process and alternatives available under the Sponsor’s benefit plans.
3. Providing access to a financial planning website for use by Participants.
4. Providing various personal finance and tax-related publications, in print form or by audio or other visual means.
5. Making available to Participants and survivors of Participants, financial education and counseling assistance with respect to retirement plan distributions; company benefit and compensation plans; estate settlements and planning; life insurance policies; and other related issues.
6. Providing in-person personal financial advisory services to Participants pursuant to an engagement by a Sponsor.

As part of the personal financial advisory services, both in-person and via the EY Financial Planner Line, E&Y may prepare personal asset allocation targets (based on modern portfolio theory and using E&Y’s own or other approved financial planning tools) for such Participants after obtaining and evaluating information concerning their individual circumstances provided by each Participant in response to an E&Y questionnaire. Participant specific advice (i.e., personal asset allocation targets) will generally be confirmed in writing.

E&Y does not recommend, and should not be deemed to have recommended, any particular investment as an appropriate investment for the Participants and discussions of various investments should not be construed as such a recommendation.

Appendix F (continued)

E&Y's advisory services also may be offered by a Sponsor to Participants in tandem with the personal advisory services of another registered investment adviser designated by the Sponsor that is not affiliated with E&Y ("Other Adviser"). In some EFS engagements, the Sponsor contemplates that E&Y will refer individual Participants to the Other Adviser for specific recommendations and/or implementation of the Participant's investment decisions. Such referrals by E&Y do not constitute a recommendation of the Other Adviser by E&Y to Participants, and, in such cases, E&Y does not perform any quantitative or qualitative screening procedures with respect to the Other Adviser.

E&Y, in certain circumstances, is contracted solely to help train employees of financial institutions seeking to offer financial and tax planning services to clients. Such services do not involve E&Y providing advice directly to the clients of such financial institutions, but rather entails training a financial institution's counselors on financial and tax planning topics and such other support as is mutually agreed upon by E&Y and the financial institution.

All Selections and Investments Are Made Solely by the Participating Employee

E&Y's investment education and counseling does not include recommendations concerning the purchase or sale of particular investments or particular industry sectors. E&Y may provide counseling on the purchase or sale in the context of providing tax, compensation and benefits, or estate planning services, but that counseling does not reflect a view as to the intrinsic merits of the investment. All decisions to invest in or dispose of particular investments are made solely by the participating Participant in the exercise of his or her own discretion.

Fees

Fees for EFS Services generally are negotiated between E&Y and the Sponsors of such groups on a case-by-case basis. They usually are based upon (i) a "per capita" eligible employee or member amount, (ii) a "usage by Participants" amount, (iii) the volume of calls by Participants to EY's Financial Planner Line, (iv) the number of workshops designed and presented by E&Y, or (v) other negotiated factors. E&Y's fees in such engagements may be paid wholly or partially either by the Sponsor or by Participants, whose payments for services received (if any) may be collected by the Sponsor through payroll deductions and remitted to E&Y. Participants also may incur expenses for fees to any other investment adviser they may consult and will be responsible for transaction charges imposed by broker-dealers through or with whom they effect transactions for their accounts. Generally E&Y's contracts with Sponsors for services to Participants are terminable by either party in accordance with a specified notice period. In addition, Participants receiving advisory services by E&Y (including a Participant who pays in whole or in part for the services rendered to such Participant) may terminate participation at any time. If such a contract or participation is terminated at a time other than the end of the quarter, a pro rata portion of any quarterly or other fee paid in advance is refunded.

Investment Advisers

All personal investment advice, and most impersonal investment advice, typically is given only by E&Y Financial Planners. Financial Planners are persons who spend all or substantial portions of their time on financial planning. Typically, all of these professionals have at least a degree from a four-year college or university and must meet such other standards as EYIA may establish from time to time. Those standards may include participation in continuing education programs each year and maintaining what E&Y regards as significant involvement in financial counseling engagements. Moreover, Financial Planners must satisfy applicable State investment adviser representative registration requirements or pass the Series 65 Uniform Investment Adviser Exam of the National Association of Securities Dealers, Inc. In some instances, E&Y may retain consultants to assist in providing workshops and staffing the Financial Planner Line. Generally, consultants are subject to the same requirements as E&Y Financial Planners. However, consultants are not subject to the same public accounting independence requirements as E&Y Financial Planners and their continuing education programs differ in some respects.

Appendix F (continued)

Monitoring, Reviews and Reports

In the case of EFS engagements that extend beyond one year and involve the provision of personal advisory services to Participants, Participants are asked questions concerning any changes in their relevant individual circumstances. E&Y will take into account the changed circumstances of any Participant of which it has notice in the event that Participant seeks additional personal advisory services from E&Y.

Miscellaneous

Clients and prospective clients of E&Y also should be aware of the following additional information concerning E&Y and EYIA:

Custody of Securities or Funds. E&Y does not manage participant accounts on a discretionary basis and does not take custody of participant securities or participant funds.

Other Financial Industry Activities. As noted above, EYIA is responsible for supervising the investment advisory services provided by E&Y. E&Y and Ernst & Young (U.S.) are general partners of EYIA. In consideration of EYIA's supervising the rendering of investment planning services provided by E&Y, E&Y provides EYIA with office and filing space, staff and other assistance. All of EYIA's time is spent supervising the compliance and operations of the investment planning services provided by E&Y.

Other Business Activities. E&Y is a public accounting firm which spends substantially all of its time providing accounting, audit, tax, and business advisory services.

Education and Business Background. Below are the backgrounds and five year business histories of each EYIA Advisory Board member: (1) Name, (2) year of birth, (3) education and (4) business background for preceding five years of EYIA Advisory Board members:

1. Glenn H. Hascher – (Chair)/2. 1961
3. B.S., Economics, Rutgers University, New Brunswick, NJ
4. November 1988 to date, Ernst & Young LLP

1. R. Lynn Pettus/2. 1968
3. B.A., Accounting, Converse College, Spartanburg, SC
4. 1997 to date, Ernst & Young LLP

1. Kym M. Hubbard/2. 1957
3. B.A., Accounting, Bradley University, Peoria, IL
4. 2004-2007 Illinois State Board of Investment, 2007-2008 Illinois Finance Authority, 2008 to date, Ernst & Young LLP

1. Charles R. Kowal/2. 1953
3. B.S.B.A., Accounting, Bowling Green State University; J.D., Case Western Reserve University
4. May 1975 to date, Ernst & Young LLP

1. Robert J. Porter/2. 1964
3. B.S., Siena College, Loudonville, NY
4. 1998 to date, Ernst & Young LLP

1. Greg Rosica/2. 1964
3. University of Florida, Gainesville, FL, BS Accounting with Honors 1986; University of Florida, Gainesville, FL, MS Accounting 1988
4. 2002 to date, Ernst & Young LLP; 1988 to 2002 Arthur Andersen LLP

1. James G. Wolf/2. 1955
3. University of Notre Dame, South Bend, IN, BBA Finance; University Of Texas, Austin, TX, MBA
4. 1985 to date, Ernst & Young LLP