

Financial Counseling for Pension Clients

INSTITUTE FOR
FINANCIAL LITERACY®

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AoA Pension Counseling & Info Program
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Forms of Communication

- Nonverbal
  - Facial
  - Body Language
  - Visual Aids
- Telephone Counseling
  - Try smiling
  - Use hand gestures
  - Check posture

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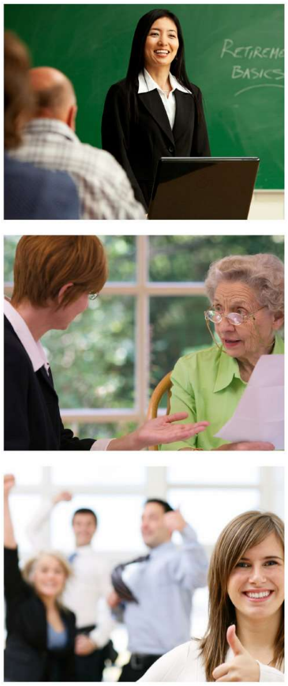

Forms of Communication

- Verbal
  - Pitch, tone, inflection
  - Breathing, pace of speaking
  - Volume
- Telephone Counseling
  - Choice of words
  - No eye contact

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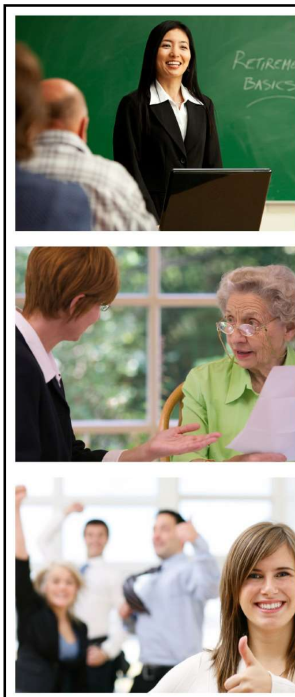

Communication

- Listening Skills
  - Non-Reflective Listening
    - Telephone counseling can do this by nodding your head, minimal verbal responses
  - Reflective Listening
    - “It sounds like what you are saying is…
    - “If I what I understand you are experiencing is…

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Obstacles

- Not being prepared for the call
- Being Preoccupied
- Daydreaming during call
- Playing Solitaire
- Not responding to client

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Cognitive Issues

- Visual Learners
  - Visual aids, charts, brochure
  - “Can I see that again?”
- Auditory Learners
  - Hearing and analyzing words
  - “I can you say that again?”
- Kinesthetic Learners
  - Hands on learning, feeling
  - “I’m happy you are helping me.”

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Emotional Issues

- Maslow's Hierarchy of Needs
  - Physiological Needs
    - Food, water, air, warmth, intimacy
  - Safety Needs
    - Shelter and transportation
  - Need for Love, Affection and Belonging
    - Emotional spending
  - Need for Self-Esteem
    - "Bling" Factor
  - Need for Self-Actualization
    - Over spending to fill the void

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Information Gathering

- Open-ended Questions
  - "Can you tell me how you spent the over-payment?"
- Closed-ended Questions
  - "How are old are you?"

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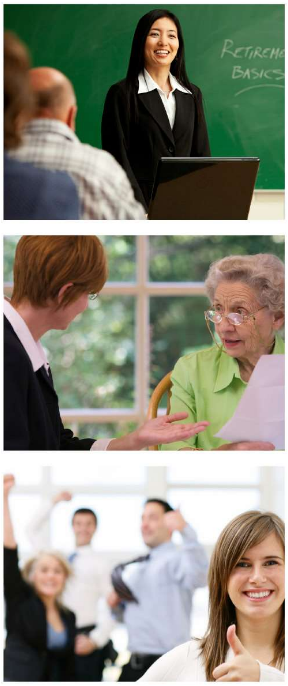

Ethical Pit Stop

- What happens when the client owes a large amount and refuses to give you information?
  - The reluctant client

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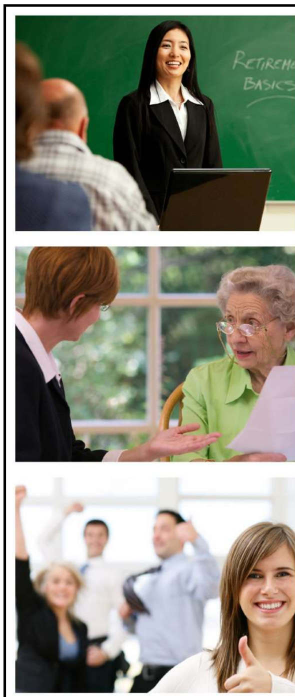

Ethical Pit Stop

- What happens when the client wins a large amount, and you are concerned with their capacity/ability to move the funds?
  - The exuberant client

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Money Management

- Six Parts to a Budget
  - Income
  - Taxes
  - Monthly Fixed Expenses
  - Monthly Variable Expenses
  - Periodic Expenses
  - Discretionary Expenses

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Money Management

- Income & Taxes

  Gross = Pre-tax

  vs.

  Net = “Take Home Pay”

  - Important to account for all taxes withheld from income

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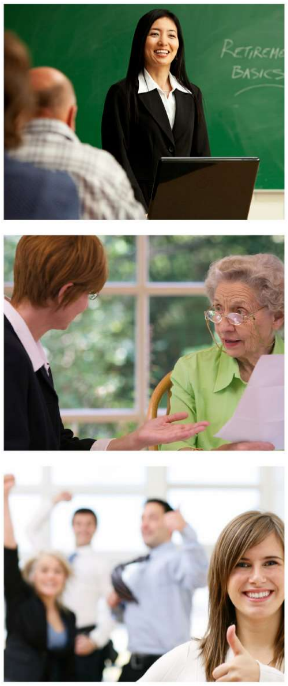

Money Management

- Fixed Exp-don’t change
  - Rent, car pmt, loan pmt,
- Variable Exp-vary each month
  - Utilities, food, gas, medicines
- Periodic Exp-few times a year
  - Car & Home maintenance, taxes
- Discretionary Exp-occasional
  - Gifts, cloths, charitable giving, travel, personal care

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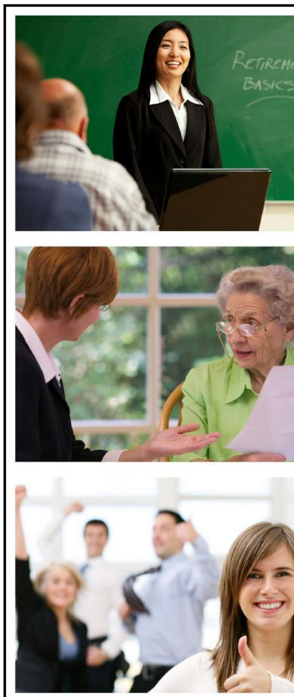

Money Management

MONTHLY BUDGET WORKSHEET

MONTHLY FIXED EXPENSES (FE)	CURRENT	REVISED
Rent/Mortgage (FE-1)		
Savings (FE-2)		
Fixed Debt Payments (FE-3)		
Medical Insurance Premiums (FE-4)		
Childcare (FE-5)		
Alimony/Child Support Paid (FE-6)		
Internet/Cable/Satellite (FE-7)		
MONTHLY VARIABLE EXPENSES (VE)		
Food & Household Items (VE-1)		
Utilities (VE-2)		
Gasoline & Transportation Expense (VE-3)		
Phone (VE-4)		
Variable Debt Payments (VE-5)		
MONTHLY PERIODIC EXPENSES (PE)		
Automobile Insurance (PE-1)		
Auto Maintenance (PE-2)		
Home Maintenance (PE-3)		
Auto & Personal Property Taxes (PE-4)		
Life Insurance and Disability Insurance (PE-5)		
Medical Expenses (PE-6)		
Membership and Dues (PE-7)		
MONTHLY DISCRETIONARY EXPENSES (DE)		
Gifts (DE-1)		

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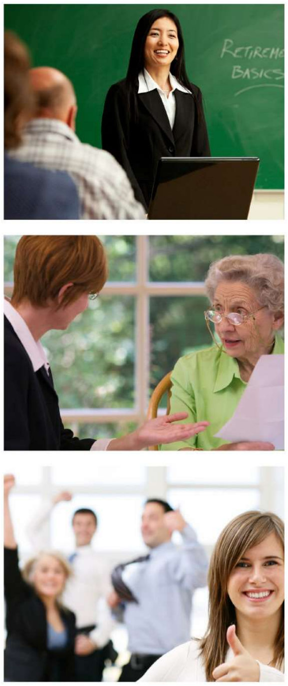

Money Management

DAILY SPENDING LOG

CATEGORY	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Mortgage/Rent															
Savings															
Debt Payments															
Medical Insurance															
Childcare															
Child Support/Alimony															
Cable/Internet/Satellite															
Food															
Utilities															
Gasoline															
Phone															
Variable Debt Payments															
Auto Insurance															
Auto Maintenance															
Home Maintenance															
Auto & Property Taxes															
Life & Disability Ins.															
Medical Expenses															
Memberships & Dues															
Gifts															
Vacations															
Clothes															
Entertainment															
Subscriptions															
Personal Care															
Charitable Giving															

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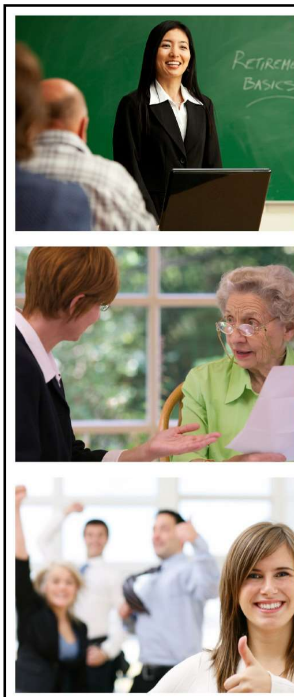

Debt Management

- Tools to determine what Clients can afford to Repay Plan Administrator
- Debt-to-Income Ratio:
  – 28/36 Ratio
  – Front End=28%
    - Gross Income X 28% = maximum amount of new debt client can afford to support
  – Back End=36%
    - Gross Income X 36% = maximum amount of total debt client can afford to support

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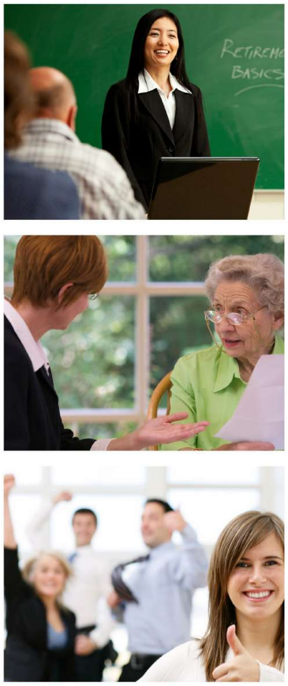

Debt Management

SAMPLE CLIENT

Monthly gross income:	$3,500
Current monthly obligations:	
Mortgage payment:	$800
Auto payment:	$240
Credit card payment:	$125
TOTAL monthly debt:	$1,165

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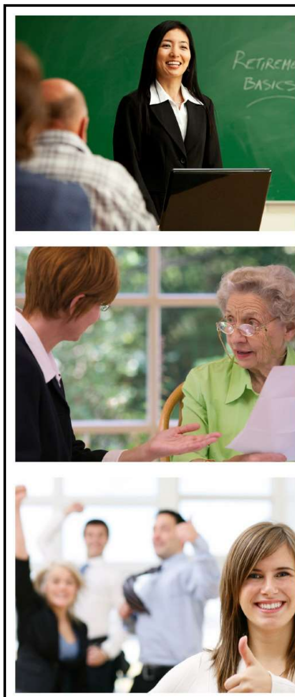

Debt Management

Front End Ratio (28%)

$3,500 x 28% = $980

This is the maximum amount of monthly income that should go to the new debt.

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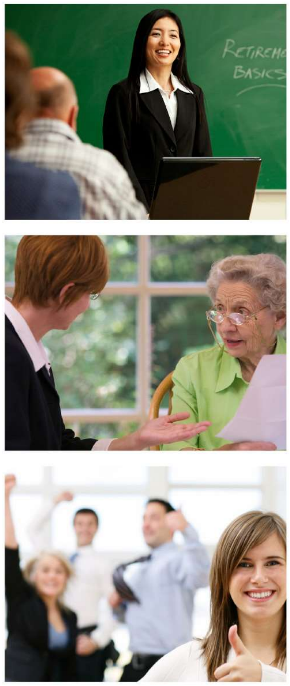

Debt Management

Back End Ratio (36%)

$3,500 x 36% = $1,260

This is the maximum amount of monthly income that should support all debt.

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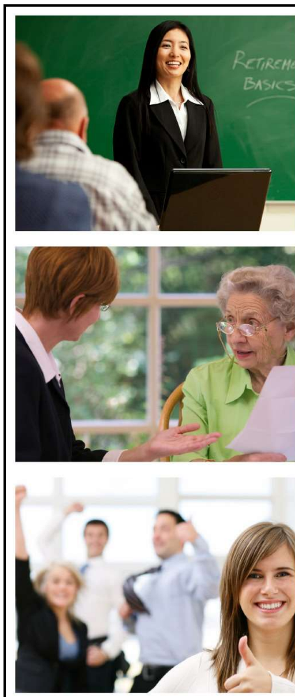

Debt Management

SAMPLE CLIENT

$1,260 – $1,165 = $95

Maximum amount of new debt payment your client could afford.

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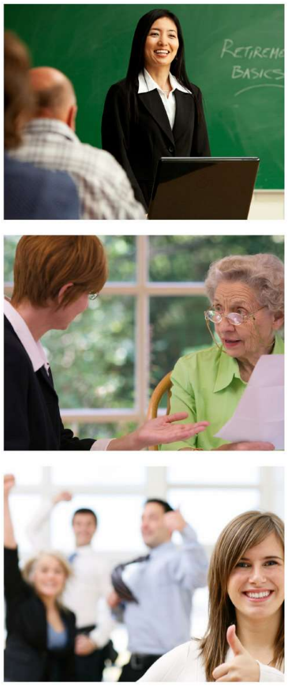

Ethical Pit Stop

- What happens when the client owes a large amount and the Plan Administrator refuses to renegotiate a reasonable repayment option;
  - Do you advise non-repayment?
  - Do you advise bankruptcy?

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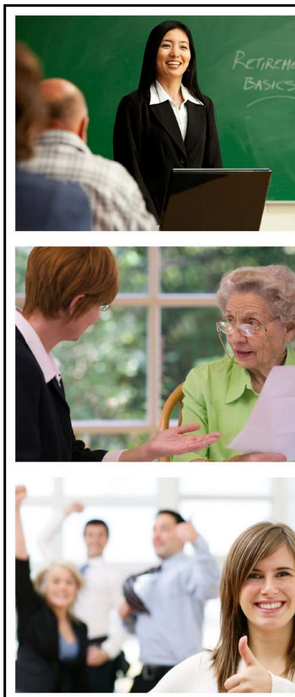

Ethical Pit Stop

- What happens when the client owes a large amount and you are working a repayment option with the Plan Administrator when the client discloses that they just won the lottery but haven't yet cashed the ticket?

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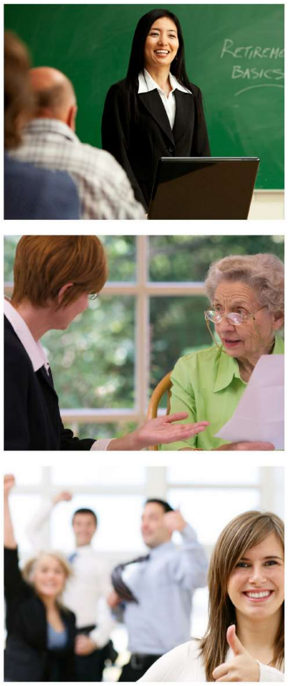

Financial Social Services

- Credit Counseling
  - AICCCA, ACCPros, NFCC
- Housing Counseling
  - HUD, HOPE Hotline, State
- Pro-Bono Bankruptcy
  - Low Income

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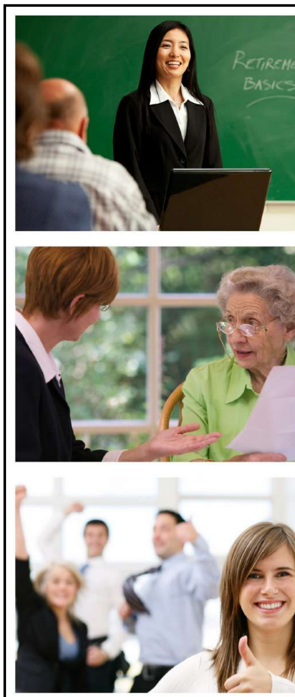

BAPCPA of 2005

- Means Test to determine if debtor can file Chap 7 or Chap 13
- Random Auditing of debtors documents in Chap 7 cases
- Credit Counseling for all consumer cases filed
- Debtor Education required for discharge in consumer cases

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BAPCPA of 2005

- Chapter 7 may be filed once every 8 year
- Chap 13 timeline varies depending on previous filings
- Automatic Stay provisions may be lost if previous case has been filed

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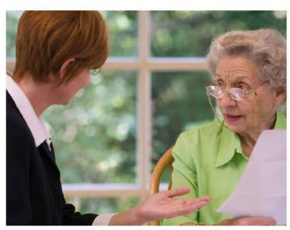

Thank You!

Questions? Please contact me:

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MONTHLY BUDGET WORKSHEET

MONTHLY INCOME (I)	CURRENT	REVISED
Gross Monthly Income (I-1)		
Gross Monthly Income (I-2)		
Rental Income (I-3)		
Self-Employment Business Income (I-4)		
Interest & Dividend Income (I-5)		
Child Support & Alimony (I-6)		
Other Income (I-7)		
TOTAL GROSS INCOME		
MONTHLY TAXES (T)		
Federal Taxes (T-1)		
State Taxes (T-2)		
Social Security (T-3)		
Medicare (T-4)		
TOTAL TAXES		
NET INCOME = **TOTAL GROSS INCOME - TOTAL TAXES**		
CASH FLOW = **NET INCOME - TOTAL EXPENSES (FROM BACK)**		

MONTHLY FIXED EXPENSES (FE)	CURRENT	REVISED
Rent/Mortgage (FE-1)		
Savings (FE-2)		
Fixed Debt Payments (FE-3)		
Medical Insurance Premiums (FE-4)		
Childcare (FE-5)		
Alimony/Child Support Paid (FE-6)		
Internet/Cable/Satellite (FE-7)		
MONTHLY VARIABLE EXPENSES (VE)		
Food & Household Items (VE-1)		
Utilities (VE-2)		
Gasoline & Transportation Expense (VE-3)		
Phone (VE-4)		
Variable Debt Payments (VE-5)		
MONTHLY PERIODIC EXPENSES (PE)		
Automobile Insurance (PE-1)		
Auto Maintenance (PE-2)		
Home Maintenance (PE-3)		
Auto & Personal Property Taxes (PE-4)		
Life Insurance and Disability Insurance (PE-5)		
Medical Expenses (PE-6)		
Membership and Dues (PE-7)		
MONTHLY DISCRETIONARY EXPENSES (DE)		
Gifts (DE-1)		
Vacations (DE-2)		
Clothing (DE-3)		
Entertainment (DE-4)		
Subscriptions (DE-5)		
Personal Care (DE-6)		
Charitable Giving (DE-7)		
Other (DE-8)		
TOTAL EXPENSES		

Daily Spending Log

Category	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Mortgage/Rent															
Savings															
Debt Payments															
Medical Insurance															
Childcare															
Child Support/Alimony															
Cable/Internet/Satellite															
Food															
Utilities															
Gasoline															
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Variable Debt Payments															
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Home Maintennance															
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Life & Disability Ins.															
Medical Expenses															
Memberships & Dues															
Gifts															
Vacations															
Clothes															
Entertainment															
Subscriptions															
Personal Care															
Charitable Giving															

Daily Spending Log

Category	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	Total
Mortgage/Rent																
Savings																
Debt Payments																
Medical Insurance																
Childcare																
Child Support/Alimony																
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Utilities																
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Medical Expenses																
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Gifts																
Vacations																
Clothes																
Entertainment																
Subscriptions																
Personal Care																
Charitable Giving																

Debt to Income Ratio Worksheet

Monthly Gross Income (annual income divided by twelve) $ ______________________

Monthly Credit Obligations

Rent/Mortgage	$ ______________________
Auto loan pmt	$ ______________________
Student loan	$ ______________________
Credit card (min)	$ ______________________
Other loans pmts	$ ______________________
Child support	$ ______________________
Total	$ ______________________

Monthly gross income x 28% = $ ______________________
(max income to support new debt)

Monthly gross income x 36% = $ ______________________
(max income to support new debt and existing debt)

Notes: ____

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