

# Money Decisions for Life

Hosted by Linked In Local Marin ,

Co-Sponsored by the Women's Collective of Marin

Speakers:

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**Disclaimer** : The panelists will provide informational and educational content, but no specific legal or professional advice to the people in attendance. Before acting upon any of these points made please seek counsel with a professional who can help you make decisions based upon your specific situation.

## Overview:

This panel discussion featured an exchange of ideas among 5 female experts, on money decisions for life. That is, how to get on track and stay there and how to reboot if life doesn't go as planned.

We reviewed savings and spending, credit scores, and life milestones like buying a house or planning for life's transitions.

We used the 50-30-20 rule as an overarching paradigm for shaping this conversation. This paradigm refers to the allocation of income coming into a household for savings and spending. The first 50% goes to cover basic necessities, such as rent or the mortgage, property taxes, utilities, car payments, and food. The next 30% would go for lifestyle allocations, such as memberships, vacations, subscriptions and private schools for the children. The final 20% is the bucket for savings for important milestones like buying a house, upgrading property, and financing retirement.

## Major Takeaways:

--**Importance of real estate.** For many families in California, and especially in Marin, real estate is the most important asset on their balance sheets. It provides tax sheltered savings to the degree that ownership allows deduction of mortgage interest and property taxes. Real estate can also be acquired as investment property to provide cash flow in retirement.

--**Manage equity.** As a balance sheet asset, that is, an asset that is netted with other investments against liabilities to compute net worth, real estate should be treated carefully. Though home owners in recent past were prone to using their homes as piggy banks, stripping equity out for financing living expenses, financial planners and lenders frown on this practice. From a tax standpoint, equity refinances should be done for home upgrades, only. If used to refinance credit card debt, mortgages should be used cautiously, as tax savings for mortgage interest deductions may be affected. Strict application of tax rules would prohibit you from deducting the mortgage interest paid as a result of refinanced credit card debt.

--**Strike a balance.** Making decisions in the context of a couple relationship can sometimes require a delicate balancing act. Scheduling hard but necessary conversations for a specific morning on a specific day of the month for instance often can work better than random discussions when everyone is just getting home from the workday. Even one Saturday or Sunday morning a month, over coffee with a time limit of one hour is better than no dialogue on this important topic, between a husband and wife, or intimate partners. Develop a healthy communication style around money. If a couple gets stalled around this area of intimacy, so that a discussion around finances no longer feels safe or provokes angry outburst, a mediator or other expert may be able to help. Seek help if you are impeded in this goal.

--**Be informed.** Know what your household cash flow looks like. Read a tax return before you sign it. If necessary, have your own tax counsel, since you are jointly liable, if married, for the returns that you sign. Keep receipts. Document expenses relating to cost basis of the home, your primary residence. You will need these to lower possible capital gains tax when you sell, if the gain exceeds your exclusion for single or married thresholds.

--**Create a household budget.** Talk with your significant other about creating a household budget for shared expenses, and maintain separate accounts for other income sources, if this helps you better manage your accounting for savings and spending. Don't allow one spouse to do all of the savings if the other spouse is then forced to finance all of the household spending. Build prosperity for two or more, not just for one, the higher wage earner.

--**Do price checks.** Neighborhood prices for gas, laundry detergent, and even shampoos, every day commodity items, can vary widely. Switch markets or venues for purchases of routine household items if you find major savings elsewhere. Use the savings to feed a cookie jar for emergencies or for added savings for goals like children's college, or additions to retirement.

--**Seek protection.** Seek up legal structures like wills and trusts, and account and asset titling to define who owns the property and assets and to whom they should go should you or your significant other suddenly pass away. If you have assets that you wish to stay separate in a marriage be aware of

community property rules in California. Ask for legal help in understanding how to keep your separate assets separate. These might include for instance assets acquired before marriage, or inherited.

--**Manage debt effectively.** Know how your debt related decisions affect your credit score and relative financial ratios. These are important in maintaining a good credit score and the ability to finance major purchases when seeking help from a lender. Build credit scores for two, if married, not just for one partner, the higher earner.

--**Create an endgame for your financial decisions.** That is, what are your goals over 5, 10 or 15 years or more? Are these goals shared with your partner? Having an endgame will shape your decisions so that each decision drives toward these goals.

--**Go for big wins,** “one and done” type decisions around finances. Rather than debate saving on two café lattes a month and banking what would have been spent, identify a dollar sum to be saved toward a goal and try to identify the bigger impact decisions that get to that goal faster. These might be decisions to refinance a house; substitute a used car for a new car to lower car insurance bills; or to put the children in public rather than private schools.

--**Use self-help websites.** See online calculators as decision support in attaining your goals. One website, offered by the American Society of CPAs, is particularly useful in showing consumers what it would take, for instance, in monthly savings at a given rate of return to accumulate \$1 million. The same website shows consumers how to manage Social Security benefits to maximize their payouts, or to decide where their breakeven may be in purchase vs. rental of a home.

--**Use experts.** Develop relationships with a team of advisors and keep these people in your life. Don't go it alone. They will know your situation over time and can better guide you at each crossroads, about the way to go.

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