

Social Change Financial Planning Notebook



ORGANIZES YOUNG PEOPLE WITH FINANCIAL
WEALTH TO LEVERAGE RESOURCES AND
PRIVILEGE FOR SOCIAL CHANGE

Resource Generation

18 W. 27th St, Fl 2

New York, NY 10001

www.resourcegeneration.org

Social Change Financial Planning Notebook

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www.resourcegeneration.org

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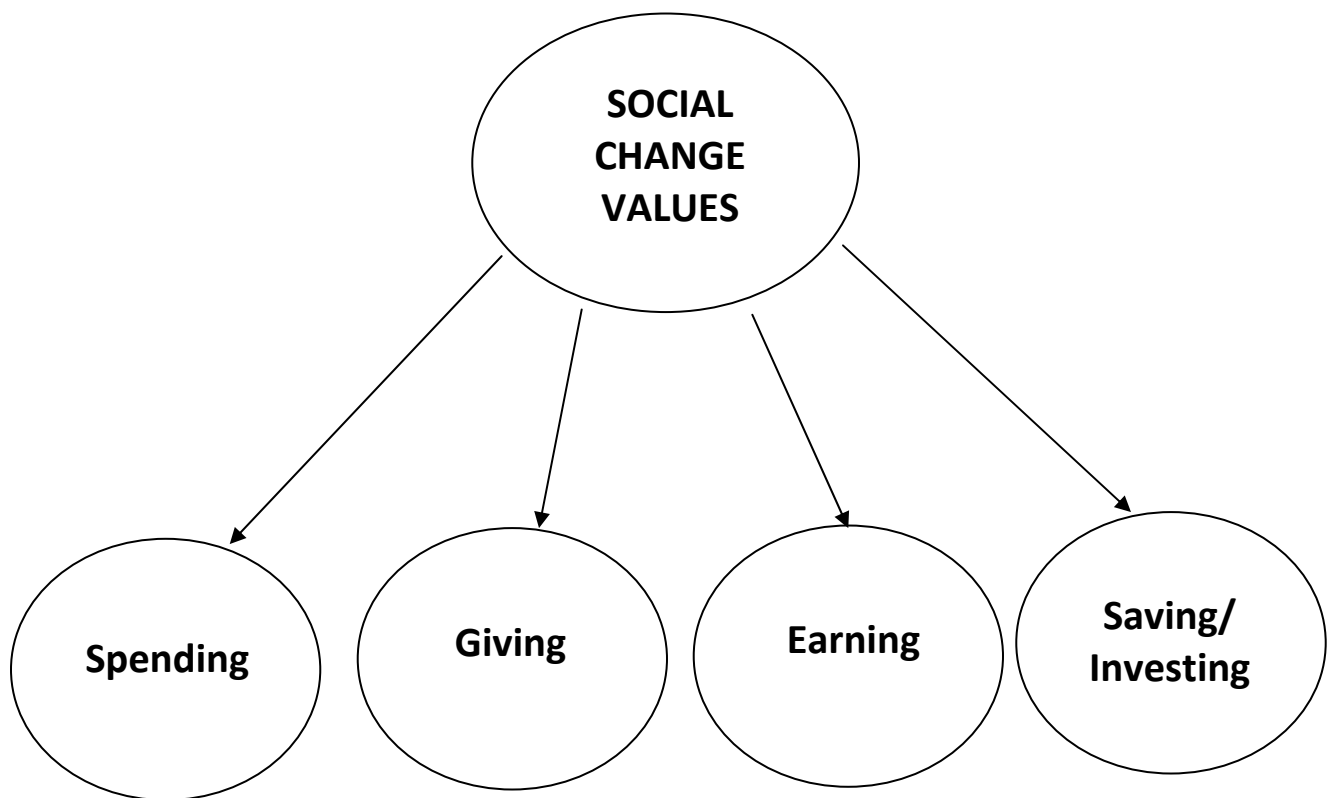
The contents of this notebook are intended to help you gain the tools to begin to learn about and take action with your finances. Resource Generation is not in the business of giving specific financial management advice. We strongly recommend that you speak with an advisor to help you work on the specifics for your own situation.

Creating a Social Change Financial Action Plan

This notebook has tons of resources for young people with wealth who want to take steps to align their resources and their social change values. We have developed a questionnaire to help you create a “Social Change Financial Action Plan.”

Social Change Financial Planning is being intentional about your decisions to spend, save/invest, give and earn your resources so that those decisions reflect and express your social change values. Social Change Financial Planning means considering financial decisions for yourself, your family and the people in your life, and your hopes for a more just world.

SOCIAL CHANGE FINANCIAL PLANNING



A Social Change Financial Action Plan may involve the following components:

- **Where am I starting?** - Reflect on where you are starting – how you have made financial decisions in the past and your motivation for creating a Social Change Financial Action Plan.
- **Values** - Clarify the social justice values you want your financial decisions to reflect.
- **The Big Questions** - Reflect on some of the big questions about security, accountability, and leverage in order to make choices about your resources.
- **What do I have?** - Learning about your resources and the ways they are managed.
- **Who can help me?** - Identify the people who are involved in managing the money and some of the people who can help you in this process.
- **Goals and Timeline** - Establishing goals and a timeline for taking steps.
- **How is it going?** - Assessing the progress you are making.

How to use this notebook

Take a look at the questions in **Section 1: Your Social Change Financial Action Plan**. Each set of questions will refer to a section in the notebook that includes resources for answering that question.

You may go through the process of answering these questions and developing action plans many times throughout your life. You may want to revisit your plan in moments of transition – for example, if your access to resources or information about those resources changes, during a shift in work or school, or if you are beginning to make financial decisions with other people in your life.

If you are currently making financial decisions with a partner, you may want to fill out these questions together. If you are interested in doing some of this work with a sibling or other relative, you may also want to work on this process with them.

Resource Generation can help provide support to use as you go through these exercises and get ready to take next steps. We can pair you up with other people in the RG community who are thinking about some of the same issues or who have had experience with a particular aspect of financial planning – whether talking to parents about SRI, having conversations about generation-skipping trusts, or finding an advisor. RG staff is also always happy to have conversations with you about your process and hear how it is going!

SECTION 1:

Your Social Change Financial Action Plan

Your Social Change Financial Action Plan

Where am I starting? (see Section 2)

What motivates me to learn about my resources?

What stops me from learning about my resources?

What are some of the reasons I want to have a financial plan?

How have I made decisions about money in the past?

What do I like about that process? What do I want to change?

Values (see Section 3)

Social change values I want my financial decisions to reflect and express:

The Big Questions (see Section 4)

Which questions feel really important for me to focus on right now?

Which questions feel really important for me to focus on in the next few years?

What does it mean for me to be involved in social change financial planning? What concepts resonate with me? What concepts feel challenging?

In my experiences trying out some of these concepts how has it worked? What have I learned?

What are some of my hopes for making a social change financial plan?

What do I have? (see Section 5)

What I know about what I have:

(Take a look at the worksheet *What do I have?* and from the items you checked to research pick the ones that feel are really important to learn about soon.)

Questions about what I have:

Who can help me? (see Section 6)

These are the family members I know are involved in decisions about the money:

These are the advisors I know are involved in decisions about the money:

People I want to have conversations with to learn about what I have or who could help me do my research:

People I want to have conversations with who can help me take action:

Goals and Timeline (see Section 7)

I am setting the following goals for research and learning:

Goal	By when	Who can help me

I am setting the following action goals:

Goal	By when	Who can help me

How is it going? (see Section 8)

Questions for myself at the end of the year to assess how it is going:

Sample Social Change Financial Action Plans

Your Social Change Financial Action plan may take a variety of shapes. It may be a big list of research questions, an SRI statement, or a bunch of pie charts that spell out a long-term plan for dividing up resources. This will depend on where you are in this process and what you want to focus on. Here are a few examples of long term action plans, to give you a feel for what this can look like.

Luke, 18 years old

Luke just found out from the Tatooine Investments that Aunt Beru left him 100,000 credits*. He doesn't know anything more about the money, where it is invested, if there are strings attached to its use or how much control he has over it. He is wondering about how this inheritance is going to affect his life. Should he buy that new light saber he was looking at? How will this affect his plan to go to Jedi Master School? What about traveling next summer?

Long term goals:

- Volunteer next summer at the Obi Wan Home for the Elderly
- Take a one month trip to Dagobah
- Graduate from Jedi Master School

Some opening questions to ask an advisor:

- How much will a trip to Dagobah cost me? Does that make sense with my assets?
- Do I need to make money during the summer or can I support myself with these assets?
- Do I need to take out loans for Jedi Master School?

Leia, 25 years old

Leia recently left her job, and is volunteering part-time while she is also trying to launch her career as a freelance writer. She has a million credits in a brokerage account from stock options from her previous work at Wookie.com, but until now she has not really figured out how this will affect the rest of her life. She's not sure how long she can support herself without a salary and how she should actively manage her assets. She is also wondering how her long term relationship with Han Solo should affect her financial planning.

Long term goals:

- Figure out how to financially plan for having no salary for at least the next year
- Figure out how potentially getting married may affect her planning
- Buy a house

Some opening questions to ask an advisor:

- What can I expect in terms of income from my account?
- What kinds of taxes will I need to anticipate paying?
- Should I use a mortgage to buy a house? Can you advise me about how to do this?
- What are the pros and cons of prenups?

Darth Vader, 31 (and Yoda, 900)

After years of being adversaries, Darth Vader and Yoda finally recognized their love for each other and have recently moved in together. Darth is busy completing his graduate school studies in the Dark Side. He has a trust worth 10 million credits that has paid for all his expenses as a student, but he has had no access to information about it or how it is managed. He wants to start taking a more proactive role with his finances, but he isn't sure where to start or how to get the information he needs.

Since falling in love with Yoda he has also become very involved with domestic partnership rights as well as labor issues in the Empire. Darth and Yoda are also considering adopting a young Ewok.

Long term goals:

- Planning for Ewok's childcare and education
- Giving to Gay Rights for the Galaxy
- Figure out my financial relationship with Yoda

Some opening questions to ask an advisor:

- What is the best way to put aside money for our young Ewok's college education?
- Should I sell my Death Star Stock outright or donate it to Gay Rights for the Galaxy?
- In your experience, how could I best help Yoda to secure his financial future? Should I transfer money to him? Open a joint account?

** credits are the currency in the Empire.*

Resources for Creating Your Social Change Financial Action Plan

Financial Literacy & Planning

Here are a few resources to learn more about the financial industry and financial planning:

First Affirmative Financial Network publishes a financial planning handbook for socially responsible investors (www.firstaffirmative.com).

Human Rights Campaign Foundation offers information on personal finance for gay and lesbian couples. (www.hrc.org)

Investor Words is a website with an extensive glossary of financial terms (www.investorwords.com).

Investor Protection Trust provides “independent, objective information needed by consumers to make informed investment decisions” (www.investorprotection.org).

Finding an Advisor or Attorney

Referrals are always the best option. However, you may also want to check out some of the advisor networks as well, and some of these organizations can assist you when selecting an advisor or attorney.

SRI advisors

Co-op America is a national nonprofit organization that provides practical steps for leveraging consumer and investor resources for social change (www.coopamerica.org).

First Affirmative Financial Network is an independent advisory firm that supports a nationwide network of financial advisors specializing in a socially responsible approach to investing (www.firstaffirmative.com).

Social Investment Forum Annual Directory includes socially responsible investing professionals (www.socialinvest.org).

General Networks & Resources

Association of African American Financial Advisors is a national association of African American financial advisors who provides financial and economic consulting services (www.aaafa.org).

Association of Latino Professionals in Finance and Accounting is a national Latino professional association that provides financial and economic consulting services (<http://www.alpfa.org>).

Certified Financial Planners is a professional regulatory organization that provides information about financial planning and how to choose a planner. (www.CFP.net)

Family Office Exchange serves as a resource for families with wealth to help develop their understanding of wealth management issues and guides their selection of strategic advisors (www.foxexchange.com).

Financial Planning Association is a membership organization for the financial planning community (www.fpanet.org).

Gay Financial Network provides a directory of gay-friendly financial professionals (www.gfn.com).

Hispanic National Bar Association is a professional network of Hispanic attorneys. (www.hnba.com)

International Association for Registered Financial Planners is an association of financial planners. Their website has articles on topics such as how advisors receive fees. (www.iaafc.org)

National Association of Estate Planners & Councils is a national organization of professional estate planners (www.naepc.org).

National Association of Insurance and Financial Advisors represents more than 70,000 insurance and financial advisors nationwide (www.naifa.org).

National Asian Pacific American Bar Association is a national association of Asian Pacific American attorneys, judges, law professors, and law students (www.napaba.org).

National Association of Personal Financial Advisors is a professional association of financial planners (www.napfa.org).

National Lesbian & Gay Law Association offers a national network of legal support and services (www.nlgla.org).

Pride Planners provides financial planning referral lists and resources for the LGBT community (www.prideplanners.com).

Socially Responsible Investing

Finding your way as investor who is committed to social change doesn't have to be something you do alone. There are a number of organizations designed to provide social investors with research, technical assistance, and other needed support.

Organizations and Networks:

CDFI Coalition is a network of community development finance institutions (www.cdfi.org).

CERES is a coalition of environmental, investor and advocacy groups focused on sustainability and corporate responsibility (www.CERES.org).

Co-op America is a national nonprofit organization that provides practical steps for leveraging consumer and investor resources for social change. (www.coopamerica.org)

Investor's Circle is a social venture capital intermediary whose mission is to "support early-stage, private companies that drive the transition to a sustainable economy" (www.investorscircle.net).

Opportunity Finance Network is a national membership organization of community development financial institutions (CDFIs) (www.opportunityfinance.net).

National Federation of Community Development Credit Unions is an organization of Community Development Credit Unions (www.natfed.org).

Social Investment Forum is a national non-profit organization providing research and educational programs on socially responsible investing (www.socialinvest.com).

Social Venture Network is a progressive business network that offers support for companies that value social justice, community, cooperation, diversity, education, sustainability and innovation (www.svn.org).

SRI in the Rockies is an annual gathering of the socially responsible investment industry in the United States (www.sriintherockies.com).

SRI World Group is a news, research and consulting firm that advises clients regarding sustainability and investment issues and corporate responsibility practices (www.SocialFunds.com).

Publications:

Brill, Hal. 1999. *Investing with Your Values: Making Money and Making a Difference*.

Domini, Amy L. 2001. *Socially Responsible Investing: Making a Difference and Making Money*.

Domini, Amy L. 1992. *Social Investment Almanac: A Comprehensive Guide to Socially Responsible Investing*.

Kinder, Peter D. 1993. *Investing for Good: Making Money while Being Socially Responsible*.

Green Money Journal “encourages and promotes the awareness of socially & environmentally responsible business, investing and consumer resources in publications & online” (www.greenmoney.com).

Mission Related Investing

Family foundations can practice a particular type of socially responsible investing by relating their endowment investments to their missions. Here are a few resources to learn more:

Foundation Partnership on Corporate Responsibility is an association of foundations working to link their grantmaking values with their investments. (www.foundationpartnership.org)

Investor’s Circle is a social venture capital intermediary whose mission is to “support early-stage, private companies that drive the transition to a sustainable economy.” (www.investorscircle.net)

Jessie Smith Noyes Foundation has been involved in mission related investing for years, and has a number of articles about their activities on their website (www.noyes.org)

Shareholder Activism

As You Sow is a non-profit organization dedicated to promoting corporate social responsibility (www.asyousow.org).

Business Ethics is a bimonthly magazine that promotes ethical business practices (www.business-ethics.com).

Green Mountain Summit on Investor Responsibility is an annual forum on fiduciary responsibility, sustainable investing and corporate governance issues, organized by the Information Management Network (www.imn.org).

Interfaith Center on Corporate Responsibility is a coalition of religious communities working to promote corporate social responsibility (www.iccr.org).

Responsible Wealth is a national network of businesspeople, investors and affluent Americans who are concerned about deepening economic inequality and are working for widespread prosperity (www.responsiblewealth.org).

Shareholder Action Network is a clearinghouse of information and analysis to the socially responsible investing community on shareholder advocacy (www.shareholderaction.org).

Consumer Resources

Green Pages is the largest directory of qualified green businesses with over 25,000 products and services from 2,000 green companies (www.greenpages.org).

Fair Trade Resource Network “raises consumer awareness about improving people's lives through Fair Trade alternatives” (www.fairtraderesource.org).

Public Citizen is a national nonprofit consumer advocacy organization (www.publiccitizen.org).

Simple Living Network provides “tools, examples and contacts for conscious, simple, healthy and restorative living” (www.simpleliving.net)

Tax Advocacy and Economic Justice Resources

Organizations:

Center on Budget and Policy Priorities is a policy organization that conducts research and analysis to inform public debates over proposed budget and tax policies and works at the federal and state levels on fiscal policy and public programs that affect low- and moderate-income families and individuals (www.cbpp.org).

Campus Living Wage Campaigns has links to organizations and campus groups across the country currently at work on this issue (www.clwproject.org).

CERES is a coalition of environmental, investor and advocacy groups focused on sustainability and corporate responsibility (www.CERES.org).

Citizens for Tax Justice is a nonpartisan, nonprofit research and advocacy organization dedicated to fair taxation at the federal, state, and local levels (www.ctj.org).

CORPWATCH corporate accountability research and resources (www.corpwatch.org).

Fair Taxes for All Coalition is a coalition committed to promoting a fair tax system (www.fairtaxes4all.org).

National Priorities Project offers tools and resources to shape federal budget and policy priorities which promote social and economic justice (www.nationalpriorities.org).

Program on Corporations, Law and Democracy is “instigating democratic conversations and actions that contest the authority of corporations to govern” (www.poclاد.org).

Responsible Wealth is a national network of business people, investors and affluent Americans who are concerned about deepening economic inequality and are working for widespread prosperity (www.responsiblewealth.org).

United For a Fair Economy is a national organization that raises awareness on concentrated wealth, power their impacts on the economy and local/national communities (www.faireconomy.org).

50 Years is Enough: US Network for Global Economic Justice is a U.S.-based coalition of over 200 organizations committed to the fundamental transformation of the IMF and World Bank (www.50years.org).

A few publications:

Johnson, David Cay. 2003. *Perfectly Legal: The Covert Campaign to Rig Our Tax System to Benefit the Super Rich – and Cheat Everyone Else*.

Gates, Sr., William & Chuck Collins. 2002. *Wealth and Our Commonwealth: Why America Should Tax Accumulated Fortunes*.

See the website www.classmatters.org for lots of resources on class.

Resources compiled from several sources including: Changemakers, KLD, Liberty Hill, Sharon Rich and Stephen Viederman.

SECTION 2:

Where am I starting?

Where am I starting?

It can be really challenging to begin this process for a lot of reasons. Many of us have been hiding our financial statements under the mattress for years. How do you interpret all those numbers anyway? Because family finances can be so complicated, it can be challenging to figure out where the money is, and who to ask for help. Some of us find it scary to begin to acknowledge how much money we have.

Whatever the challenges you may face that stop you from learning about and taking action with your resources, it is really helpful sometimes to just name them! An action plan can really help you get to the bottom of some of these issues, like figuring out who can help you, or learning how to read that financial statement, or joining in on conversations about what it means to have money and social change values.

And remember, start where you are! This is not about judging what you have or haven't done in the past. Also, for many of the process of learning about and taking action with our resources is going to be a long one, sometimes lifelong... Here are a few tools to help you assess where you are starting.

Money Quiz

If only learning about money was as simple as one of the quizzes at the back of a magazine... Here are a few questions to get the juices flowing. Remember, there is no right answer. This is to help you assess where you are starting. Feel free to circle more than one response.

- 1) When I get a financial statement, I
 - a. hide it under the bed and hope it will disappear.
 - b. read it, but feel embarrassed because I don't understand it.
 - c. read it and understand most of it, and know who to ask questions if I need to.
 - d. don't know what you are talking about – what financial statement?
- 2) When a nonprofit asks me for money, I
 - a. say "Sorry, but I don't have any money to give."
 - b. tell them I have a social change giving plan and explain my giving process.
 - c. feel uncomfortable.
 - d. want to give a gift but don't know how much I have to give.
- 3) When I am making decisions about a major purchase, I
 - a. feel overwhelmed.
 - b. don't think too much about it because I have more money than I need.
 - c. check my budget for the year to decide if it makes sense.
 - d. research the impact of my purchase on the environment.
- 4) When I am looking for a job, I
 - a. look for something I am passionate about and don't worry about the salary.
 - b. feel like it is really important for me to earn my living expenses.
 - c. question if I should take a salary if I don't need to earn my living expenses.
 - d. think about my overall financial plan and how my earnings relate to my giving, spending, and investing decisions.
- 5) When I think about beginning to work on a social change financial action plan, I
 - a. am really anxious to begin.
 - b. feel insecure about my financial knowledge.
 - c. know I need to find some people who can support me in this process.
 - d. am excited by the possibilities of learning more about my resources and connecting my resources and my values.

Moments from your money history



Think about 3 key moments in your life that have impacted your relationship with money. For example, it could be the day a family business was sold, when you got your first job, or that time your parents told you that you don't need an allowance because you have a trust fund.

Use the space below to draw a picture or free write about these events. What are some of the details that stick in your mind about these moments? How did these events impact your relationship to money? How have they impacted the ways you think about financial decisions – Earning? Giving? Spending? Investing or saving? Are the lessons these events taught you in line with your values? If not, why?

SECTION 3:

Values



Social Screens



Attached are some stickers to get you started on creating a socially responsible investment screen. The clearer you are on what you will and won't invest in, the easier it will be to communicate this to your advisor *and* share your plan with others. You can have a positive screen (something you want to support) or a negative screen (something you need to screen out).

Positive Screens:

- Supports workers' rights
- Supports racial justice
- Offers family friendly benefits
- Supports animal rights
- Supports peace
- Supports reproductive rights
- Supports disability rights
- Good union relations
- Job creation
- International sustainable development
- Supports children's rights
- Supports affordable housing
- Supports gay rights
- Pays living wages
- Supports community development
- Supports gender equity
- Supports renewable energy
- Supports corporate community involvement
- Supports access to health care
- Ecologically sustainable practices
- Alternative media
- Environmental protection

Negative Screens:

- No sweatshops
- No child labor
- No disability discrimination
- No predatory lending
- No excessive executive compensation
- No GMOs
- No money to oppressive governments abroad
- No religious discrimination
- No military/defense contractors
- No nuclear power plants
- No tobacco
- No pollution
- No racial discrimination
- No gender discrimination
- No sexual discrimination
- No fur production
- No animal testing
- No age discrimination

Sample SRI Statement

Here is a sample SRI statement from someone in the RG community. Your values statement can be a few sentences or a few pages, depending on what you want to express.

Socially Responsible Investing Guidelines
General Statement
May 2003

I. The following restrictions apply to each company's international, as well as domestic, operations. They also apply to companies owned wholly or in part by these companies.

II. International - There should be no investment in companies whose operations have been the subject of major recent controversies related to human or civil rights violations.

III. There should be no investment in chemical manufacturers or in nuclear power (construction, fueling, operation, or maintenance) because of their extreme and long-lasting environmental harm.

IV. There should be no investment in companies involved in substantial environmental harm.

Substantial environmental harm is defined as that resulting from:

1. High current emissions of toxic chemicals
2. Petroleum - exploration, extraction, refinement or distribution (natural gas is acceptable)
3. Beef production (see individual companies listed below)
4. Paper and forest products companies, except for companies primarily in recycled paper or widely recognized sustainable logging practices

In borderline cases, positive factors will be considered including:

- Substantial recent reduction in emissions
- Notably strong involvement in recycling
- Notable innovative products or services used to clean up the environment
- Redesigning products or processes to reduce the general level of waste materials

V. There are to be no investments in the following areas:

- Military weapons
- Tobacco

VI. There are to be no investments in the following area unless the involvement is relatively minor or incidental:

- Companies that own or operate animal testing labs for cosmetics or for consumer products or produce animals for testing in such labs

VII. I am very concerned about the increasing use of prison labor, both internationally and within the United States. I realize that it occurs across many industries and that the social research firms have not yet developed standardized screens for this issue. As a result, I do not expect that my portfolio can be screened on this issue. However, I am including this statement of concern in my SRI Guidelines as an attempt to raise awareness of the issue and to encourage the development of such screens.

VIII. There are to be no investments in the following companies:

- Caterpillar (CAT)
- Monsanto (MON)
- Smithfield Foods (SFD)
- Tyson Foods (TSN)
- ConAgra (CAG)
- Hormel (HRL)
- Seaboard (SEB)
- Correctional Corp of America (CXW)
- Procter & Gamble Company (PG)
- Abbott Laboratories (ABT)

NOTES:

- The Correction Corp of America was the only private prison company that was large enough as to be publicly trade. Hence, they are included as an individual company.
- Caterpillar most likely falls under the category of military weapons, but I wanted to be explicit due to the role of their products in the demolition of homes and crops and the construction of the Apartheid Wall in Palestine.
- Among other things, Abbott Laboratories produces the substance used for lethal injections in the U.S. I have held stock in Abbott Labs since 1973, the year of my birth.)

SECTION 4:

The Big Questions

The Big Questions

One of the questions that often comes up when people start to look at creating a financial plan is, “how much is enough?” - how much is enough for me, for my family, for the future...

Traditional financial planning is designed to focus this question, to focus on you and your family’s needs, and to look at decisions about spending, giving, saving/investing and earning with this lens. Most financial planners will also assume that a family’s goals are mainly to grow and preserve principal and pass money down through the generations in a tax-efficient manner.

Social change financial planning looks not just at our individual needs but also at our hopes for society. It’s not just about the question “how much is enough for me and my family” but also “how can my finances express and reflect my social change values?” This adds a whole other set of questions about the decisions we may make and the goals we have, for ourselves, our family, the people in our lives, and the movements we are a part of.

Social change financial planning means thinking about financial decisions with at least 3 layers in mind: ourselves, our families and the people in our lives, and our hopes for a more just world.

Money Choices Compass

We have made a tool – the Money Choices Compass, to help us start getting some direction with these big questions. See the attached pages for instructions to make your own compass.

Here is a complete list of the questions in the Money Choices Compass:

For myself

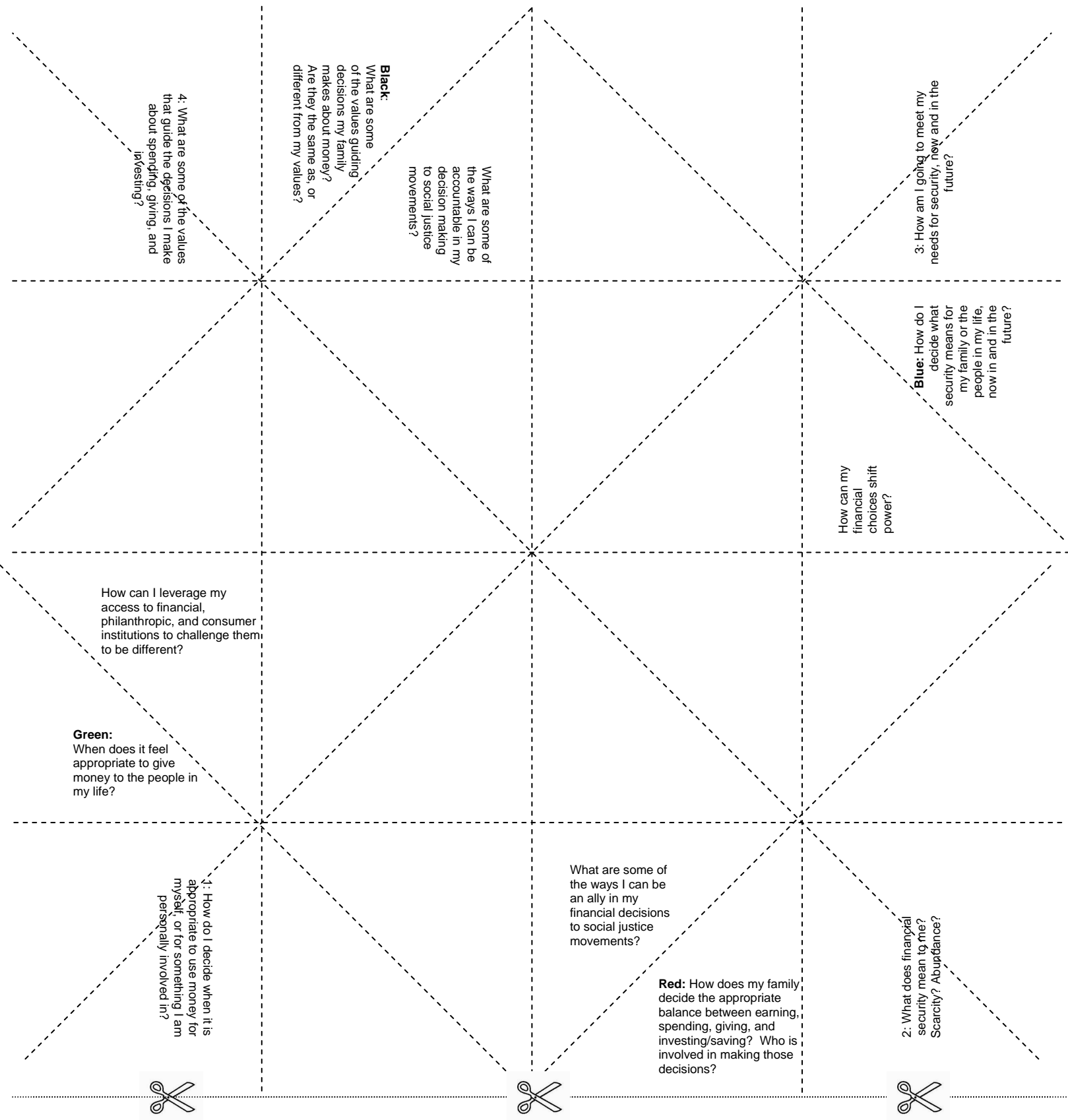
- What does financial security mean to me? Scarcity? Abundance?
- How am I going to meet my needs for security, now and in the future?
- What are some of the values that guide the decisions I make about spending, giving, and investing?
- How do I decide when it is appropriate to use money for myself, or for something I am personally involved in?

For my family and the people in my life

- How do I decide what security means for my family or the people in my life, now in and in the future?
- What are some of the values that guide the decisions my family makes about money? Are they the same as, or different from my values?
- When does it feel appropriate to give money to the people in my life?
- How does my family decide the appropriate balance between earning, spending, giving, and investing/saving? Who is involved in making those decisions?

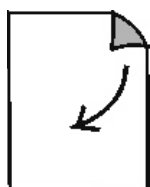
For a just world

- How can my financial choices shift power?
- What are some of the ways I can be accountable in my decision making to social justice movements?
- What are some of the ways I can be an ally in my financial decisions to social justice movements?
- How can I leverage my access to financial, philanthropic, and consumer institutions to challenge them to be different?

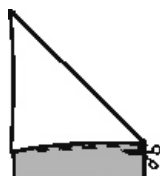


Money Choices Compass

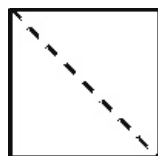
How to Construct Your Own Money Choices Compass



1. Fold the top of the paper to the side of the page to make a triangle. (it should line up with the scissors icon)



2. Then cut off the flap below the triangle, along the scissors icon line



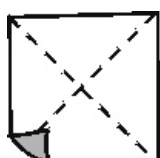
3. Now open the triangle and you'll have a square.



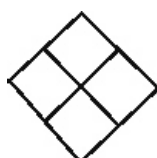
4. Turn the written side of the paper face down. Then fold one corner to the other corner diagonally.



5. Open paper.



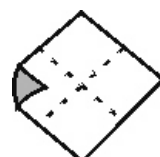
6. Now fold all 4 corners toward center of paper.



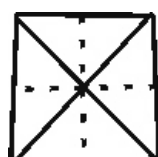
7. When all 4 corners are folded, your paper will look like this.



8. Flip your paper over so the folded sides are face down.



9. Again, fold corners toward center diagonally.



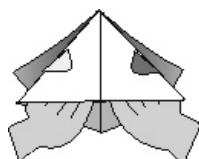
10. When all 4 corners are folded, your paper will look like this.



11. Hold the paper in front of you. Fold it in half vertically and open it back up again.



12. Then fold the square in half horizontally.



13. Slide your thumbs and fingers under the four flaps.



14. Finally, rotate your hands, bringing your thumbs and index fingers together. The cootie catcher should expand.

Thank you Girlpower.gov for the diagram illustrations!

Budgeting

Creating a budget can be a really helpful tool for putting your social change financial planning values into action. It can help you stay on track with your values and decisions, especially those related to spending.

We have included a sample budget template. Each person's budget, and the expenses they keep track of, will be a little different. Feel free to change the categories and add additional ones that are relevant for you. This is just to help you get started.

Here are some tips for keeping track of your spending and saving:

- Using an accounting software program like Quicken can help you to keep track of your spending. Don't be intimidated by the word "accounting" – these programs can be really user-friendly and helpful for keeping track of receipts, credit card statements, etc. Plus, they can generate all sorts of information for you so that you can keep track of your spending and saving habits over time.
- If you feel like you aren't ready to create a budget because you don't have a sense of your expenses, spend one month holding on to your receipts and statements and keep a log of that month's expenses. This will give you a starting place for thinking about your monthly expenses.
- Are you ready to create a budget for the year with the information you currently have about your expenses? If not, what information are you missing? Is there someone who can help you get that information?
- Periodically take a look at how you are doing in relation to your monthly and annual budget projections. How do the numbers look? Do they match up with your budget or not? Why? Are there adjustments you would like to make for next year?
- Keep in mind that it can take keeping track of your expenses for a year or two before you actually start to get the whole thing down.

Budget Template

Household

Rent/Mortgage	\$
Utilities	\$
Phone (s)	\$
Computer/Internet	\$
Taxes	\$
Insurance	\$
Groceries	\$
Restaurants	\$
Storage	\$
Cleaning/Maintenance	\$
Furniture	\$
Garden	\$
Hardware	\$
Laundry	\$
Pet	\$
Subscriptions	\$
Other:	\$

Financial

Legal	\$
Accounting	\$
Financial Mgmt	\$
Taxes State	\$
Taxes Fed	\$
Taxes Local	\$
IRA	\$
Other:	\$

Medical

Insurance	\$
Doctors	\$
Dental	\$
Therapy	\$
Medicine	\$
Body Work	\$
Other:	\$

Entertainment/Travel

Vacation	\$
Arts/Culture	\$
Books	\$
Music	\$
Movies	\$
Other:	\$

Education/Career

Tuition & Fees	\$
Internships/Volunteer time	\$
Career/Job search	\$
Books & Supplies	\$
Workshops/Conferences	\$
Other:	\$

Transportation

Commuting	\$
Gas	\$
Parking	\$
Car Payments	\$
Insurance	\$
Registration	\$
Maintenance & Repairs	\$
Other:	\$

Family

Child care	\$
Tuition	\$
Other:	\$

Wellness

Gym	\$
Sports/Classes	\$
Retreats	\$
Other:	\$

Personal care

Clothing & Shoes	\$
Hair	\$
Drug store	
Dry cleaning & tailoring	\$
Gifts	\$
Other:	\$

Miscellaneous

Moving	\$
Other:	\$

Giving

Giving	\$
--------	----

Total

Annual = Total X 12	\$
---------------------	----

Long term planning

How much money will you need in the next 5 years? 10 years?

Here are some long-term or one-time expenses you may want to consider when you are working on a financial plan. These are just a few examples with some rough estimates. You should work with a financial advisor to come up with more specific numbers.

Down payment for housing

Car

Child care

- \$16,000-\$35,000/year based on a 9-5 job
- \$7-\$15/hour

Health care

- \$3,000-\$9,000/year

Therapy

Retirement contribution

Legal fees

- \$125-\$650/hour

Emergency fund

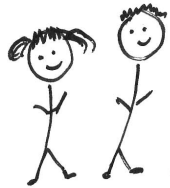
Tuition for you or your children. These estimates are based on an expected rise of 10% a year:

	2004	2005	2006	2007	2008	2009
Public University	8,800	9,680	10,648	11,713	12,884	14,172
Private University	38,500	42,350	46,585	51,244	56,368	62,005
Private School	16,500	18,150	19,965	21,962	24,158	26,573

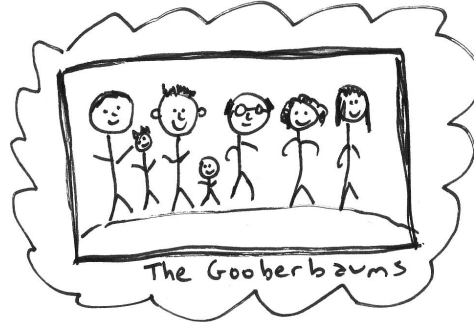
Adapted from Northstar Asset Management, 2003

People who may be a part of your plan

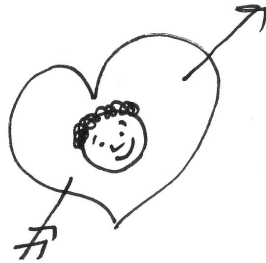
Some examples of people to think about when you are doing your financial planning...



Friends



Family, including aging relatives



People you l-o-v-e love



Don't forget about your pets!



Little dudes who depend on you,
like kids, nephews, nieces, cousins,
godchildren...



People you want to impact
through your giving

Resource Generation
www.resourcegeneration.org

More Big Questions

In case the Money Choices Compass didn't cover enough ground for you, we have included a bunch of other big questions that come up when young people with wealth get involved in Social Change Financial Planning!

Security

- How do our class backgrounds influence our current ideas of security?
- How about our cultural backgrounds?
- If you have or envision having a partner or spouse how will that impact your financial planning? Will you make joint financial decisions?

Returns

- What does this word really mean?
- What values do we place on financial returns vs. social returns?
- How can we evaluate social returns?

Stewarding resources

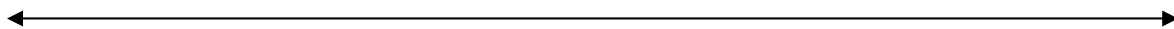
- "Steward" is defined as: One who manages another's property, finances, or other affairs.
- What does it mean really to "steward" resources?
- What do we think of this idea and what kind of power dynamics can it create in our relationships?

Leveraging our access

- How do we leverage our access to financial institutions and financial vehicles?
- What are some of the ways people have tried to impact their financial institutions?

Inheritances

- Do we believe in them?
- What do they mean in relation to wealth preservation and wealth redistribution?
- If you have or envision having children or other dependents (like a partner's relatives), would you like to leave them an inheritance? If so how does this fit in with your other values? How would planning for this effect your investing and giving now?
- Where do you see yourself on the spectrum between wealth redistribution, preservation, and accumulation? Where do you see yourself in 10 years? In 30 years? In 50 years?



Wealth: Redistribution

Preservation

Accumulation

Work and earning

- How has our access to resources affected the choices we have made about work and volunteering?
- What does it mean to work for a family business?
- How do our values relate to our choices about work and volunteering?
- What does it mean for a group of young people with wealth to have a set of choices about work and earning?

Assets and income

- What does it mean to have unearned or “passive” income?
- If you have both earned and unearned income, do you feel differently about them? Do you use them differently?
- How can we begin to look at both assets and income when doing our social change financial planning?

SECTION 5:

What do I have?

What do I have?

Why do you need to know what you have? If you want to give, if you want to plan for future financial decisions, if you want to align your resources with your values...you can't get started until you know what's there!

You can answer these questions about money that you have access to or that your family has access to, depending on what's most appropriate for your situation.

One more thing to remember before you get started: things like trusts and family giving vehicles are often set up with a wide variety of rules about who has direct control over the money or where it's intended to go. But it's still important to keep in mind that even if you do not have access to the funds, you may have influence over how it is given away or how it is invested.

Where is the Money?

Cash

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

Checking account

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

Savings account

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

Money Market account

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

CD

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

Brokerage account

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

Mutual Fund

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

Investment in a business

⑥ Yes & I know how much: _____
need to research this ⑥ Definitely Not

⑥ Yes, but don't know how much ⑥ I

Hedge Fund

⑥ Yes & I know how much: _____
need to research this ⑥ Definitely Not

⑥ Yes, but don't know how much ⑥ I

Community Loan Fund

⑥ Yes & I know how much: _____
need to research this ⑥ Definitely Not

⑥ Yes, but don't know how much ⑥ I

Bonds (like Treasury Bills or Savings Bonds)

⑥ Yes & I know how much: _____
need to research this ⑥ Definitely Not

⑥ Yes, but don't know how much ⑥ I

Stock certificates (not in an account)

⑥ Yes & I know how much: _____
need to research this ⑥ Definitely Not

⑥ Yes, but don't know how much ⑥ I

Insurance Policy (that you are the beneficiary of)

⑥ Yes & I know how much: _____
need to research this ⑥ Definitely Not

⑥ Yes, but don't know how much ⑥ I

Limited Partnerships

⑥ Yes & I know how much: _____
need to research this ⑥ Definitely Not

⑥ Yes, but don't know how much ⑥ I

Real Estate

⑥ Yes & I know how much: _____
need to research this ⑥ Definitely Not

⑥ Yes, but don't know how much ⑥ I

Loans Owed to You

⑥ Yes & I know how much: _____
need to research this ⑥ Definitely Not

⑥ Yes, but don't know how much ⑥ I

Retirement Accounts

⑥ Yes & I know how much: _____
need to research this ⑥ Definitely Not

⑥ Yes, but don't know how much ⑥ I

Other:

⑥ Yes & I know how much: _____
need to research this ⑥ Definitely Not

⑥ Yes, but don't know how much ⑥ I

Stuff You Own

Cars

⑥ Yes & I know how much it's worth: _____ ⑥ Yes, but don't know how much it's worth ⑥ Definitely Not

Homes

⑥ Yes & I know how much it's worth: _____ ⑥ Yes, but don't know how much it's worth ⑥ Definitely Not

Other big stuff (for example: boat, expensive jewelry, valuable antiques, art)

⑥ Yes & I know how much it's worth: _____ ⑥ Yes, but don't know how much it's worth ⑥ Definitely Not

Trusts

Trusts

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

What kind of trust is it? _____

(for example: Revocable Trust, Irrevocable Trust, Bypass Trust, Generation Skipping Trust, Charitable Remainder Trust, Charitable Lead Trust)

Who makes decisions about my access and investment?

⑥ I do ⑥ My trustees and I do ⑥ Only my trustees

Who are the trustees?

⑥ I know them, they are: _____ ⑥ I need to research this

What kind access do I have?

⑥ Access to principal ⑥ Access to distributions ⑥ No access

How will my access change based on conditions in the trust?

(for example: age, life events, career choice...)

⑥ Won't change ⑥ Will gain limited access ⑥ Will gain full access ⑥ My children will gain access

What are those conditions in the trust?

Access to Charitable Vehicles

Family foundation

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

What's my role? _____

(for example: trustee, junior board member, could potentially be involved in decision making...)

Other charitable vehicles (for example, a donor advised fund)

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

What's my role? _____

(for example: decision maker, could potentially be involved in decision making...)

What is my income?

I have a salary through my job:

⑥ Yes & I know how much: _____ ⑥ Definitely Not

I have regular income from investments, like real estate:

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

What do I owe?

Mortgage

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

School Loans

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

Credit Card Debt

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

Car Payments

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I need to research this ⑥ Definitely Not

Other Loans

⑥ Yes & I know how much: _____ ⑥ Yes, but don't know how much ⑥ I
need to research this ⑥ Definitely Not

Other stuff:**Some rough totals:**

I roughly estimate that I have _____ in assets.

I roughly estimate that I have _____ in charitable vehicles.

I roughly estimate that I have _____ in income.

I roughly estimate that I have _____ in debt.

Money Survey

This Money Survey is a tool that was developed by the Making Money Make Change Retreat planners to offer an opportunity for individual participants to see a snapshot of their own financial situation, and for participants to collectively get a picture of their financial power.

We have included the Money Survey because many people in the RG community who have attended the retreat have found it to be a really helpful tool in beginning to think about their own financial situation.

Money Survey **Making Money Make Change, 2003**

WHAT IT IS: A tool that we use to support and challenge ourselves around financial privilege.

HOW IT WILL BE USED AT THE CONFERENCE: We will invite all the conference attendees who are constituents to fill out the survey anonymously and place it in the MONEY SURVEY box by Saturday after Open Space Technology. Then we will tally the numbers and process and give a summary report to the group on Sunday. This report will include averages and totals but not ranges.

Intentions:

For Individuals:

- *To give you an opportunity to look at a “snapshot” of your financial situation.
- *To support you in finding out what you do and don’t know about your money situation. What information do you have access to and what don’t you have access to?
- *To provide an opportunity to reflect on money and wealth issues in a confidential and anonymous manner.
- *To be part of the process of developing an understanding of the relationships between financial wealth/access and our work in the world as progressive activists/donors.
- *To give you an opportunity to notice your areas of comfort and discomfort and support you at your growing edge.
- *To provide a way of seeing progress over time when you take the survey multiple times over months or years.

For the Group:

- *To provide a snapshot of the “power” that resides in this group in terms of financial resources.
- *To get a sense of the diversity and spectrum of wealth within the young progressive donor community.
- *To create a kind of mosaic or collage of our range of financial assets and choices.

We recognize that talking about money is challenging and can bring up a range of

feelings. We invite you to participate in this process and notice your feelings and reactions as you fill out the survey and also as you hear the compilations read on Sunday.

In the past, some people have chosen to share their money survey in small groups of 2-3. It can be a great way to explore your priorities, reflect on more issues in depth, talk through your goals and plans related to your financial and other resources and be supported wherever you are in your process. Think about whether you would like to do this during the conference (e.g. during Open Space or a mealtime).

Remember, this survey is anonymous and confidential. The numbers you come up with may not be as precise as you'd like on such short notice. Where you are not sure about numbers, make your best estimate. If there are complexities to your situation that the questions don't reflect, please note these under "Comments" at the end. Please place your completed survey in the MONEY SURVEY BOX by Saturday after Open Space time. We will discuss the results together as a group on Sunday morning and they will be presented as group totals and averages.

The Questions:

1. What are your current financial assets? _____

What percentage of those assets do you control? _____

How many of those assets are liquid? _____

(Financial assets = everything you own (your assets) —stocks, bonds, real estate, computers, art, vehicles, baseball cards, etc. — MINUS everything you owe (your liabilities) — loans, mortgages, credit card debt, money you've borrowed from your little sister, etc.)

2. If there is money and/or other assets that you expect to inherit in the future, what do you estimate will be your financial net worth? _____

From 0-100, how accurate do you feel this number is? _____

In how many years do you expect your inheritance(s) _____

3. What percentage of your investments are invested in socially responsible funds/projects/etc.?

If you invest in SRI funds, what kind of screens do you use?

Things You Avoid:

Weapons/Alcohol/Tobacco/Gambling/Animal Testing/Racism/Imperialism/Other

Things You Support: GLBTTSQ Rights/Animal Rights/Environmental/Workers' Rights/Women's Rights

Other (Community Investments, etc.)

Questions about last year (last calendar year):

4. What was your income last year? _____
 - a. From working: _____
 - b. From investments: _____
 - c. In the form of gifts (financial and other large gifts): _____TOTAL: _____
5. How much money did you live on last year? _____
How many people other than yourself lived on this money? _____
6. Do you know what tax bracket you're in? ____ If so, which one? _____
How much did you pay in taxes? _____ (Federal, state and local together)
Do you do your own taxes or does someone do them for you? _____
7. How much money/resources did you donate to:
 - a. 501C3 organizations- _____
 - b. Political campaigns: _____
 - c. Lobbying (non-tax deductible): _____
 - d. Other social justice/grassroots change groups w/out 501C3 status?: _____
 - e. Individuals: _____
 - f. TOTAL: _____
8. What percentage of your income does this number reflect? _____
OR: What percentage of your assets does this number reflect? _____
9. How many volunteer hours did you contribute last year? _____
10. What kinds of causes did you give to?
 - a. What kind of social change agencies?
°Anti-Racism °Arts/Education °Animal Rights °Economic Development
°Education °Environment °GLBTTSQ Issues °International Causes °Social Change Philanthropy
 - b. What other causes? _____
 - c. What percentage of your giving went to social change agencies? _____
11. If you are directly involved in family giving, how much money did you give away last year through a family foundation or fund? _____

12. How accurate do you think these figures are?

☐ Quite accurate ☐ Fairly accurate ☐ The whole thing is a wild guess

13. How would you rate your comfort level in terms of being aware of your financial resources (1-10, with 10 as the most comfortable)?

14. Who helps you understand what financial resources you have and/or how to approach them?

15. On a scale of 1-10, how isolated or connected do you feel in terms of being a person with exceptional financial resources (1-very isolated, 10 very connected)?

16. What kinds of feelings came up for you as you completed the survey?

17. What percentage of people are you public to about being “wealthy” financially? _____

18. Would you like to be public about your financial wealth to more people in your life? _____ Why or why not?

19. Do you have vision about how you would like to be in relation to your money and if so, what would be your ideal support to make that vision a reality?

20. Please share any other comments/reflections.

SECTION 6:

Who can help me?

Who can help me?

Sometimes getting answers to even the simplest questions about your finances can be super-confusing. From relatives to lawyers to advisors, they may each know only a piece of the puzzle. How do you even figure out where to start?

First of all, you'll need to map out who's involved and what roles they are playing to get a sense of who you need to talk to. Then be sure to spend some time planning for the conversations before hand to make sure they go as smoothly as possible...

Financial Hat Mix N'Match


The people in your life may play a variety of roles, or wear different “hats” in relation to your finances. Whether you’ve got an epic cast of characters involved or just one person wearing all the hats, you’ll need to sort out who knows what. Planning your conversations around an understanding of each person’s different responsibilities and concerns can make the difference between getting the help you need and stony silence.


Do you know who wears each of these hats? Is one person wearing many hats? Are the hats spread out across a number of people? Are some of the hat wearers more familiar to you than others? This exercise may help you figure out where to start some of the conversations about money in your family.


Look, kids! It's...


FINANCIAL HAT MIX-N-MATCH!


INSTRUCTIONS: Take a look at the descriptions of the financial hats, and think about the people in your life. Draw in the features of a person in your life on the left side and then draw a line to match each person up with the hats on the right side that they wear.


1. 


2. 


3. 


4. 


5. 


6. 


A. THE TRUSTEE 


B. THE INITIATOR 

C. THE GUARDIAN 

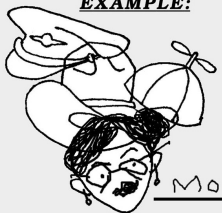
D. THE TAXMAN 

E. THE RECORDKEEPER 

F. THE SETTER UPPER 

G. THE MANAGER 

EXAMPLE:



Mom

1. The Initiator: This person initiated the big stuff - trusts, investments and accounts that may be in your name. If there are rules and clauses around your finances, this person helped make them up. Even if the initiator doesn't have direct power over your finances (or may not even be alive), they may still often hold a lot of influence over how money is used.

2. The Trustee: This person often has a legal responsibility, as in the case of trust fund officers, to oversee the way that money is distributed, invested and used. Trustees can be anyone from a paid advisor to a member of your family, but no matter who they are, your relationship with them will definitely have an impact on how they make their decisions.

3. The Setter Upper: This person is often an attorney or other estate planner who helped the Initiator set things up. This is one person who definitely knows the details about how things like trusts, partnerships and wills are set up and may also hold copies of the original documents (which can often be surprisingly hard to come by!).

4. The Guardian: The Guardian is a family member who had or has direct caretaking responsibility for you. They may have a range of control over your actual financial decisions, but no matter what they definitely have their opinion! When your Guardian is also playing a lot of other roles, it can add some extra family drama complications into your research...so make sure to be prepared.

5. The Manager: This person is investing and managing assets, or overseeing a number of investors. They are keeping track of income, profit, lost. Could be anyone from a representative at a larger investment company, a family office or your uncle. This also may be a company, not necessarily one person. Their financial advice is obviously going to carry a lot of weight, so it will be important to get to know how in sync they are with you about things like socially responsible investment and wealth preservation.

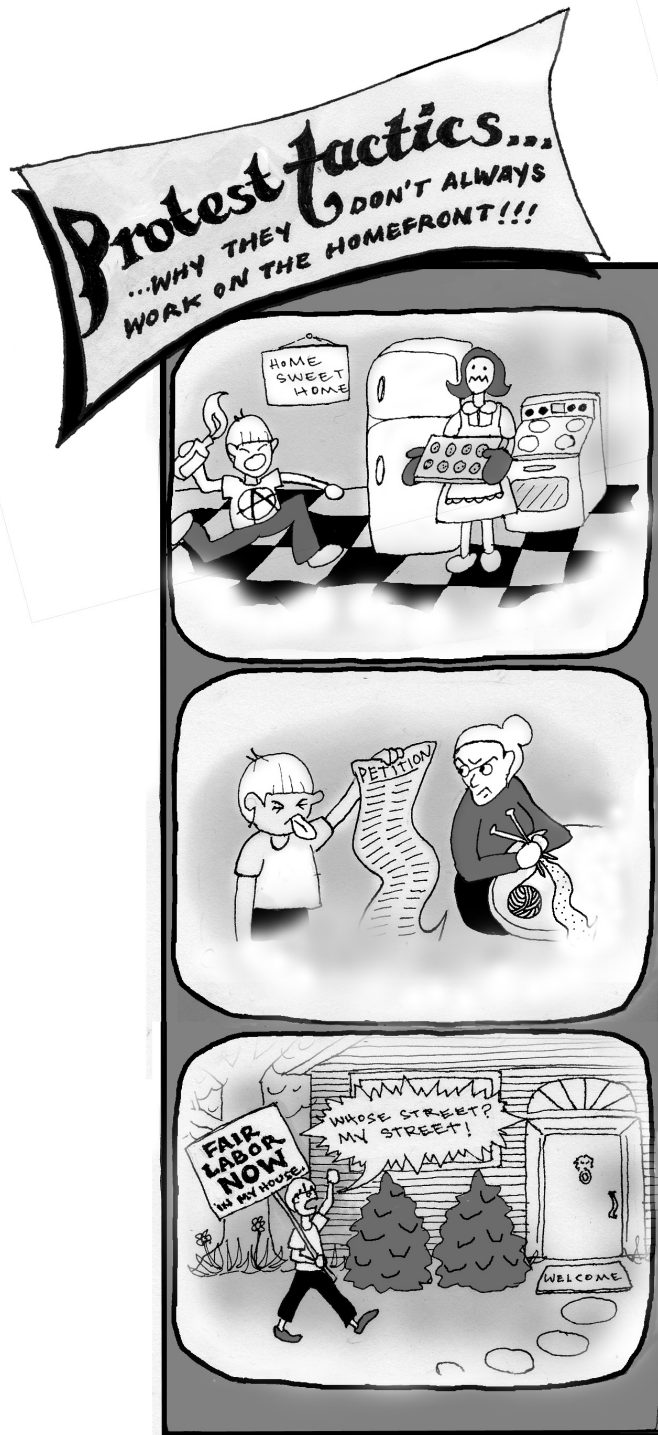
6. The Taxman: This is the person who prepares the taxes and, in some families, the person who sends you things to sign from time to time (often with no explanation of what any of it means). Most importantly, the taxman holds copies of all the tax returns, and those returns hold tons of information. It can be a lot of work decoding that information depending on how well you understand tax law, but if you're having trouble getting clear answers from anyone else, it's worth a shot.

7. The Recordkeeper: The Recordkeeper makes sure that financial statements are correct, works with the Manager to oversee investments, keeps all the books, may even have copies of legal documents, and most important of all, understands how all this data fits together. This person may be a bookkeeper, an accountant, an office administrator or even a family member with a shoebox of old bank statements.

Some questions to keep in mind

As you think about the roles people are playing, it can also be useful to take a closer look at your relationships with them and how a potential conversation about your financial resources might go.

- Do you feel comfortable approaching this person to have a conversation about money? If not, why not? Is there anything you can do to help make it easier for you? (having an ally there with you, setting the conversation on your own turf instead of in that intimidating office...)
- How would you describe your current relationship? Have issues around money and security played out in the past? What can you do to help reframe the conversation to avoid past patterns?
- Do you share values? What values do you have in common? Where do you clash? Is it possible to focus the conversation around common ground or goals?



When doing research about money in your family...

If most of your research involves family members, you may already know that tensions can often run high and it's best.

- **Keep track of what you know.**
- **Stock up on your research.**
- **Be clear about your own motivations and expectations.**
- **Think about how your family relates to money and how that may effect the situation.**

Do they talk about money openly? Is money way of expressing love? Is it a method of control?

- **Who manages the money?**

Is there a financial firm? A team of investors? A family office?

- **How does your family share information about money? Are you in the loop?**

Family meetings? Reports? Investment policies? Secret golf course consultations?

- **Who are the players in the situation?**

Think about the different roles that family members and others may have.

- **Find your allies within the family**

Who else is a similiar age? Shares your values? May want to find out similar information for their own reasons? May have already been through this experience?

- **Get outside advice**

Sometimes it is helpful to have your own advisor so you can get grounded and clear on your priorities.

Finding an Advisor

There's no dearth of opinions and advice out there about how to find a good financial advisor, and we wouldn't pretend to cover it all. However there aren't too many guides on figuring out whether an advisor will respect your commitment to social change financial planning or if they work well with young people. So we've come up with some ideas and sample questions that can help you find out if an advisor you are considering will be able to work with you towards your social change goals, support you in your giving as well as your investing, and be young person friendly.

Who are you looking for?

The clearer you are about who you're looking for and what you need, the easier it will be to make sure you've found the right person. Remember that a good advisor can help you accomplish your action plan goals, but they're going to take their direction about values and needs from you.

Get referrals and research your options

You've got lots of research options (see the resource section), but the most important thing is to get referrals from people who share similar social change financial planning goals. You can ask Resource Generation for names of advisors that other people in the RG community recommend.

Phone screening

Once you have some potential advisors' names, you may want to have a phone consultation first before taking the time to set up an interview in person. Don't forget to find out if:

- they have a minimum account size, if you're in their range
- their fee structure makes sense for you
- they've worked with young people before
- they're open to having a conversation about your social change goals

Interviewing advisors

Come prepared with your questions and make sure *you* control the agenda. Share your financial details at your own pace - don't feel pressured to say more than you are comfortable with. On the other hand, keep in mind that if you don't give them the full picture, it will limit how well they'll be able to answer your questions and show you their take on things.

If you're meeting at their office, make sure to take a good look around. Who works there? Are there any young people on their team? Do they have a commitment to diversity? What are their written materials like? Do they make assumptions about your life and your goals that don't fit with who you are?

And most of all, as you go through the interviewing process, don't forget to trust your gut. If someone doesn't click with you or if their approach turns you off, keep looking. Don't let anyone pressure you with a hard sell. Remember that social change financial planning is still far from the norm in the field – all the more reason to make sure you find a competent ally you can rely on to help you accomplish your goals.

Sample Interview Questions

Do they have experience working with young people?

- What is your experience working with people my age? How many of your clients are under 35?
- Give me an example of a younger client you have and how you have addressed their particular needs and goals.
- Can you give me the names of some of the young people you've worked with that I can call for references?

Get a sense of who they are...

- What is your investment philosophy?
- What do you enjoy about your job?
- What are some of your strengths and weaknesses?
- Tell me more about your educational background and your credentials. What do you feel makes you good at your job?
- What areas of investments or financial planning do you specialize in?

Make sure they're actually going to spend some time with you...

- How often do you typically meet with your clients, and how easy is it to get in contact with you?
- Who covers the account if you are out of the office, and how much contact will I have with them?
- How many clients do you have and how much time do you estimate you spend on each client during the year?
- How committed are you to educating your clients if they want to understand more about their finances? How have you helped clients in the past?
- Please tell me more about the process you go through with a client to develop a financial plan and/or give investment advice.

How much experience do they have with SRI?

- What does socially responsible investing mean to you?
- What percentage of your clients use SRI screens? What kind of screen does your average client use?
- Do you enable clients to invest in community loan funds?
- Do you vote your clients' proxies?
- Do you participate in shareholder activism? If so, how?
- Are you a member of the Social Investment Forum?

- How do you integrate philanthropy into your financial management?
- Tell me what you think are some of the best socially responsible investing options for me and why.

How advisors are paid

There are four main ways advisors are paid. When you are looking for an advisor, be sure to ask about their fee structure.

By commission:

The advisor gets a fee from every transaction they do with you. Because they are only paid when you buy or sell something with them, you should watch out for them encouraging you to buy or sell things when it is not in your best interest (ie encouraging you to trade more often than is appropriate for you).

A fee:

Many advisors charge an hourly rate. Your fee will depend on how much time the advisor spends working for you. Some advisors charge a flat fee for a quoted service (such as for preparing your tax return).

A fee that is paid as percentage of the money you keep with them:

This fee can be determined annually, and is usually 1%-2%. They do not earn any more or less based on what you buy or sell with them.

Some combination of commissions and a fee as a percentage of assets:

If their fee is based on a combination, make sure it is not too heavily weighted toward being paid by commission.

SECTION 7:

Goals and Timeline

Being a Financial Activist

Financial institutions may not be “young people friendly,” but that doesn’t change the fact that as people with wealth we have an extraordinary level of access to them. Couple that with the fact that these institutions have some of the strictest gatekeeping rules around about who can even get in the room, and you can see why it’s important for young people with wealth to be social change financial activists.

So think global *and* local! There’s a lot going on right now, from living wage campaigns to tax fairness fights, and when even a few people with wealth are willing to publicly expose some of the unjust financial practices that “benefit” us, it can be a big help. At the same time, remember the influence you may have with family and friends, with the networks you have access to. For example, if your family owns a business, it’s possible that working to lovingly educate them about things like fair labor practices or environmental responsibility can have a personal impact that protests, petitions and boycotts can’t.

Having trouble picturing what access to financial institutions looks like? Here are a few images: Private banking offices. Lunch meetings with investment advisors. Shareholder voting. Corporate boardrooms. Business association dinners. Tax benefits...



Ways to be a financial activist

Here are just a few examples of ways to use that access to be a financial activist...

- Talk to the advisors and other financial professionals you know about community-based social change foundations. Let them know this is just as much an option for their clients who want to make donations as the more “traditional” choices. Help build relationships by introducing financial professionals to representatives from social change foundations you are involved with.
- Get involved with the movement to preserve the estate tax and fight for more equitable tax codes. Join Responsible Wealth (www.responsiblewealth.org).
- Keep aware of and join in boycotts to use your consumer power.
- Share your social change giving plan with all the financial professionals you know. Let them know you are available as a resource especially for any young people who might want to talk more about their experiences with philanthropy. Bring them books like *Robin Hood Was Right* that they can give away to other clients.
- Divest from companies that don’t line up with your social change values. Or what about donating the shares to the community organizations impacted by and organizing against that company’s harmful practices. Help them get shareholder power!
- Strategically vote your shareholder proxy and join forces with other shareholder activists.
- Support unions. Get involved with living wage campaigns. Call Jobs with Justice (www.jobswithjustice.org) to find out what’s happening in your area.
- If you are connected to a family business, do some research to find out more about their labor and trade policies and their environmental impact. Start strategizing about how to begin a family education campaign to help shift unfair policies.
- Donate your tax refunds.
- Get involved with corporate responsibility campaigns. Don’t forget that you may have extra impact in the fields where your wealth came from. (Think of how useful it can be for a campaign to include something like “Heir to old growth logging fortune declares ‘We Need More Sustainable Practices...’” in their press kit)
- Learn more about war tax resisters.

- Write a letter to your bank (or, if you can, get a whole group together!) to encourage them to do more community lending and improve their lending record to people of color. Let them know you that otherwise you plan to move your accounts to a more socially responsible bank.
- Support fair trade.
- Develop screens for your investments, write up your social change financial plan, and send it to everyone in your family to get a conversation started.
- Invest in community development and social purpose businesses.
- Practice day to day consumerism that is socially responsible. Join Coop America—they have great tips on how to do this.
- Put on your snazzy suit and head over to the Real Estate Board ball, the National Paint and Coatings membership group lunch, the Tractor and Machinery Association brunch....at the least, you'll learn more about the lay of the land and common practices in the industry that are possible openings for change. At best you might get some ideas about where and how to have an impact on accepted practices.
- Join the fight against sweatshops.
- Commit to helping move your family foundation's investments towards socially responsible mission-based investing.
- Get involved in campaigns that work to transform international economic institutions.
- Tell everyone you know about community loan funds and encourage them to invest in them!

Socially Responsible Investing



- GIVE:** Give away stock in companies that don't match your values.
- ACTION:** File (or support your financial advisor to file) a shareholder resolution that seeks to change corporate practices in a company you invest in.
- SELL:** Sell stocks and holdings in companies that don't match your values.
- INVEST:** Invest in community loan funds, model corporations and innovative companies that reflect your values.

Timeline

The success of an action plan hinges on whether or not you have set a reasonable timeline to stick to. While learning about and taking action with your finances is a lifelong process, accomplishing your social change financial planning goals is a lot easier when you break the work into manageable chunks.

Here are some tips for helping you stick to your timeline:

- Make appointments with yourself – actually write them in your calendar – once every week or two when you will put aside some time to do the work.
- Make an appointment to work with someone else on your financial action planning process – an advisor, a relative, someone in the RG community or RG staff. Plan to complete specific tasks by that date.
- Be sure to get the support you need. This process can be emotional and tricky – don't let that stop you.
- Set deadlines – and stick to them!

SECTION 8:

How is it going?

How is it going?

Here are some sample questions that you can use to assess your progress in carrying out your Social Change Financial Action Plan.

- How in line is my current spending, investing, earning and giving with my social change values and the goals I've set? Have the steps I've taken moved me closer to my goals? Do I need to reassess my action ideas based on what I've learned so far?
- Were my goals realistic? Why or why not?
- What are some of the strategies that have worked? Why or why not?
- How have the conversations I've had moved me closer to my goals? Are there conversations I've been planning that I've avoided? Are there conversations that I wish had gone differently?
- Take a look back at the Big Questions. Which ones resonate with me now? Has my focus changed? How have the actions I've taken and what I've learned so far shifted my perspective?
- What am I learning about social change financial planning?
- Did I get the support I needed? What other resources and support do I need to be successful?
- What will I do differently moving forward?

SECTION 9:

Additional Resources

Types of Insurance

Here are some terms that are good to be familiar with when dealing with insurance:

Self-Insuring	If disaster strikes, you are able to pay the expenses out of your assets. It usually means that it would be more expensive to pay the annual premium on a policy than to save that money in preparation of an occasional disaster.
Over-Insuring	You have purchased too much insurance! Don't let a good salesperson scare you into buying insurance you don't really need. Is hurricane insurance really necessary if you live in Kansas? Or long-term care insurance if you are under 30 years old?

Here is a snap-shot of each type of insurance. Most insurance policies are only effective as long as you pay the premiums. If you stop paying the premiums after 25 years, there is no benefit (whole life insurance is the one exception).

Car	Required if you drive. The policy you want will vary on the amount of protection you desire, where you live (city vs. country), one's driving record, and umbrella insurance requirements. \$600-\$2,500 / year
Dental	Most policies cover cleanings every six months and major dental work (with the exception of cosmetic whitening and orthodontics). Often provided by an employer. Can be purchased individually. Not as essential as medical insurance because there is less risk of large bills. Easier to self-insure.
Disability	For individuals who are employed, as a safety net in case at some point they are disabled and cannot work. Some employers provide. One can purchase an individual policy or opt for it with co-workers at a group rate. There are long-term and short-term policies defined by how long the benefit payments last. Policies depend on an individual's job type and salary level. The maximum that you can elect is roughly 80% of your salary. For an individual earning \$50,000, a policy is roughly \$300/ year.
Homeowner's	Required if you own a home. This insurance compensates you in the case of fire, theft or other disasters happen to your home or objects within your home (jewelry, valuables that

are listed on the policy). Hurricanes, tornados and floods can require specialized insurance. Be sure to ask!

Life

For individuals who have responsibilities or debt that would need to be paid if they were no longer here. A typical example is a couple with a mortgage; they need the salaries of one or both to make the payments. In the event of one's death, the living partner could not make the payments alone. Also, it is helpful for children's education expenses in the case of one parent no longer being there to provide. Life Insurance is also used by individuals with substantial assets (over a \$1 million) as part of an estate plan. Term Life Under 35 years old: \$530-\$700 / year. Some employers provide. Whole Life Insurance is insurance with a savings plan built into it.

Long-term Care

Primarily to cover the high cost of final illness and care for the incapacitated, usually due to age. Expensive and not usually recommended for those with substantial assets. 30 years old: \$600-\$1,500 / year; 55-60 years old: \$3,000 /year

Medical

A good idea for everyone – even those with substantial assets. This insurance usually has a deductible (a smaller amount that you pay) but then covers the remaining cost for doctor visits, therapists, prescriptions, emergency room visits, prolonged hospital stays and major illness treatments. Full-time employers and some part-time employers offer this benefit in full or subsidized. An individual plan (not through work) may cost \$3,000-9,000 / year depending on the individual's age and if you have kids.

Rental

Covers your property in a house or apartment that you are renting. In some cases, extends to property held in your car.

Umbrella

Liability insurance in case someone trips on your door step, slips on your boat's deck, cuts themselves with your power tools or some other accident and decides to sue you. Almost everyone with substantial assets should consider carrying this coverage. It is relatively inexpensive and can be purchased through one's car/ homeowner/ rental insurance agent.

From Northstar Asset Management, 2003

How to disinherit the IRS and steer more money to your causes

By Lisa Tracy

As a young person of wealth, you and your family may pay hefty taxes that can add up to several million dollars over your lifetime.

If you inherit, over 50% of your inheritance could be eaten up by **estate taxes**, **generation-skipping taxes**, or other taxes at both the federal and state levels. If you earn a high salary or own substantial income-producing assets, you probably already pay very high annual **income taxes** to the federal and state IRS. Others to watch out for are **capital gains taxes**, **gift taxes**, and “**income with respect to a decedent**” (**IRD taxes**).

The good news is that for every kind of tax, there are creative, cool, perfectly legal ways to divert it to social justice nonprofits. It just takes some financial planning. The planning will help you to meet your own financial needs and to ramp up your support for favorite causes.

How to plan for yourself – and divert thousands/millions to nonprofits

Most people know they can lower their annual income taxes by a few thousand dollars just by giving away more money to “causes” every year. Consider these additional tips:

- If you have a high income now, whether from salary or from income-producing assets, give money to causes now, rather than “waiting till later.” Giving more in high-income years, and less in low-income years, means you’ll be paying less overall in taxes, and ultimately you’ll be able to give away more.
- If you’re already giving so much away every year that you’ve “maxed out” your charitable deduction, get creative. Select some friends or family members you trust and give them each \$11,000 per year (anything above that is subject to gift tax) that *they* can then turn around and give to social justice causes. That’s an income tax deduction they can take that you wouldn’t be able to take anyway. Or, consider giving a “charitable loan” to a nonprofit.

Case Study: How Rosa turned a \$1.2 million inheritance into \$1.8 million for environmental causes and \$4 million for her retirement

Rosa, age 31, inherited \$1.2 million from her aunt. She earns a good salary and she lives a simple lifestyle, so she felt she didn't need most of the money for now. She wanted to save some for her retirement, but she also wanted to give some away.

Solution: Rosa decided to use \$250,000 to buy a house. With the remaining \$950,000, she set up a "charitable lead trust" (CLT). Under the terms of the CLT, for the next 36 years – till Rosa is 67 -- \$50,000 is paid out each year to Rosa's favorite environmental organizations. That's a total of \$1.8 million to the environment! When Rosa turns 67, she gets the principal of the trust, which, through compound interest at about 7%, has grown from \$950,000 to about \$4 million. That \$4 million trust will fund Rosa's retirement. Additionally, Rosa got a \$30,000 income tax deduction the year she set up the trust. "Lead trusts" can be highly advantageous in low-interest-rate periods (like 2003), producing a "bigger pie" – more for causes AND more for one's own needs.

Want to divert even more millions to your causes?

Involve your family members in your financial planning

Most opportunities for diverting taxes to social justice causes are tied into the upcoming intergenerational transfer of wealth. If you'd like to divert **millions** in taxes to nonprofits, talk to your family. Do some joint financial planning.

Case Study: How Cheryl disinherited the IRS of \$550,000 and turned it into a \$900,000 donor-advised fund

Cheryl, age 23, learned that her grandfather, Ted, had listed her as the beneficiary of his \$900,000 pension fund. Unfortunately, his pension fund would be triple-taxed (by estate, generation-skipping, and IRD taxes) before Cheryl received a cent. Cheryl would have gotten about \$350,000, while the IRS would have collected \$550,000.

Solution: Cheryl convinced Ted to rename as the pension fund beneficiary a donor-advised fund (DAF) with Cheryl listed as donor advisor. When Ted dies, Cheryl will be owner of a \$900,000 DAF that she can pay out to the causes of her choice! (*In general, pension and retirement assets are great to give to nonprofits because otherwise they can be severely reduced by double or triple taxation.*) So that Cheryl wouldn't miss her inheritance, Ted started also gifting her \$11,000 per year, free of gift tax. He made her the beneficiary of his vacation home, which will not be subject to IRD tax.

Some other ideas for family financial planning:

- Your mom wants to give you highly appreciated stock, but you don't need the money, and neither of you wants to pay capital gains taxes or gift taxes. Persuade your mom to gift the appreciated stock to the nonprofit of your choice, or to a donor-advised fund with you and her as advisors.
- Variation: Mom wants to give you highly appreciated stock, and you do want the stock, but you won't have any use for it till retirement. Mom can contribute the stock to a non-grantor lead trust that pays out to your favorite nonprofit causes until you're age 60, and then pays out to you. Again, both of you totally avoid capital gains taxes and gift taxes, effectively diverting the taxes to your causes.
- Variation: Mom wants to give you highly appreciated stock, and you do need some money now, but not all of it. Mom contributes the stock to a charitable remainder trust (CRT) that pays out to you for 10 or 15 years. The remainder goes to your favorite causes. No one pays any taxes.
- You and your life partner own stock options, or a piece of land, that have dramatically increased in value. You want to keep some, and give some away, without paying the \$1 million in capital gains taxes. Create a life income trust, CRT, or CLT, depending on whether you need income right now or can save it for later.
- Have you put nonprofits into your own will? (Do you have a will?) Have you named nonprofits as primary or contingent beneficiaries of your retirement assets, such as your 401(k) or IRA? (Oddly enough, your will does not "cover" your retirement accounts...you need to sign a "designation of beneficiary form" for each retirement account you own. The same goes for any life insurance you might own.)

Glossary

Here is a big financial glossary to help you wade through the morass of technical terms used by the financial industry. This glossary was compiled by Sharon Rich.

ACCRUED INTEREST The interest due on a fixed-income security, such as a bond, that must be paid by the buyer of the security to the seller.

AMT or ALTERNATIVE MINIMUM TAX A federal tax designed to make certain that earners in high income tax brackets pay at least some tax (at 21% rate). This is of some concern if you've accelerated depreciation deductions, invested in tax shelters, have incentive stock options, or contribute appreciated property to charities.

AMORTIZATION Gradual reduction of a debt by a series of periodic payments. Each payment includes interest on the outstanding debt and part of principal.

ANNUAL PERCENTAGE RATE or APR The interest rate that the federal government requires be disclosed to borrowers in most installment loan transactions. It's designed to offer an accurate comparison of interest costs on different loan offerings.

ANNUAL REPORT The financial statement published annually by a corporation listing assets, liabilities, and earnings; really a statement of progress, future plans, and prospects made by the management to the stockholders.

ANNUITY A contract purchased over a period of time or in a lump sum which will pay a fixed income at regular specified times for a stated period of time (annuity certain) or for life time. Protects the annuitant against living too long. Primarily offered by insurance companies.

ASKING PRICE The price which an owner is willing to sell a security. This price may include sales charges or commissions. The **SPREAD** is the difference between the asking price and the bid price.

ASSETS 1) Everything a company owns or is due to it (e.g. cash, investments, money owed, land). 2) Total property which belongs or is due a person or an estate.

AUDIT The procedure in which the IRS examines in detail one's income tax return.

ATM Automated teller machines, usually at banks.

BALANCED MUTUAL FUND A mutual fund whose portfolio includes bonds and preferred stocks as well as common stocks and whose objective is to achieve both income and growth. This provides more stability than a growth fund but has less chance for appreciation.

BALANCE SHEET A condensed, itemized statement published in tabular form showing the financial condition of a corporation as of a specific date. It exhibits the nature and amount of a company's assets, liabilities, and capital at a given date. The balance sheet shows, in dollars, what is owned, what is owed, and the ownership interest of the stockholders. It is also known as a financial statement, statement of condition, or simply, the statement.

BANKRUPTCY PROCEEDINGS Federal court proceedings in which the debts of individuals or companies can be wiped out or in which the court may instruct creditors to hold off in their attempts to collect debts due them.

BASIS Used for determining taxable gains and losses, it is usually the cost (plus improvements) of the property. On inherited property, it is the value at the time of the bequest/death and on gifts, it is the basis of the original giver. On tax-free exchanges and replacement residences, it may be the basis of other property once owned by the taxpayer.

BEAR & BULL MARKETS The up-and-down movements of the stock market. A bear market is where prices continue to decline sharply against a background of widespread pessimism, often coupled with business recession, poor economic prospect, and growing recovery. A bull market is an advancing market, characterized by security prices advancing, usually against a background of higher profits, earnings and dividends, increased speculative activity and a feeling of prosperity for all.

BENEFICIARY The person named to receive the proceeds (face amount) of an insurance policy, the value of a bond upon the death of the owner, the proceeds of a trust, or an inheritance from the estate of a decedent.

BEQUEST A direction in a will to pay over or distribute personal property.

BID PRICE The highest price a buyer will pay for a security. In funds, the price at which the shares are sold back to the fund.

BLUE CHIPS Stocks of large established corporations that have a stable record of earnings and dividend payments and good prospects for the future.

BOND A security investment of debt (as opposed to EQUITY or stock). A written promise to pay a fixed amount of borrowed money by a specific date and to pay a set annual rate of interest in the mean time. Unlike stockholders who are part owners of the company, bond holders are creditors. As such, they are entitled to payment, even if assets must be sold to raise the required funds.

BROKER A person who handles buy and sell orders for customers for a commission. Also called registered representative or account executive.

CALL A feature of many bonds giving the issuer the right to call in or redeem the bonds before their maturity date.

CAPITAL In economic terms, this means manufactured goods. In accounting terms, this is the same as net worth or the excess of assets over liabilities. In business terms, capital means money.

CAPITAL GAIN or LOSS The profit or loss from the sale of a capital asset. Market price at sell minus basis.

CAPITALIZATION Total amount or value of securities issued by a corporation. It may include bonds, debentures, preferred and common stock and surplus. Bonds and debentures are usually carried on the books in terms of par value (value when issued).

CASH EQUIVALENTS The generic name for assorted short-term investments such as US Treasury securities, CDs and money market fund shares. These can be readily converted into cash without loss of principal or mature within the year.

CASH VALUE For life insurance policies, this refers to the amount of accumulated savings within the policy that is available for loan or will be received if the policy is cashed in.

CERTIFICATES OF DEPOSIT, CD'S Interest bearing time deposits held in banks. Jumbo CDs are usually issued for \$100,000 or more.

CERTIFIED CHECK An individual (or business) check that has been guaranteed by the bank upon which it is drawn.

CHURNING An improper practice wherein stockbrokers create excessive trading in customers' accounts to generate commissions for themselves.

CLOSED-END FUND An investment company whose shares are traded on a securities exchange or the OTC (over-the-counter market). The number of shares outstanding is determined by the company's charter and their value is determined like any stock, on the open market.

CODICIL A document that, when properly executed, amends a will.

COLLATERAL Any property (securities, real estate, personal property, etc.) that is pledged as security for the repayment of a loan.

COMMODITIES Goods (such as metals and foodstuffs), articles, services, and interest rates in which contracts for future delivery may be traded on the Commodities Exchange.

COMMON STOCK A security which represents ownership in a corporation.

COMPOUND INTEREST Interest paid on the interest already earned as well as on the principal.

CPI or CONSUMER PRICE INDEX Compiled by the federal government, a measure of the change in prices for consumer goods and services over time. One measure of inflation.

CONVERTIBLE SECURITIES Bonds, debentures, or preferred stock that may be exchanged or converted into common stock.

CORPORATION A legal entity created under state law for the purpose of conducting a stated business. It is owned by its stockholders who elect a board of directors to set the ongoing policies and who select officers to run the day-to-day affairs of the corporation.

CO-SIGNER One who jointly signs a credit agreement with the principal borrower. The co-signer must pay the debt if the borrower fails to do so.

COUPON A promise to pay interest on a bond when due.

CREDIT BUREAU A non governmental organization that collects and distributes credit information to merchants and lenders.

DEBENTURE A promissory note of debt that is backed by the faith and general credit of the issuing company who is usually a manufacturing or industrial concern. The note is not usually secured by property.

DEBT INSTRUMENT Any investment that represents a loan between a borrower and lender.

DEDUCTIBLE As an insurance term, the amount you agree to pay before the insurance company will pay the remainder of the cost of a loss. As a tax term, that which can be deducted from your taxable income before determining your taxes due.

DEDUCTIONS Regarding income taxes, a category of expenses that are subtracted from

AGI or adjusted gross income to lower the amount of income subject to taxation. Taxpayers may claim itemized deductions or standard deductions.

DEED A document by which title to real estate passes from the seller to the buyer.

DEFLATION Economic condition in which the purchasing power of the dollar increases, but there is an excess supply over demand, contraction of credit, price wars, and unemployment.

DEFAULT Failure to pay an obligation -- principal and/or interest -- when it's due.

DISABILITY INCOME INSURANCE Insurance that provides some income to a worker who becomes unable to work due to injury or health problems.

(at a) **DISCOUNT** Refers to a bond or preferred stock selling below its PAR or face VALUE.

DISCOUNT RATE The interest rate the Federal Reserve Bank charges member banks for loans; it provides a floor for interest rates banks charge their customers.

DISTRIBUTION Money withdrawn from a mutual fund, retirement plan or similar plan.

DIVERSIFICATION The practice of investing in a number of different companies, industries, or types of investments, in order to spread the risk, i.e., so that poor showing or an adverse economic condition will not affect one's entire portfolio.

DIVESTITURE Selling off or divesting yourself of securities in companies that are doing business in ways that conflict with your morals or beliefs, e.g., companies that support apartheid in South Africa.

DIVIDEND A payment, from earnings, to stockholders (usually quarterly) by a corporation. In preferred stocks, dividends are usually fixed; with common stocks, dividends vary with the fortunes of the company.

DOLLAR COST AVERAGING The practice of purchasing a stock on a regular basis or time interval to average out the effect of a rise or fall in price. Also known as averaging.

DOW JONES AVERAGES The industrial, transportation, and utilities averages are the daily averages of the prices of 30 leading industrial stocks, 20 top transportation companies, and 15 top utility stocks. The companies on the lists change from time to time, and the averages are weighted.

EARNEST MONEY A token payment of cash to bind a preliminary agreement between the buyer and seller of a house or other item.

EARNINGS PER SHARE A company's profit after taxes, deductions for depreciation, etc., divided by the number of shares of stock outstanding.

EQUITY The net value of property after all claims against it have been met. In stocks, the ownership interest of the stockholders.

ESCROW An arrangement whereby a third party acts as a trustee, holding property until the completion of a contract between two parties.

ESTATE The legal entity that comes into being upon the death of a person. Also refers to the net worth of the decedent. There are two types: gross estate refers to the amount of money taxable for state or federal purposes upon a death; probate estate refers to the part of the estate that passes through state probate court via will or when a person dies intestate.

EXECUTOR/EXECUTRIX The person or institution designated by a testator to carry out the settlement of the testator's estate.

EXEMPTIONS With regard to income taxes, the number of persons dependent on the taxpayer, including the taxpayer.

FACE VALUE The value of a bond or note when issued. Corporate bonds are usually issued with \$1000 face value. Also called PAR value. For life insurance, face amount refers to the amount of money that a life insurance policy will pay to the beneficiary on the death of the insured person.

FANNIE MAE A nickname for the Federal National Mortgage Association, which provides a secondary market for federally insured mortgages.

FDIC Federal Deposit Insurance Corporation; an independent US government agency which insures bank deposits up to \$100,000 per account.

FIDUCIARY A person or corporation (bank or trust company) holding something (i.e., property) in trust for the benefit of another person. (Also see trustee.)

401K PLAN A employee benefit plan in which employee contributions qualify for as a tax deduction and compound tax-free until withdrawn at retirement.

FSLIC Federal Savings & Loan Insurance Corporation; an independent US government agency that insures deposits held in savings institutions of members for up to \$100,000.

FUNDAMENTAL ANALYSIS One of two school of thought on what influences market prices. The study of general business and economic conditions, earnings, dividends, management, industry prospects, political factors, etc., in order to predict price changes. (See TECHNICAL ANALYSIS.)

FUNDING The placing of money in a pension plan by an employer. Proper funding requires that enough money be placed in the fund to meet future promises to pay benefits to covered employees.

GARNISHMENT A legal procedure by which a creditor can get access to a debtor's wages to satisfy a debt due the creditor.

GINNIE MAE or GNMA Government National Mortgage Association; an independent US government agency whose primary function is to buy mortgages and resell them at market prices to other investors.

GOVERNMENT SECURITY OR BOND Contracts of indebtedness issued by the US Treasury, federal agencies, or state and local governments; may have some tax advantages.

GROWTH MUTUAL FUND A mutual fund whose portfolio consists of stocks of companies with growth rather than those that pay high dividends. Its objective is long-term capital appreciation.

HEDGE To buy or sell in order to protect against an anticipated change in price; a form of insurance against loss.

HOLOGRAPHIC WILL A will prepared in the handwriting of the testator; it is not always valid.

INCOME MUTUAL FUND A mutual fund whose portfolio consists of stocks paying high dividends. Its objective is high current income.

INCOME STATEMENT Also known as the Profit and Loss Statement. A summary of the income and expenses of a corporation, usually for the period of a year.

INDEX A statistical yardstick that measures a whole market by using a representative selection of stocks or bonds.

IRA or INDIVIDUAL RETIREMENT ACCOUNT A retirement plan that can be set up by any wage earner. Within limitations, contributions may be tax deductible. Income of contributions grows tax-deferred until retirement. An IRA is not a type of security but a type of trust account.

INFLATION An economic condition characterized by rising prices for goods and services, increasing volume of currency, and declining buying power of cash.

INTEREST The "rent" paid for use of money. Periodic payments made by the borrower to the lender of money.

INTESTACY The status of one who dies without a will. In such cases, the law of the state in which the decedent resided will determine how the estate is to be distributed.

INVESTMENT The act of putting capital into securities, real property, or a business for a period of time in order to realize a moderate yield at minimum risk. As opposed to speculation, which anticipates a maximum yield at maximum risk, usually in the short term.

INVESTMENT INCOME Income derived from capital invested in securities or other property.

JUNK BONDS High-risk, high-yielding bonds.

KEOGH PLAN A self-managed retirement investment plan with attractive tax benefits available to self-employed persons.

LEASE A contract by which the owner of property allows another (the tenant) to use that property for an agreed time and price.

LEVERAGE The use of borrowed money to invest. The effect is to magnify profits or losses and increase risk. When debt far outweighs equity, i.e., equity is small in relation to total value.

LIABILITIES Debts. Obligations which must be paid in dollars or the equivalent. They include wages, account payable, taxes payable, loans and other debts. The opposite of asset.

LIEN A claim against one's property to secure a debt.

LIMIT ORDER An order to be executed by a stockbroker only when and if a stock reaches a certain price by a certain time.

LIQUIDATE To convert an asset to cash.

LIQUIDITY The ability to readily convert assets to cash with little or no loss in value (e.g., checking & money market accounts).

LIVING WILL A statement, signed by you and witnessed, which tells you family and doctor your directions about life-prolonging medical procedures when your condition is hopeless and there is not chance of regaining what you consider to be a meaningful life.

LOAD The sales charge or commission charged by a load mutual fund. Also, any commission charge. May be "front" end (when you buy) or rear end (when you sell).

MANAGEMENT FEE The charge for managing the portfolios and making investment decisions. Usually around 1% of the value of the portfolio.

MARGIN INVESTING Buying stock partly with your own funds and partly with funds that you have borrowed from the stockbroker. Involves higher risk of loss and gain.

MARGINAL TAX BRACKET The percentage rate at which the top dollar of an income is taxed. For federal taxes, this is either 15%, 28%, or 33%.

MARKET PRICE The price an asset will bring in the open market. When quoted, it is the last reported price at which a security has traded.

MATURITY The date on which the face value of the bond or insurance endowment policy must be paid.

MEDICARE A health-insurance program administered by the Social Security Administration for the protection of citizens aged 65 and older.

MONEY MARKET FUND A mutual fund that invests only in high-yielding, low-risk, short-term securities. Return is usually higher than on bank money markets.

MUNICIPAL BOND An IOU of a city, county, town, village, bridge or tunnel authority, etc. The interest paid by these bonds is exempt from federal income taxes.

MUTUAL FUND A pooling of the money of many investors, which, under professional management attempts to fulfill stated investment objectives. Investors own shares in a mutual fund investment company. Also known as open-ended funds, capitalization is not fixed, more shares may be issued to satisfy the demand. Mutual funds offer diversification, money management, and a clear track record to the small investor.

NASD National Association of Securities Dealers, the self-regulatory body of the securities industry.

NET That which is left over after all possible deductions and allowances have been made.

NET EARNINGS That which is left available for dividends and surplus (reinvested in company) after deducting all operating costs, fixed charges, rentals, and interest from gross revenues. A distinction is usually made as to whether earnings are pre-tax or post-tax.

NET ASSETS The excess value of the total property of a corporation over liabilities. Also known as **NET WORTH**.

NAV or NET ASSET VALUE The total value of a mutual fund's share and (for no-load open-ended funds) price at which you buy or sell shares. This is computed by adding up the market value of all securities, deducting all liabilities, and dividing the balance by the number of shares. NAV per share is the figure quoted in the newspaper.

NET WORTH Assets minus liabilities or what you own minus what you owe; a measure of one's wealth.

NO-LOAD FUND A mutual fund that has no sales force and therefore charges only a management fee and no sales fee for investments, reinvestments, and/or redemptions.

ODD-LOT An amount of stock less than the standard trading unit of 100 shares.

OPEN-ENDED FUND A trust or company that continuously invests in other companies and sells shares in itself directly to investors (also known as a mutual fund). The shares are valued at Net Asset Value.

OPEN ORDER An order to sell stock which remains effective until it is either executed, canceled, or changed.

PAR VALUE In common stock, the dollar amount assigned to each share of stock by the company's charter and has little relation to the market price. Important in bonds and preferred stocks, it is the value on which dividends and interest are figured.

PENSION PLAN A fringe benefit offered by many employers, whereby the employer puts aside a sum of money for the benefit of the employee upon retirement. Some plans also allow voluntary contributions by employees.

POINT In stocks, \$1. A stock falling 2 points is worth \$2 less. In bonds, \$10 or 1% of \$1000. In real estate, 1% of the amount loaned.

PORTFOLIO The complete list of securities owned by a fund, individual, trust, or institution.

PREFERRED STOCK A stock that has a senior or prior claim on a company's earnings before the common stock. Dividends are usually paid at a specified rate, provided the company has enough money to pay dividends.

PREMIUM & AT A PREMIUM Refers to a bond or preferred stock selling above its PAR or FACE value. For closed-end mutual funds, it is the amount share is selling above net asset value. For insurance, the fee paid for coverage provided.

P-E or PRICE-EARNINGS RATIO Also known as the multiple. The market price of a stock divided by the actual or estimated earnings per share. A high ratio compared to other stocks in the industry indicates a more speculative situation.

PRIMARY MARKET The initial market existing for a new issue of securities. As opposed to the **SECONDARY MARKET**.

PRIME RATE The rate a bank loans to its prime (biggest and most credit-worthy) customers. This rate is set by commercial banks based on overall business conditions, the availability of reserves, and the general level of money rates.

PRINCIPAL The basic amount invested, excluding interest or earnings.

PRIVATE OFFERING The raising of capital through private placement where the sale of securities is limited. These securities do not have to be registered with the Securities and Exchange Commission under Rule 146.

PROBATE A court proceeding in which the validity of a will is proven.

PROGRAM TRADING Computerized institutional buying or selling of all stocks in a program or in an index on which options and futures are traded.

PROSPECTUS The legal documents that describes a securities offering or a mutual fund. The information should enable investors to evaluate the security and decide whether or not to buy. The SEC determines what information must be included.

PROXY Written permission transferring voting rights to someone who will then vote in place of a shareholder.

PRUDENT MAN RULE An investment standard that varies from state to state. Some laws require fiduciaries, such as trustees, to invest only in securities on the legal list (restricted list of investments). Other states require that the trustee invest in a security which a "prudent man of discretion and intelligence who is seeking a reasonable income and preservation of capital," would buy.

PUBLIC OFFERING New or secondary issues of securities sold to the investing public at large.

REDEMPTION PRICE Also known as liquidating price or closing price. The amount per share that a mutual fund shareholder receives when cashing in shares.

REDLINING Banks decisions to deny home or business loans in neighborhoods allegedly having physical and/or socio-economic decline, regardless of the individual's credit rating. The term is derived from the idea of a red line being drawn around given neighborhoods. Also known as divestment.

REIT or REAL ESTATE INVESTMENT TRUST A form of mutual fund for real estate investments.

RETURN (Total) return includes both income derived from investment and the growth in the asset value. E.g., in a stock, it would include the dividend plus the increase in share price.

REWARD-RISK RULE The greater the return you expect, the greater risk you'll be taking.

ROLLOVER Movement of funds from a corporate pension plan to an IRA or from one IRA to another when investor receives the money. The IRS permits only one IRA rollover per year and funds **MUST** be deposited within a 60 day period. There are no restrictions on trustee to trustee transfer of funds. In regard to primary residence, a technique that allows the postponement of taxes otherwise due on profit from such a sale.

ROUND LOT One hundred shares, the standard number of shares used to trade stocks.

SECONDARY MARKET The market which exists for a new issue after it has been publicly distributed. As opposed to the **PRIMARY MARKET**.

SECURED Debt that is backed by assets, of either an individual or corporation. A corporate bond is usually secured while a debenture is not. Therefore, bonds are paid back before debentures.

SECURITIES Common stock, preferred stock, or bonds which are negotiable and have been issued by a corporation or government agency.

SEC or SECURITIES AND EXCHANGE COMMISSION An independent federal agency. The laws administered by the Commission relate to the sale of securities and seek to provide protection for investors and the public in their securities transactions by prohibiting fraud and requiring full disclosure in all interactions.

SIPC Securities Investor Protection Corporation. An insurance plan for brokerage account, backed by federal guarantees. It provides limited protection for customers' cash and securities in the event that the member firm fails.

SEP Simplified Employee Pension. A plan that allows larger contributions than IRAs for employees or self-employed persons.

SPREAD The difference between the bid and asked price.

STOCK A certificate of ownership, a contract between the issuing corporations and the holder which gives the latter equity in the corporation, the right to participate in the profit, and if the corporation is dissolved, a claim upon assets remaining after all debts have been paid.

STOCKBROKER An agent who handles the public's orders to buy and sell stocks, bonds, commodities, and other securities and properties. They charge a commission for their services.

TAX CREDIT An amount that may be deducted from your computed federal income tax. Every dollar's worth of credit reduces you tax by one dollar.

TAX-DEFERRED INVESTMENTS Investments whose earnings are not subject to taxation during the year earned, but will be subject to taxation in some later year.

TAX-EXEMPT INVESTMENTS Investments whose earnings are not subject to taxation at any time (see Municipal bond).

TAX SHELTERED ANNUITY or TSA A retirement plan with attractive tax benefits available to employees of tax-exempt religious, charitable, or educational organizations.

TECHNICAL ANALYSIS One of two schools of thought on what influences market prices. The study of conditions of the market itself that cause price changes; attempts to predict what will happen next on the basis of what stock prices did in the past under similar technical conditions.

TERM LIFE INSURANCE Life insurance bought for a specific term (usually 1 year) and premiums only go toward insurance (vs. whole life). Premium goes up annually as does risk of dying.

TESTATOR/TESTATRIX A person who makes a will.

TREASURY SECURITIES Bonds issued by the US Treasury and federal agencies that are sold at half their face value. This includes Savings Bonds, T-bills (face value of \$10,000 and mature in year or less), Treasury notes (face value of \$1,000 or \$5,000 and mature in 2-10 years), Treasury bonds (face value of \$1,000 and mature in 10-30 years). Interest is state and local tax exempt.

TRUST A legal arrangement whereby a person or institution (the trustee) has custody of someone else's (the trustor's) money or property, for ultimate distribution to a third party (the beneficiary). An inter vivos trust is one that comes into being while the trustor is alive. A testamentary trust is one that comes into being upon the death of the trustor.

TRUSTEE A person or corporation (bank or trust company) administering something in trust for the benefit of another person (the beneficiary).

UNDERWRITER Someone who underwrites or guarantees the sale of an issue of corporate securities. The underwriter either buys the whole issue and sells it to investors through their organization or forms a syndicate to help dispose of the securities.

UNIT INVESTMENT TRUST A type of mutual fund that buys a fixed number of real estate, debt, or fixed-income obligations and sells them to investors in units. The portfolio is not actively managed and is liquidated according to a specific schedule.

VENTURE CAPITAL Capital which is subject to more than a normal degree of risk, usually associated with a new business or venture.

VESTED INTEREST The nonforfeitable interest of a participant in a pension plan. You do not lose that portion of your benefit should you leave the job.

WILL A document that, when properly drawn and executed, assures the protection of the state court over the distribution of an individual's estate, in accordance with the wishes as expressed in the document.

WHOLE LIFE INSURANCE A traditional form of life insurance in which purchasers pay a fixed annual premium for a fixed death benefit and a cash value that grows at an interest rate determined by the insurer.

YIELD The percentage return on the original purchase price. $\text{Yield} = \frac{\text{Income}}{\text{Market Price}}$

ZERO COUPON BOND A bond that pays no current interest but is sold at a deep discount from face value. At maturity, all compounded interest is paid and the bond holder collects the full face value (usually \$1,000).

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