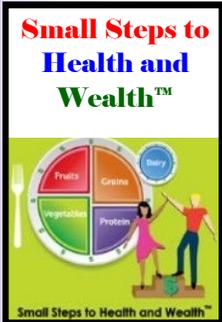


Small Steps to Health and Wealth

Strategy 14 - Use Easy Frames of Reference (Wealth)

For more information or to schedule Health and Wealth sessions, please contact Elizabeth Trejo: (713) 274-0950 etrejo@ag.tamu.edu

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In *The Tipping Point*, by Malcolm Gladwell, an experiment is described where adding a map to a university health center dramatically increased the number of students seeking tetanus shots, compared to providing information about tetanus alone. With a map, more students acted on the information, a phenomenon that Gladwell called "the stickiness factor." Many financial recommendations are not very 'sticky' meaning they are not easily

remembered and acted upon. Additionally, busy people don't have time to make sense of it. Financial recommendations that use percentages often fail because they are hard to understand and relate to. As an example, instead of an employer stating "you'll get a 50% match on your retirement plan" state "if you save \$3,000 your employer will match \$1,500."

The table below shows common financial recommendations translated into dollars and can prove to be quite helpful.

Financial Frames of Reference - Based on a \$50,000 Annual Income

Financial Guideline	"User-Friendly" Dollar Terms
Save at least the amount that your employer will match in a tax-deferred 401(k) or 403 (b) plan.	Find out the maximum amount of worker contributions that your employer will match. If your employer matches 6% of pay save \$3,000 then you'll receive \$3,000 in "free money."
Save 10% of gross income if you're a young adult and up to 20% of gross income if you are a 'late saver' in your 30s and 40s.	A young worker would save \$5,000 annually and an older worker, \$7,500 to \$10,000. If these are difficult to achieve start by saving less and increase over time.
Buy a house that costs no more than 2 ½ times your annual income.	Housing should cost no more than \$125,000 for those with a \$50,000 annual income.

ACTION STEPS

- ⇒ Convert financial guidelines that are stated in percentages into dollar figures using personal data.
- ⇒ Pay increased attention to information about mutual fund expenses in fund prospectuses.
- ⇒ Calculate the tax savings available by depositing money into a tax-deferred retirement savings plan.

Take action!
An inch of movement will bring you closer to your goals than a mile of intention.

- Steve Maraboli
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