

SIMPLE ANNUAL FINANCIAL HEALTH REVIEW TOOL

FOR YEAR: _____



THE WISDOM OF YEARLY FINANCIAL REVIEWS

A consistent and comprehensive review of your finances is wise.

The author of the book of Proverbs, writing to a farming and herding culture, provides us with this wisdom from the ages regarding the need for knowing and paying attention to your financial assets and liabilities:

*Proverbs 27:23 Be sure you **KNOW** the condition of your flocks (finances), give **CAREFUL ATTENTION** to your herds (resources); ²⁴ for riches do not endure forever.*

THE BIG PICTURE

You are likely familiar with phrases like this:

I can't see the forest for the trees. Don't get stuck in the weeds. Give me the 30,000 foot view.

I can't see the whole because the parts are obstructing my view. Give me the Big Picture. Etc.

The purpose of this *SIMPLE Annual Financial Health Review Tool* is to help give you understanding, clarity, and helpful direction for your finances.

This tool is intentionally designed to give you the BIG PICTURE VIEW of your financial life.

You can dig into the details using additional financial tools found on our website at:

<https://www.thecompass.net/financialtools> .

After you complete the details in this financial review, you will find it helpful to review this with your spouse or a mature and wise friend who has demonstrated that they are effective at managing the financial resources entrusted to their care. Ask for input. Pray and make plans by setting goals for your finances in this next year.

This review should take no longer than 30 minutes to complete. So let's get started!

Honored and Thrilled to be loving and serving Jesus with you,

Eric Liechty

Pastor of Stewardship

INCOME STATEMENT REVIEW

INSTRUCTIONS

Fill in your details in the **YELLOW** box cells.

TYPE	ANNUAL ACTUAL TOTALS	INCOME %
Total Income		0.0%
Total Expenses		0.0%
Net (Gain or Loss)	\$0.00	0.0%

PRIORITY ORDER OF EXPENSES REVIEW

INSTRUCTIONS

Fill in your details in the **YELLOW** box cells.

PRIORITY ORDER OF EXPENSES	ANNUAL ACTUAL TOTALS	INCOME %
1. GIVING Generously (10%+)		0.0%
2. SAVING & INVESTING Diligently (15%+)		0.0%
3. SPENDING Wisely (Max 75%)		0.0%
TOTAL Expenses	\$0.00	0.0%

CASH-ON-HAND REVIEW

INSTRUCTIONS

Fill in your details in the **YELLOW** box cells.

TOTAL CASH-ON-HAND	CURRENT TOTAL
All Cash Accounts (Checking, Savings, Cash) Combined	
TOTAL Cash-on-Hand	\$0.00

RETIREMENT INVESTMENT SAVINGS REVIEW

INSTRUCTIONS

Fill in your details in the **YELLOW** box cells.

RETIREMENT INVESTMENT SAVINGS	CURRENT TOTAL
Your Retirement Investment Savings	
Spouse Retirement Investment Savings	
Other Retirement Investment Savings	
TOTAL RETIREMENT INVESTMENT SAVINGS	\$0.00

GOD'S ASSETS UNDER MANAGEMENT (NET WORTH) REVIEW

INSTRUCTIONS

Fill in your details in the **YELLOW** box cells.

CATEGORY	AMOUNT	% OF NET WORTH
ASSETS (What you Own)		
Current Cash, Checking, and Savings Accounts Value		0.0%
Taxable Investment Accounts (Stocks & Bonds)		0.0%
Cash Value Life Insurance		0.0%
Home Value		0.0%
Other Real Estate Value		0.0%
Current Money Owed To You / Payable Today		0.0%
Business Valuation		0.0%
Automobiles		0.0%
Furniture / Household Goods		0.0%
Health Savings Account (HSA)		0.0%
Other Personal Property (Jewelry, etc.)		0.0%
Retirement Savings Accounts		0.0%
Other Assets		0.0%
Total Assets	\$0.00	0.0%
LIABILITIES (What you Owe)		
Home Mortgage		0.0%
Car Loans		0.0%
Student Loans		0.0%
Credit Card Debt		0.0%
Medical		0.0%
Business Loans		0.0%
Bank Loans		0.0%
Retirement Loans		0.0%
Home Equity Loans		0.0%
Other Debt or Loans		0.0%
Total Liabilities	\$0.00	0.0%
GOD'S ASSETS UNDER MANAGEMENT "Net Worth"	\$0.00	0.0%

DEBT REVIEW

INSTRUCTIONS

Fill in your details in the **YELLOW** box cells.

DEBT TYPE	DEBT AMOUNT	INTEREST % RATE	DEBT %
Home Mortgage			0.0%
Car Loans			0.0%
Student Loans			0.0%
Credit Cards			0.0%
Medical			0.0%
Tax			0.0%
Other			0.0%
TOTAL DEBT	\$0.00		0.0%

INSURANCE REVIEW

INSTRUCTIONS

Fill in your details in the **YELLOW** box cells.

INSURANCE TYPE	DESCRIPTION	TYPE IN DETAILS OF YOUR COVERAGE	DO I NEED IT?	DO I HAVE IT?	MY ANNUAL COST
Health	Medical bills are one of the frequent causes of financial hardship in America. If you are uninsured, that could wreck havoc on your finances.	<p>There are many different types of health insurance policies.</p> <p>HMOs, PPOs, HDHS, ACA Plans- It is usually best to get medical insurance offered by your employer. Are HSAs available?</p> <p>For self-employed and early retirees you can explore the option of shared health plans like: Christian Healthcare Ministries, Medi-Share, etc.</p>	YES		
Car	Covers damage or loss caused by your car. Driving without auto insurance is against the law in almost every state.	<p>LIABILITY - For property damage or injuries you caused.</p> <p>UN&UNDERINSURED - Pays you and your passengers' medical expenses, lost wages, and compensates for pain and suffering.</p> <p>PERSONAL INJURY PROTECTION - Covers you and your passengers from injuries regardless of who is responsible.</p> <p>MEDICAL PAYMENT COVERAGE - Coverage amounts are typically low, usually between \$1-5,000.</p> <p>COMPREHENSIVE AND COLLISION - These work together to pay for damage to your vehicle.</p>	YES		
Home / Renters	Covers damages or loss to home or rental. If you financed a home it will be required.	<p>DWELLING - Roof to your floors. Fire, wind, theft or vandalism.</p> <p>PERSONAL PROPERTY - Typically 50-70% of your personal belongings, such as furniture, appliances, clothing.</p> <p>LIABILITY - Pays for injuries or property damage accidentally caused to others.</p> <p>ADDITIONAL LIVING - If you are temporarily displaced from your home because of damage meals and lodging costs.</p>	YES		

INSURANCE TYPE	DESCRIPTION	TYPE IN DETAILS OF YOUR COVERAGE	DO I NEED IT?	DO I HAVE IT?	MY ANNUAL COST
Life	This policy pays out to dependents when you die. If you are the primary wage earner and you have dependents, you should have 10-12 times your annual salary in term life insurance.	TERM - Gives you a level annual premium for a locked rate of time. This is usually 10, 15, 20, 25, 30 years. The younger and healthier you are the cheaper the rate. This is almost always the better decision than a Permanent / Whole Life policy that is more expensive and is usually a less effective, efficient, and flexible investment vehicle.	?		
Umbrella Liability	Provides additional liability insurance if the unexpected happens and you are liable. Having an Umbrella Policy that covers your net worth is considered wise.	LIABILITY - Coverage beyond what is covered by your existing car, home, renters, boat, etc. insurance. For example, if your home liability was \$300,000 maximum and you were liable for \$500,000 an appropriate Umbrella Insurance would cover the \$200,000 gap.	?		
Disability	These typically cover between 40-70% of your base income if you become sick, disabled, and unable to work. Most disabilities are not work related. Arthritis, cancer, diabetes, back pain are the most common causes of disability.	GROUP - Policies from work. Read over the coverage. INDIVIDUAL - Policies you purchase on your own. WAITING PERIOD - Check how long you must be disabled before these policies start to pay out.	?		
Long-Term Care	Adults turning age 65 have a 70% chance of needing long-term care in their lifetime.	MANY TYPES - Read and understand policies carefully. You usually don't need to purchase until late 50's or 60's. It is possible that your retirement investment savings will allow you to self-insure. Average current cost of long-term care is \$9,000 per month and average stay is 18 months.	?		
Other			?		
TOTAL					\$0.00

TOP 3 OBSERVATIONS

To complete this *SIMPLE Annual Financial Health Review Tool*, it is important to prioritize your *Top 3 Observations*.

Here are some questions that may help you with your observations.

- What are your observations regarding your **income statement**?
- What are your observations regarding current percentages going towards: **Giving Generously, Spending & Investing Diligently, and Spending Wisely**?
- What are your observations regarding your **cash-on-hand**?
- What are your observations regarding your **current debt**?
- What are your observations regarding your **current retirement savings**?
- What are your observations regarding your **current net worth**?
- What are your observations regarding your **current insurance coverages**?

MY TOP 3 OBSERVATIONS

1.

2.

3.

These Top 3 Observations will naturally lead you to setting your Top 3 Financial Health Goals for this next year on the following page.

TOP 3 FINANCIAL HEALTH GOALS GOING FORWARD

MY TOP 3 FINANCIAL HEALTH GOALS - GOING FORWARD

It is helpful to create goals that are SMART - specific, measurable, attainable, relevant, and time-bound.

1.

2.

3.

Post these goals on your fridge, bathroom mirror, or some location that will help remind and inspire you!

APPENDIX

INCOME STATEMENT

If your NET is a gain, it is wise to designate the balance toward the priorities of giving generously - first; saving and investing diligently - second; before spending wisely - third. If your NET is a loss, you need to make a plan for earning more income or spending less. A NET loss is an unsustainable situation for financial health.

PRIORITY ORDER OF EXPENSES

What can you do to lower your spending? The less you spend, the more you can give and save. Increasing your giving and saving rate is a good goal. How do these percentages compare to last year?

CASH-ON-HAND

What can you do to lower your spending? The less you spend, the more you can give and save. Increasing your giving and saving rate is a good goal. How do these percentages compare to last year?

RETIREMENT INVESTMENT SAVINGS

The amount of retirement investment savings needed is always a generalized hypothetical because of the uncontrollable variables. We can estimate our living expenses. We can have a good idea of how much money we will be receiving monthly in Social Security benefits. However, we cannot know with certainty our medical expenses or, how long we will live. ***NOTE:** The more you make the more you will have to save for retirement.

GUIDESTONE RETIREMENT INVESTMENT SAVINGS - PROGRESS CHECKUP CHART

AGE	\$30,000 INCOME	\$50,000 INCOME	\$75,000 INCOME	\$100,000 INCOME	\$150,000 INCOME
30	(x).5	(x) .6	(x) .7	(x) 1	(x) 1.2
35	(x) 1	(x) 1.2	(x) 1.5	(x) 1.7	(x) 2
40	(x) 1.5	(x) 1.7	(x) 2.2	(x) 2.1	(x) 2.7
45	(x) 2.1	(x) 2.4	(x) 3.0	(x) 3.4	(x) 4.2
50	(x) 2.8	(x) 3.1	(x) 3.9	(x) 4.2	(x) 5.1
55	(x) 3.7	(x) 4.1	(x) 5.0	(x) 5.6	(x) 6.7
60	(x) 4.7	(x) 5.2	(x) 6.3	(x) 7.3	(x) 8.7
65	(x) 6.1	(x) 6.7	(x) 8.0	(x) 9.6	(x) 11.3

GOD'S ASSETS UNDER YOUR MANAGEMENT (GUAM) - ("NET WORTH")

A growing God's Assets Under your Management (GUAM) is a healthy financial goal. Have the assets under your management grown in comparison to last year? It is not unusual to have net worth declines in bear market and recessionary times.

DEBT

TRADITIONAL UNDERSTANDING OF “BAD DEBT” (VS) “GOOD DEBT”

Traditionally, “bad debt” is taking out loans on items that depreciate in value - meaning they are worth less money next year than they were worth this year. The two largest categories of “bad debt” are: *credit card purchases that are not paid off monthly, and car loans.*

In the historically “good debt” category are: *home purchases and college education.* Generally speaking, home values have appreciated and a college education has been viewed as an investment in future earning capacity.

**High Interest Debt is age dependent. If you are in your 20's, any debt with an interest rate of 6% and above should be paid off ASAP. If you are in your 30's, any debt with an interest rate of 5% and above should be paid off ASAP. If you are in your 40's, any debt with an interest rate of 4% and above should be paid off ASAP. If you are in your 50's, any debt should be paid off ASAP*

***Low Interest Debt is calculated in a historic equity-risk premium ball-park this way by age: 20's anything below 6% interest is considered low-interest debt; 30's anything below 5% interest is considered low-interest debt; 40's anything below 4% interest is considered low-interest debt; 50's your goal should be paying off all debt ASAP.*

THE TRUTH ABOUT DEBT

All debt is “risky and bondage.”

Scripture does not **FORBID** debt. However, **debt comes with clear Biblical WARNINGS** about how debtors are in bondage to lenders. All debt is **RISKY** because it presumes upon tomorrow and the future over which we have no ultimate control.

SCRIPTURE

Proverbs 22:7 The rich rule over the poor, and the borrower is slave to the lender.

Romans 13:7 Give to everyone what you owe them: If you owe taxes, pay taxes; if revenue, then revenue; if respect, then respect; if honor, then honor. ⁸ Let no debt remain outstanding, except the continuing debt to love one another, for whoever loves others has fulfilled the law.

THE ARROGANT & UNWISE PATTERN TOWARD DEBT IN OUR COUNTRY

Our national debt at the beginning of 2023 was 31.5 trillion dollars, or \$94,000 per citizen, or \$246,000 per taxpayer.

- **Credit Cards** - 53+% of Americans carry credit card debt that is not paid off every month. And, they carry around \$6,000 in debt on these cards paying over \$1,200 in interest every year with an average interest rate of 20.30% in February of 2023.
- **Auto Loans** - 35% of Americans are driving a car with a loan. They pay nearly \$1,000 in interest each year on their car loans. Car loan terms are at historic highs in length (5-6 years) resulting in more interest paid.

WISE GUIDANCE REGARDING DEBT

- **Working hard, saving, patiently waiting, and paying with cash is WISE.**
- **If you have “bad debt” it should be paid off as FAST as you can.** If it is credit card debt you should put your credit cards in water and **FREEZE** them in the freezer until they are paid off. Or, you should cut them up and **CANCEL** them.

Proverbs 6:1-5 My son, if you have (gone into debt)... ² you have been trapped ... ³ So do this, my son, to free yourself, ... Go—to the point of exhaustion—... ⁴ Allow no sleep to your eyes, no slumber to your eyelids. ⁵ Free yourself, like a gazelle from the hand of the hunter...

The **DEBT SNOWBALL** method (paying off smallest debt first) has worked for many. The **DEBT AVALANCHE** method (paying off highest interest rate first) mathematically saves you the most money. **The best debt reduction method is the one that will motivate, and inspire you to complete **ASAP** ... like the gazelle.*

- **Transportation** is a necessity. **Purchasing a reliable car with cash should be your goal.**

If you must have transportation for work and you have exhausted the alternatives of: public transportation options, carpooling, cash purchase of a reliable used vehicle with your current savings, etc. ...

*Here is alternative guidance for your first used car only ... **The 20-3-8 Used Car Purchase Plan:***

- 1) Buy a **used car only**. Why? New cars are expensive to insure and suffer a 20+% value loss in the first year.
- 2) You must put **at least a 20% down payment** on the car.
- 3) Take out **no more than a 3-year loan**.
- 4) The monthly payment should be **no more than 8% of your gross income**.

**NOTE: All of this assumes you are: Giving generously first (10%+); Saving diligently second (8% to 15%+). Every car after this first car should be purchased with saved cash because cars are "bad debt".*

- **College Education.** Never take out loans for a degree greater than what you will make in your first year of employment. For example, if you are an Education Major ... starting salaries are around \$40,000 per year. You should take out no more than \$40,000 in loans total. **If possible, work and pay for school as you go.**

**Interesting Research Article Link: [Is College Worth It: A Comprehensive ROI Analysis](#)*

- **Home Purchases.** Historically homes have appreciated in value. However, we have also experienced bad "housing bubbles" where people purchased when home prices were high and then those homes decreased in value up to half of what they paid for the home. Then, they had to make a job change ... and they had to sell to move to their new place of employment being "upside-down" - owing more for the home loan than what the home could sell for now. This series of events left them in debt on a home they no longer live in, and unable to purchase another home. This has and can happen. Be aware. All debt is risky.

Here is general guidance on first home purchases. Dave Ramsey recommends that you...

- 1) Only consider purchasing a home when you are **out of debt and have an emergency fund**.
- 2) Then you need to save for a **20% down payment**.
- 3) Take out no more than a **15-year fixed-rate loan**.
- 4) Your monthly payment should be **no more than 25% of your gross income**.

Brian Preston and Bo Hanson of Abound Wealth provide this guidance for first-time homebuyers only so that you can continue to invest fully in your retirement while getting your "foot into the door" of a fast-moving housing market. Their recommendation is...

- 1) **First-time homebuyers can put a 3-15% down payment on their first home if they plan to live in that home for at least 7-10 years.**
- 2) **Your monthly payment should not exceed 25% of your monthly gross income.**

**NOTE: because lenders prefer 20% down ... PMI (private mortgage insurance) will increase the amount of your monthly payment. Also know you will need 1-2% of the home purchase price for closing fees. Any subsequent home purchase should always have a minimum of 20% down payment ... while being able to continue to save diligently for retirement at a 15%+ ratio.*

INSURANCE

THE ROLE OF INSURANCE

Healthy finances have an offensive component of: earned income and investment returns. And, a defensive component know as insurance. Insurance is to protect you and your finances from damage and loss due to unforeseen circumstances.

You have no doubt heard the phrases: “Insurance Rich” and “Insurance Poor”. Both are extremes to be avoided. However, the protection provided by the pooled resources of the insured to help soften the blows of unforeseen damage or loss, is a financially healthy tool to be used.

ADDITIONAL NOTES

