



## Best Practices to Reduce Financial Costs Related to Addiction

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## Best Practices to Reduce Financial Costs Related to Addictions

- The purpose of this presentation is to:
  - Identify the financial costs related to addictions
  - Discuss tools used to image and assess financial situation
  - Identify financial planning best practices

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## Financial Costs Related to Addiction

Financial costs associated with addictions compete with the opportunity to build future financial security

They vary depending on the profile of each individual

Factors that can influence financial costs related to addiction include:

Circumstances leading to treatment

- Legal charges
  - Manufacturing, distributing, possession, use
- Cost of obtaining substance
  - Time to obtain substance
  - Money to obtain substance
- Costs related to consequences from using
- Costs for treatment and/or recovery

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## Financial Costs Related to Addiction

- Ways clients get to treatment or recovery influence nature of treatment and costs incurred
  - Out of desperation client seeks treatment for self
    - Some clients say “I was mandated by my higher power; My higher power intervened to prevent my death.”
  - Family, friend, or employer mandated
  - Legal system mandated
    - Manufacturing, distributing, trafficking, paraphernalia
    - DUI – Alcohol, marijuana, methamphetamines, xanax
    - Theft, Embezzlement
    - Battery

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## Financial Costs Related to Addiction

- Financial costs to use substance
  - Competes with providing for current life needs or providing for financial future

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## Financial Costs Related to Addiction

- Financial costs of consequences from using substance - increases with repeated offenses
  - Dollar Value of Time Lost
    - Hours in court
    - Hours meeting with attorney
    - Hours lost using alternative transportation
    - Hours in community service
    - Hours in jail
    - Hours in class
    - Other hours lost (identify)

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### Financial Costs Related to Addiction

- Financial costs of consequences from using substance - depends on number of occurrences of charges
  - **Money Lost**
    - Fines
    - Court costs
    - Probation fees
    - Attorney fees
    - Towing fees

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### Financial Costs Related To Addictions

- Financial costs of consequences from using substance - depends on number of occurrences of charges
  - **Money Lost (Cont.)**
    - Repair bills or restitution
    - Increases in insurance premium
    - Lost wages at work/Lost job – ex. - CDL Driver
    - Cost of other transportation since the loss of license
    - Clinical evaluation or assessment fee
    - Course fee - alcohol and drug information school
    - Treatment – outpatient, intensive outpatient, residential

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### Financial Costs Related To Addictions

- Financial cost of consequences from using substance - depends on number of occurrences of charges
  - **Money Lost (Cont.)**
    - License reinstatement
    - Other costs (Identify)

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### Financial Costs Related to Addiction

- Financial Costs of Treatment Options
  - Recovery support groups - \$1 per meeting if contribute to basket
  - Treatment Level - outpatient or intensive outpatient
  - Residential – Short-term or long-term

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### Financial Cost of Addiction

- Can range as low as \$6,000 for a first offense to \$100,000 or more

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### Financial Best Practices

- **THE TURNING POINT**
  - If the consequences from addiction have brought us to the point
    - where we are ready to head down a new path,
    - here are some **best practices** that can serve as guidelines for creating future financial well-being.

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## The Financial Assessment

- **How are you doing financially?**
  - Three tools to image how you are doing financially
    - Net worth statement
    - Debts/liabilities inventory
    - Paycheck planning guide

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## The Financial Assessment

- **How are you doing financially?**
  - **What is your net worth?**
    - A net worth statement gives a picture of the value of what you owe and what you own.
    - Your net worth is the current fair market value of your assets minus the outstanding debts you owe.
  - **Financial Best Practice**
    - **Grow net worth annually**
      - » **Grow assets**
      - » **Limit debts**

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## The Financial Assessment

- **How are you doing financially?**
  - **Debts/Liabilities - How much do you owe?**
  - **An inventory of your debts/liabilities gives details about debt**
    - Type of loan/debt
    - Name of lender
    - Name of borrower
    - Loan amount
    - Date made

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## THE FINANCIAL ASSESSMENT

- **Debts/Liabilities - How much do you owe? (Cont.)**
  - Secured by (name asset)
  - Interest rate
  - Length of loan
  - Monthly payment
  - Payment due date
  - Total balance due
  - Date paid last
- **Financial Best Practice**
  - **Credit allows you to accumulate things that contribute to your quality of life. Consider your capacity to repay before using credit. Repay on time to maintain good credit score.**

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## The Financial Assessment

- **How are you doing financially?**
  - **How are you balancing the money you have coming in and the money going out?**
  - **A paycheck planning sheet helps you see what income you have coming in and the expenses that you have going out.**
  - **Financial Planning Best Practices**
    - **Choose how you spend so that expenses are greater than income**

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## The Financial Assessment

- After reviewing the net worth statement, debt/liabilities inventory, and paycheck planning worksheet, assess what you see.
  - Are there things you need to keep doing? – **Continue**
  - Are there things you need to do differently? – **Correct**
  - Are there things you need to stop doing? – **Terminate**
  - Are there things you need to start doing? – **Initiate**

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## Financial Best Practices

### THE FINANCIAL PLAN OVERVIEW

- Are your financial records organized?
- How does your cash flow?
- How do you use credit?
- Are you adequately insured?  
Life, disability, health, long-term care, homeowner's/renters, automobile, umbrella liability

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## Financial Best Practices

### THE FINANCIAL PLAN OVERVIEW (Cont.)

- How much are you saving and investing?
  - Will you have enough money to maintain your current level of living through all the stages of your life?
- Do you have an up-to-date estate plan?

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## Financial Best Practices

### Are Your Financial Records Organized?

- If something happens to me or a family member, I have a description of the following information that can be easily found:
  - Personal information – schools attended, military service, memberships, special recognitions, information about immediate family.
  - List of professional and personal advisors – accountant, attorney, banker, insurance representatives, financial planner, investment advisor, real estate agent, trust officer, business partner, doctor, clergy, nearest relative.
  - List of where important records are kept.

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## Financial Best Practices

### How Does Your Cash Flow?

- I generate enough money to do the things I want to do.
- I am aware of my legal rights and responsibilities.
- I have identified my financial needs and have written financial goals to direct actions to meet those needs (short, medium, and long-term).

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## Financial Best Practices

### How Does Your Cash Flow?

- I have a written cash flow inventory to observe my income and expenses.
  - I balance income and expenses so income is greater than expenses.
  - I have a list of the sources and the amount of my total spendable income.
  - I have a list of my expenses and the total amount I spend.
  - I have calculated the difference between my income and expenses.
  - I track my spending and look for ways to increase income or decrease expenses to reduce debt and save money.

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## Financial Best Practices

### How Does Your Cash Flow? (Cont.)

- I have calculated my spending percentages and compared to the national averages. Percent distribution of expenditures by major category, *Consumer Expenditures in 2013*, <http://www.bls.gov/cex/cxann13.pdf>

Item	Percent
Food*	11 to 16%
Food at home (54 to 69%)	
Food away from home (31 to 46%)	
Housing	31 to 40%
Apparel and services	3%
Transportation	15 to 19%
Health care	6 to 8%
Personal insurance and pensions	2 to 16%

\*Cost of Food at Home - <http://www.cnpb.usda.gov/sites/default/files/CostofFoodMar2015.pdf>

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## Financial Best Practices

### How Does Your Cash Flow? (Cont.)

- I review my cash flow plan periodically.
- I withdraw money from my checking account when I have money in the account to cover the withdrawal.
- I evaluate, select, and purchase services and products wisely rather than impulsively or compulsively.

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## Financial Best Practices

### Credit and Debt

- I have a credit record in my own name.
  - I maintain a good credit record so I can obtain credit when I need it.
  - I order and review my credit record annually.
- AnnualCreditReport.com is a centralized service for consumers to request annual credit reports from each of the nationwide consumer credit reporting companies: Equifax, Experian, and TransUnion. Call toll-free at 1.877.322.8228 or go on-line to <https://www.annualcreditreport.com/index.action>
- Federal law allows you to get a free copy of your credit report every 12 months from each credit reporting company. Ensure that the information on all of your credit reports is correct and up to date.

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## FINANCIAL BEST PRACTICES

### Credit and Debt (Cont.)

- I open bills; sort through them; and respond to creditors in a timely manner.
- I know the total amount of debt I owe.
- I pay bills in full when due.
- If I can't pay my bills in full when they are due; I pay at least the minimum balance on all bills when they are due.
- I keep consumer debt excluding mortgage/rent to less than 20% of my take-home pay.

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## Financial Best Practices

### Credit and Debt

- I use consumer debt for items that last a long time.
- I stay within my credit limits.
- If I have high balances with high interest rates, I move the balances to an account with a lower rate.

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## FINANCIAL BEST PRACTICES

### Credit and Debt

- If chronically ill, I use a credit card with a disability and life insurance feature. During a disability, the insurance pays the minimum payment; at death, the insurance pays off the balance.
- I set priorities and balance my debt with other living obligations so I am not spending more money than I bring in.
- To opt-out of direct marketing lists, call 1-888-567-8688

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## Financial Best Practices

### Credit and Debt

- If overextended, decide whom to pay first and negotiate a reduced payment plan to reduce debt.
- Self-help debt repayment plan –
  - Set up your plan, contact creditors - <https://powerpay.org>
  - Get assistance, contact Credit Counseling such as CCCS
    - 1.800.431.8157 <http://credit.org/nfcc/>
- Debtor's Anonymous, PO Box, 920888, Needham, MA 02492-0009;
  - Phone: 1.800.421.2383; Web: [www.debtorsanonymous.org](http://www.debtorsanonymous.org)
- Gambler's Anonymous, P.O. Box 17173, Los Angeles, CA 90017
  - Phone: 626.960.3500; Web: [www.gamblersanonymous.org](http://www.gamblersanonymous.org)

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## Financial Best Practices

### Credit and Debt

- Bankruptcy is a last resort.
  - **Chapter 13** provides for readjusting consumer debt of an individual with regular income. It allows the individual to keep property and pay debts over time, usually three to five years, with a new payment schedule.
  - **Chapter 7** involves liquidating all property that is not exempt which may include cars, work-related tools, household furnishings and distributing the proceeds to creditors.

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## Financial Best Practices

### Insure Adequately

- I evaluate and obtain adequate insurance coverage to cover obligations at the least cost.

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## FINANCIAL BEST PRACTICES

### Insure Adequately

- **Life**
  - I know how much coverage I have (cash value and face value)
  - I know how much I need
  - Assume you will need 25% less income if breadwinner is deceased to
    - replace income
    - cover funeral expenses
    - pay burial expenses
    - pay uninsured medical costs
    - pay taxes
    - pay outstanding debts
    - pay for major goals such as college.

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### Insure Adequately

- **Disability**
  - I know how much coverage I have.
  - I know the benefits which are covered
  - I have enough coverage to replace 60 to 70% of monthly income until eligible for retirement.

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## Financial Best Practices

### Insure Adequately

- **Health Insurance**
  - I know how much coverage I have
  - I know what is covered and what is not
  - I pay insurance premiums when they are due
  - I have an emergency reserve to meet my deductible, coinsurance amounts, and uninsured medical costs

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## Financial Best Practices

### Insure Adequately

- I keep track of what has been paid and has not been paid
- I keep medical records so I can appeal denied claims
- I have a plan for managing long-term health care needs
- If I don't have health insurance, options for obtaining resources include: Medicaid, Medicare, Veteran's Administration, Supplemental Security Income (SSI); charitable organizations

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## Financial Best Practices

### Insure Adequately

- **Health Insurance**
- If I don't have health insurance, options for obtaining resources include:
  - Medicaid
    - <http://www.healthinsurance.org/georgia-medicaid/>
  - Insurance for children - <https://www.peachcare.org/>
  - Medicare
    - <http://medicare.gov>
    - <http://www.medicareresources.org/georgia/>
  - Veteran's Administration - <http://www.va.gov/health/>
  - Supplemental Security Income (SSI) - <http://www.ssa.gov/ssi/>
  - Charitable organizations
    - <http://www.frommedicalsearch.org/cit/ga-gainesville>
- Affordable Health Care - <https://www.healthcare.gov>
- Georgia Health Insurance Exchange
  - <http://www.healthinsurance.org/georgia-state-health-insurance-exchange/>

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## Financial Best Practices

### Insure Adequately

- **Long-term care** –
  - I have purchased or will consider purchasing long-term care insurance, if I am in generally good health and have assets I would like to protect and pass on to heirs.
  - <http://dch.georgia.gov/long-term-care-insurance-and-where-get-it>

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## Financial Best Practices

### Insure Adequately

- **Homeowner's/renter's** – I have replacement cost coverage; separate coverage on appraised valuables; inflation guard; household inventory with photos/videos.
- **Automobile insurance**
  - liability – recommended – 250/500/100
  - Required minimum varies by state law; in GA the minimum is 25/50/25.
    - \$25,000 – bodily injury liability maximum for one person injured in an accident
    - \$50,000 – bodily injury maximum for all persons injured in one accident (per occurrence)
    - \$25,000 – property damage liability maximum that would be paid for property damage in one accident (per occurrence)

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## Financial Best Practices

### Insure Adequately

- **Umbrella liability insurance** – purchase liability coverage if liability coverage in your auto and homeowner's policies is less than your net worth

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## Financial Best Practices

### Savings, Investments, and Retirement

- I have established, contribute to, and withdraw from savings and investments to maintain my desired standard of living throughout my life.
- I follow a savings and investment strategic plan that fits my personality and values.
- I pay myself first 10% of take-home pay

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## Financial Best Practices

### Savings Investment and Retirement

- Grow your money – Start early
  - At age 20, save \$2,000 per year/pre-tax, earnings could grow to \$1,580,000 by age 65 at 10% interest with \$90,000 contributed.
  - At age 40, save \$2,000 per year/pre-tax, earnings could grow to \$216,000 by age 65 with \$50,000 contributed.
  - At age 60, \$13,400 by age 65 with \$10,000 contributed.
- I have established, review and/or revise my savings and investment goals: **seasonal expenses; emergencies; short, medium, and long-term goals.**
- I have savings automatically deducted.
  - **Temporary:** for short-term needs and goals
  - **Permanent:** for long-term needs and goals

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## Financial Best Practices

### Savings, Investments, and Retirement

- I have a strategic plan for saving for short-term needs and goals (Temporary)
  - Seasonal expenses = yearly expenses ÷ pay periods
  - Emergencies = 1 to 6 months take-home pay
  - Short-term goals – get rid of debt, down payment for house or car, educational fund for self or children
    - <http://www.collegesavings.org/index.aspx>
- I have a strategic plan for reaching long-term goals – Permanent
- Define long-term goals
- If not contributing to a retirement plan, today start contributing a portion of each paycheck (gross pay rather than net pay is preferable)
  - Up to age 35 - 7%
  - Age 35 – 10%
  - Age 45 – 18%
  - Age 55 – 35%

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## Financial Best Practices

### Savings, Investments, and Retirement

- I grow my money in a way that matches my personal risk tolerance level with appropriate savings/investment services and products to get an acceptable rate of return.
  - To assess your risk tolerance level, go to: <http://njaes.rutgers.edu/money/riskquiz/>.
- I have an appropriate asset allocation model to balance growth and income for my age
  - Age 18 to 24 (Growth: 75 to 80%; Income: 20 to 25%)
  - Age 25 to 34 (Growth: 65 to 75%; Income: 25 to 35%)
  - Age 35 to 44 (Growth: 55 to 65%; Income: 35 to 45%)
  - Age 45 to 54 (Growth: 45 to 55%; Income: 45 to 55%)
  - Age 55 to 64 (Growth: 35 to 45%; Income: 55 to 65%)
  - Age over 65 (Growth: 25 to 35%; Income: 65 to 75%)

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## Financial Best Practices

### Savings, Investments, and Retirement

- I choose appropriate savings and investments products to match my investment goals.
- I apply the following selection criteria when selecting financial services and products:
  - Safety of principal
  - Liquidity
  - Marketability
  - Return on money: income, growth, income and growth
  - Cost of investing
  - Size of investment unit
  - Risk: substantial, moderate, small, barest minimum

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## Financial Best Practices

### Savings, Investments and Retirement

- I apply the following selection criteria when selecting financial services and products: (Cont.)
  - Tax consequences
    - Going in: Am I investing with before or after tax dollars?
    - While in the investment or coming out of the investment:
    - Ordinary income tax brackets: 10, 15, 25, 28, 33, 35, 39.6% (\$413,200 + – single; \$464,850 + – married)
    - Tax-deferred income
    - Tax-exempt income
    - Capital gains

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## Financial Best Practices

### Savings, Investments, and Retirement

- I evaluate my plan regularly to make sure my savings and investments are appropriately balanced to achieve maximum earnings consistent with my risk tolerance level.
- I have trusted financial advisors with whom I consult when necessary.
- Georgia Secretary of State - <http://sos.ga.gov>
- Search for CFP® certificant in your area. <http://www.cfp.net>
- Investment Advisor Search - <http://www.investmentadvisorsearch.com>

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## Financial Best Practices

### Maintain A Current Estate Plan

- I have a plan for accumulating, protecting, using and distributing my assets during my lifetime and at my death.
- I have in place the appropriate tools for managing my finances if I am mentally or physically incapacitated.
- Physical person
  - Living will
  - Medical directive for health care
- Finances
  - Joint tenancy with right of survivorship
  - Power of attorney for finances – limited (specific purpose), general (all purposes), durable (can be limited or general and is for use when one becomes incapacitated), springing (becomes effective when one is incapacitated).
  - Living trust

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## Financial Best Practices

### Maintain A Current Estate Plan

- I have listed my assets and my debts.
- I have listed the current fair market value of assets.
- I have listed the outstanding balance on debts.
- I have listed how my assets and debts are titled.

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## Financial Best Practices

### Maintain A Current Estate Plan

- I have calculated my net worth and adjusted it to calculate the value of my estate.
  - **Net worth** includes the cash value of permanent life insurance policies.
  - The **estate value** at death includes the face value of ALL life insurance (term and permanent) policies in which there is an incidence of ownership.
  - Subtract the outstanding value of the debts from the fair market value of the assets.

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## Financial Best Practices

### Maintain A Current Estate Plan

- I have decided who will get what and when.
  - Who do you want to receive your assets?
  - How much do you want them to get
  - When do you want them to get it (at your death; dispersed over several periods of time)
  - How do you want them to get it (income only, principal only, income and principal)?

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## Financial Best Practices

### Maintain A Current Estate Plan

- I have used the appropriate form of ownership for each asset because it influences how my estate is valued as well as how and when my property will be transferred.
  - Personal: Sole owner, tenants-in-common, joint tenancy with right of survivorship, trust, payable on death account, life estate
  - Business: Non-profit, sole-proprietor, partnership, corporation (C, S)

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## Financial Best Practices

### Maintain A Current Estate Plan

- I understand asset transfer techniques:
  - By law: joint tenancy with right of survivorship
  - By will: property owned as sole owner, portion of property owned as tenant-in-common
  - By trusts: living, testamentary, revocable, irrevocable

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## Financial Best Practices

### Maintain A Current Estate Plan

- I understand asset transfer techniques: (Cont.)
  - By Gifts
    - Gift Agreements – charitable remainder annuity trust, charitable gift annuity, charitable lead trust, charitable remainder unitrust, pooled income fund, donor advised fund
    - Estate gift – bequest in will or living trust, retirement plan gift, life insurance gift
    - Lifetime gift – outright gift of appreciated property, real estate, cash, retained life estate
  - By contract – life insurance, retirement plan

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## Financial Best Practices

### MAINTAIN A CURRENT ESTATE PLAN

- I have a plan for distributing and transferring my assets that I have developed in consultation with appropriate financial professionals.
- I have prepared letter of last instruction that includes the following:
  - Location of personal documents, financial papers & accounts
  - Names, addresses, phone numbers of family, personal friends
  - Personal and financial professionals that need to be notified of death
  - Names of people I wish to receive special things (jewelry, furniture)
  - Preferences for funeral and burial service and donation of body/body organs.

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## Financial Best Practices

### Maintain A Current Estate Plan

- I have changed ownership and transferred my assets to be consistent with my estate planning documents.
- I have named personal and/or financial guardians for dependents
  - Minor children
  - Adult dependents

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## Best Practices to Reduce Financial Costs Related to Addiction

- **Image Assess Act Today**
  - Be aware of financial costs related to addictions
  - Use financial tools to image and assess financial situation
  - Follow financial planning best practices to move toward a secure financial future.
    - Continue doing the things that create financial well-being
    - Correct or stop doing the things that risk not having enough money
- Express gratitude for what we have and what is to come

**IF IT'S TO BE – IT'S UP TO ME!!!**

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