

# Indiana MoneyWise



*It's time!*

## SAVE AND INVEST IN 2016



**I'm Ready to Invest,  
Now What?**

**5 Reasons Why Your  
Budget Isn't Working**

**Tackling Overspending**

**Top Investor Treats**

**START TODAY**

**Slay your Debt dragon  
with the Queen of Free!**

Dear Hoosiers:

Thank you for reading the Indiana Secretary of State's e-magazine. The purpose of this publication is to provide Hoosiers with timely information on smart money management and investment fraud prevention.



As Indiana's securities regulator, I am committed to putting financial criminals behind bars. Hoosiers with a solid foundation in financial literacy are better prepared to say no to scams. That's why this e-magazine exists. In each issue, you will find valuable tools and tips aimed at improving your understanding of personal finance and investing. This particular issue focuses on the importance of establishing better financial habits. Within the magazine, you will find a list of common budgeting problems and their solutions. We have also included tips for tackling overspending. And for those of you already on a good financial path, we have provided step-by-step instructions for becoming an investor.

I encourage each of you to explore the articles and links inside and use this information to improve your financial future.

Sincerely,

A handwritten signature in black ink that reads "Connie Lawson". The signature is written in a cursive, flowing style.

Connie Lawson  
Indiana Secretary of State

---

**MISSION STATEMENT**

It is the mission of the office of Secretary of State Connie Lawson to deliver to the people of Indiana government-as-a-service that focuses on unqualified integrity and accuracy in our elections, consistent and principled regulatory methods, ceaseless protection of Hoosier investors, and the most efficient use of taxpayer resources.



# What services make up the Secretary of State's office?



There are four main divisions that comprise the Secretary of State's office:

Business Services  
Securities

Elections  
Auto Dealer Services

The Office of Secretary of State is one of five constitutional officers originally designated in Indiana's State Constitution of 1816. Sixty-one Hoosiers have served as the third highest-ranking official in state government.

Duties of the office include registering new business, regulation of the securities industry, oversight of state elections, commissioning of notaries public, registration of trademarks and licensing of vehicle dealerships throughout Indiana.



**I'm Ready to Invest,  
Now What?**



# Congratulations!

Investing is a great way to finance your future, and there's no shortage of options when it comes to improving your bottom line. But before you begin the process, it's important to understand the basics of investing. Let's start with some terminology.

**Stock** – A stock is a share in the ownership of a company. When you own a stock, you have a claim on the company's assets and earnings.  
(Investopedia.com)

**Bond** – A bond is a long-term promissory note in which the issuer agrees to pay the owner the amount of the face value on a future date and to pay interest at a specified rate at regular intervals.(NASD.com)

**401 (k)** – A **401 (k)** is a type of retirement plan that allows employees to save and invest for their own retirement. You can authorize your employer to deduct a certain amount of money from your paycheck before taxes are calculated, and to invest it in the 401(k) plan.

**IRA** – An Individual Retirement Account, or IRA, is an investment account in which a person can set aside income up to a specified amount each year and usually deduct the contributions from taxable income, with the contributions and interest being tax-deferred until retirement. (Dictionary.com)

**Roth IRA** – A Roth IRA differs from a traditional IRA in that investments are made with taxable dollars, but earnings and withdrawals are tax-free after age 59.5. (Dictionary.com)

**Mutual Fund** – Mutual funds are professionally managed pools of stocks, bonds and/or other instruments that are divided into shares and sold to investors.  
(Investopedia.com)



*Am I Ready to Invest, Now What?  
continued*

# **Knowing how the investment industry works is important, but knowing **YOURSELF** is perhaps the most critical element to success.**

You need to ask yourself a few questions before investing.

The North American Securities Administrators Association, or NASAA, has a great list to get you started:

## **What do I want to accomplish?**

Set specific investment goals. Be sure to include target dates and dollar amounts so you have a realistic idea of how long it will take to achieve your goals.

## **How much risk am I willing to take?**

Are you willing to risk losing some or all of your money in order to earn higher returns, or will you accept lower returns for the peace of mind of knowing your initial investment is safer? Understanding how much risk you are comfortable taking determines your “risk tolerance,” which in turn informs which types of investment products are most suitable for you.

## **What type of investment is right for me?**

Each investment comes with certain characteristics, risk levels and potential returns. Understanding your situation—risk tolerance, time horizon and specific goals—will make it easier to choose the right investment for you.

## **Am I comfortable enough to do this on my own?**

How much time are you willing to spend sorting through investment choices and keeping up with the markets? How confident are you in your investment knowledge and ability to carry out your decisions?



If your answer to that last question was “no,” you may want to consult with a professional. Investing can be a complicated process, and many people seek the help of one or more financial services professionals. There are several types, but we’re going to take a closer look at a few of the more common ones.

**Registered Representative** – This is the professional designation for someone more commonly known as a stock broker. Registered representatives are agents who buy and sell securities on behalf of their clients. To learn more about Registered Representatives, visit [www.finra.org](http://www.finra.org) or [www.sec.gov](http://www.sec.gov).

**Certified Financial Planner** – CFPs take extensive exams in the areas of financial planning, taxes, insurance, estate planning, and retirement. CFPs must also complete continuing education programs each year to maintain their certification status. To learn more about CFPs, visit [www.plannersearch.org](http://www.plannersearch.org) or [www.napfa.org](http://www.napfa.org).

**Registered Investment Advisor** – RIAs manage or invest money on your behalf for a fee. You may elect to give these people discretion to make trades in your accounts and create an investment strategy for you. RIAs provide advice, make recommendations, and issue reports on securities. They also have a fiduciary duty to their clients, which means they have a legal obligation to act in their clients’ best interests. You can download the fiduciary oath from the National Association of Personal Financial Advisors: [www.napfa.org/about/fiduciaryoath.asp](http://www.napfa.org/about/fiduciaryoath.asp).





*Am I Ready to Invest, Now What?  
continued*

## Once you decide which type of **financial professional** suits your needs, there are a few steps you can take to find the right individual to help you make the most of your money.

**First**, seek referrals from friends and family members. You shouldn't stop there, but it's a great place to start. Ask your loved ones what they like about their financial professional and if they are satisfied with the relationship.

**Second**, it's time to do some research! Visit [www.IndianaMoneyWise.com](http://www.IndianaMoneyWise.com) to search the database. This will tell you if the professional is registered with the Indiana Secretary of State. You can also get the professional's employment history, records of exams passed, and see whether there have been any customer disputes or regulatory actions.

**Third**, schedule introductory meetings with the top candidates. You should NOT be charged for this initial meeting. Here are some sample questions to help you interview prospects.



There's one more thing you should know about investing: losing some money is normal. Market losses aren't necessarily anyone's fault, because they go up and down. However, if you suspect something unethical or illegal is going on, report it immediately. You can file a complaint with our office online by visiting <http://bit.ly/FileAComplaint>, or give us a call at 1-800-223-8791.



**How long have you been in the business and what did you do before?** You are looking for someone who has been in business for several years and has the background to deal with your particular issues.

**What is your investment philosophy and your track record?** You want someone who will appreciate and abide by your risk tolerance. They should also understand your goals and provide ideas for how to reach them. An adviser you're considering should be willing to give you references to other clients or information on how other clients' portfolios have performed.

**Can I have a copy of your regulatory disclosure forms?** Planners and advisers who are paid to give advice about investing in securities must disclose details about their investment style and philosophy, training, disciplinary record, fees and charges, and more. The best and most widely used disclosure form is Form ADV.

**How will our relationship work?** You'll want to know whether you can expect to talk to your adviser directly or more likely be interacting with a member of his/her staff. How often can you expect to speak? Once a year? Every three months? More frequently? Is the adviser willing to take spur-of-the-moment phone calls?

**How much do you charge?** Financial advisers used to charge for their services in two different ways: by accepting commissions on the sale of specific products or charging fees, either hourly (typically \$150 to \$300) or as a percentage (generally 0.75% to 2%) of your assets under management. Now you may pay a combination of fees—perhaps an hourly rate for consultations, an annual retainer for general financial advice, plus a percentage of your assets if you sign up to have the adviser manage your money. Any arrangement can work as long as you are aware of and comfortable with the terms.

The financial professional you select should start your relationship by asking you to complete a questionnaire or write a memo about your financial situation and expectations. Once you hire a financial professional, you will sign an account agreement, also called a client agreement. This will define the details of your relationship. It's designed to protect you from unauthorized actions on the part of your adviser and surprise fees/charges.

The agreement will include:

- A list of specific services
- A breakdown of fees and charges
- A list of information you're expected to provide
- A statement of liability



# 5 Reasons Why Your Budget Isn't Working

First things first... why do we budget?

For many people, budgeting is a scary word. And for some of those people, the idea of doing math is the scariest part. But budgeting is less about math and more about record keeping and self-control. The basics of budgeting are easy.

A budget is simply the documentation of money coming in and money going out. We do this for a couple of reasons: to ensure we spend less than we make, and to help us plan for long- and short-term goals.

Sometimes it can be hard to plan ahead, but doing so now can help you avoid the horrible feeling that comes from NOT being able to make ends meet.

If you have never budgeted before, you can start the process by printing our budgeting worksheet. (<http://bit.ly/SOSBudgetWorksheet>)

For those of you who are struggling with budgeting, we will examine some of the top struggles and solutions.





### 1) **You left zero room for error.**

A lack of flexibility in your budget, especially when you first begin, is sure to lead to problems. Those problems can include emergencies. If your budget doesn't include contributions to an emergency fund, make that change immediately! Once you solve that problem, add a little wiggle room to some other categories of your budget. Expenses tend to rise and fall, and your budget needs to be able to roll with the punches. If you spend less than normal one month, put the surplus into savings. It will come in handy the next time you go a little over budget.

### 2) **You haven't clearly defined your goals.**

Without goals, how can you possibly hope to prioritize your spending? Most budgets require some degree of sacrifice. Figure out what it is you want to accomplish with your money, and work toward those goals. The rest of your expenses will likely need some trimming. If saving for college is a must, how much do you really need to spend on entertainment? If your career aspirations require you to be up-to-speed on current events, maybe you do need cable, internet, and a daily newspaper, but do you also need to dine out for lunch every day of the week? Probably not.

### 3) **You forgot you have a personality.**

Are you a saver? Are you a spender? Your budget is unique. That's why you can't simply copy someone else's. It should match your personality and lifestyle. If you are the sort of person who enjoys shopping and has a casual attitude about money, then be sure to build a cushion into your discretionary spending category. If your budget includes other people, such as a spouse and children, you'll need to take into account all of their personalities as well.

### 4) **You aren't being honest with yourself.**

Once you commit to budgeting, you absolutely must keep track of every cent you spend... especially in the beginning. Until you have a realistic picture of your spending habits, you won't know how much of your income should be devoted to each budget category. The place where most people slip up is with their "discretionary" spending. You probably have your rent or mortgage memorized down to the last penny. It's likely your biggest bill each month, and paying it is required. But what about all those little purchases you make each day? A morning coffee, an afternoon snack, a trip to the movies with friends, or an impulse buy at Target. Discretionary spending accounts for all the stuff you don't need. It also accounts for all the stuff you are **LIKELY** to buy. Be honest with yourself. Keep good records of your spending the first few months you budget.

It will help you identify problem areas and work to correct them. You can print a copy of our spending log to begin the process. (<http://bit.ly/SOSSpendingLog> )

### 5) **You didn't pay yourself first.**

Saving for the future is an essential part of every budget. This can be hard when you're barely making ends meet. It requires discipline. It also requires you to think beyond your need for immediate gratification. We crave the "high of the buy." Spending money now can make us feel good in the short term, but in a few years, when we really want something big, the money won't be there. If you're still working when you're in your 80's, you'll regret not paying yourself first. Set aside room in your budget for saving and investing, no matter how small, and work on growing that category over time.



# TACKLING OVERSPENDING

With the holiday season behind us, many people are tightening their belts...or at least trying! We eat too much and spend too much, because December is a month of excess. January is when we crack down on all those bad habits and attempt to get our bellies and our budgets back in shape.

But overspending can be a year round problem. If you're struggling to control a leaky wallet, we're here to help. First things first, you need to keep a log of every single cent you spend. This may be painful, but it's absolutely necessary. Print our spending log (<http://bit.ly/SOSSpendingLog>) and start the process today. Make notes of all your purchases. You'll need to document the date, what you purchased, how much you spent, and whether that item is a want or a need.

So how can we tackle the temptation to spend? Budget with priorities in mind. After you have spent a few weeks keeping track of all your purchases with our spending log, go through it line by line and make note of the purchases you could have done without. Also, look for patterns of overspending. Are there small purchases you're making on a regular basis that are sabotaging your savings? You need to eliminate those purchases from your budget, and figuring out what truly makes you happy is a big part of that process.

What will really make me happy?

Some of us spend because we crave the "high of the buy." Getting something new feels good. But each financial decision requires us to consider trade-offs. A trade-off is what you give up as a result of choosing one option over another. Here's an example:



Mike missed going out for lunch with his coworkers. They had a good time and a great meal, but he's saving up for a date night with his wife. In order to take Jessica to dinner and a movie, he had to give up time with his friends. Spending time with his wife makes Mike happy. She is his priority.







# WHAT ARE MY VALUES AND GOALS?

If you're struggling with overspending, especially those impulse purchases, take some time to consider your priorities. What REALLY makes you happy?

Examine your values. Values are qualities or standards people consider worthwhile or desirable. Examples of values include:

- Adventure
- Community
- Economic Security
- Entertainment
- Faith
- Family
- Knowledge

You can improve your budget by identifying your values. Write down the values that matter to you, then the next time you look at your budget and spending log, see if you're putting money toward those values. Try the same exercise with your goals. Goals can be short- or long-term. Here are some examples:

- Opening a savings account and using it
- Building an emergency fund
- Saving for a family vacation
- Buying a home
- Saving for college
- Investing for retirement

Make a list of your goals, and compare those goals to your budget and spending log every month. Keeping your values and goals in mind can help you eliminate purchases from your budget and avoid spending temptations.

If you're still struggling with impulse purchases, try using some visual reminders. If a drive-thru coffee is your biggest vice, attach a picture of a beach to your car sun visor to remind you of the family vacation you're saving for. Place visual reminders of the stuff you REALLY want in places like your car, wallet, computer, and cubical wall. It will help you take pause before making a purchase. Sometimes that pause is all you need to walk away without spending.



# Top Investor Threats



## 1) Unregistered Products/Unlicensed Salesmen:

The offer of securities by an individual without a valid securities license should be a red alert for investors. Con artists also try to bypass stringent state registration requirements to pitch unregistered investments with a promise of "limited or no risk" and high returns.

## 2) Promissory Notes:

In an environment of low interest rates, the promise of high-interest-bearing promissory notes may be tempting to investors, especially seniors and others living on a fixed income. Promissory notes generally are used by companies to raise capital. Legitimate promissory notes are marketed almost exclusively to sophisticated or corporate investors with the resources to research thoroughly the companies issuing the notes and to determine whether the issuers have the capacity to pay the promised interest and principal. Most promissory notes must be registered as securities with the SEC and the states in which they are sold. Average investors should be cautious about offers of promissory notes with a duration of nine months or less, which in some circumstances do not require registration. Short-term notes that appear to be exempt from securities registration have been the source of most – but not all – of the fraudulent activity involving promissory notes identified by regulators.

## 3) Oil/Gas Investments:

Many oil and gas investment opportunities, while involving varying degrees of risks to the investor, are legitimate in their marketing and responsible in their operations. However, as in many other investment opportunities, it is not unusual for unscrupulous promoters to attempt to take advantage of investors by engaging in fraudulent practices. Fraudulent oil and gas deals frequently are structured with the limited partnership (or other legal entity) in one state, the operation and physical presence of the field in a second state, and the offerings made to prospective investors in states other than the initial two states. As a result, there is less chance of an investor dropping by a well site or a nonexistent company headquarters. Such a structure also makes it difficult for authorities and victims to identify and expose the fraud.



Each year, the North American Securities Administrators Association releases a list of the top investor threats. The list is determined by surveying NASAA members, including the office of the Indiana Secretary of State. It contains the five most problematic products, practices and schemes.



#### 4) Real estate-related Investments:

Troublesome real estate-related investments identified by securities regulators included non-traded real estate investment trusts (REITs), timeshare resales, and brokered mortgage notes. These types of products often carry higher risk. For example, non-traded REITs are sold directly to investors and are not traded on exchanges (as are conventional REITs). Non-traded REITs can be risky and have limited liquidity, which may make them unsuitable for certain investors.

#### 5) Ponzi Schemes:

The premise is simple: pay early investors with money raised from later investors. The only people certain to make money are the promoters who set the Ponzi in motion.

Before making any decisions with your money, ask questions, make sure you understand the risks, and contact the Indiana Secretary of State's office for detailed background information about those who sell securities or give investment advice, as well as about the products being offered. The Secretary of State's office can be reached at 317-232-6682 or through its website at [in.gov/sos](http://in.gov/sos).





# 5 SMART MOVES

## TO BEGIN PAYING OFF DEBT

by Cherie Lowe the “Queen of Free”

So you want to pay off all your debt in 2016? You're sick and tired of being sick and tired of having no money. That's awesome. I speak from the experience of being over \$127K in debt and knowing exactly what it feels like to be overwhelmed and paralyzed, not knowing where to begin. I truly believe there is hope for everyone's finances. To launch into what I would refer to as a debt slaying journey, you're going to need some tools and inspiration. On Queen of Free, I specialize serving up both on a regular basis. As you take your first steps into your quest, consider these smart moves.

### FREAKING OUT? STOP

Here's the deal. The pressure of not making enough money combined with an overwhelming debt load always leads to panic. And panic? No one makes a wise choice or a sound decision when they're caught up in that emotion. Oh how I wish I could tell you that paying off all of your debt will be as easy as snapping your fingers or wriggling your nose. By the way, if anyone convinces you it is that simple, RUN. It's more than likely a scam.



Cherie Lowe is an author, speaker and hope bringer. Her book *Slaying the Debt Dragon: How One Family Conquered Their Money Monster and Found an Inspired Happily Ever After* details her family's quest to eliminate over \$127K in debt in just under four years. As her alter ego the Queen of Free, Cherie provides offbeat money saving tips and debt slaying inspiration on a daily basis.



The first thing you need to do is to calm down and knock off the freak out. Yes, your situation is less than ideal. However, it is not the end of the world. So do whatever you need to do to clear your mind so you can focus on the task ahead of you. Strike a few yoga poses, take deep breaths, call a friend and chat for a few minutes. Once you've regained a clear perspective, then begin evaluating your situation. It's going to be OK and you can do this.



## GET YOUR JUNK TOGETHER

Look, it's awesome to build a vision board of places you'll go and things you'll do once you're debt free. And I believe in the power of words, but motivational posters or graphics pinned on Pinterest will get you only so far. You do need to endeavor in the challenging work of getting organized. If you've never set up a budget before, you must have one to pay off debt. Check out these tips on [How to Organize Your Monthly Finances](#) or print these **FREE** budget forms. Tackle these [5 Fifteen-Minute Missions to Organize Your Finances](#). It's time to pull on your big kid pants and face facts. You'll feel much better after you've put things in order.

## GO ALL GRANDMA ON YOUR HOUSEHOLD SYSTEMS

She bakes the best cookies and she probably is (or was) the smartest person you'll ever meet when it comes cooking, cleaning, and running a cost effective household. From making your own laundry detergent to planning your meals, it's time to go all old school on how you run your home. Granny hair might be on its way out, but it's never too late to put tried and true practices in your house. From grocery items you should always have on hand to make quick meals to maintaining your car well, the smartest consumers know that what's worked well in the past can still work now.

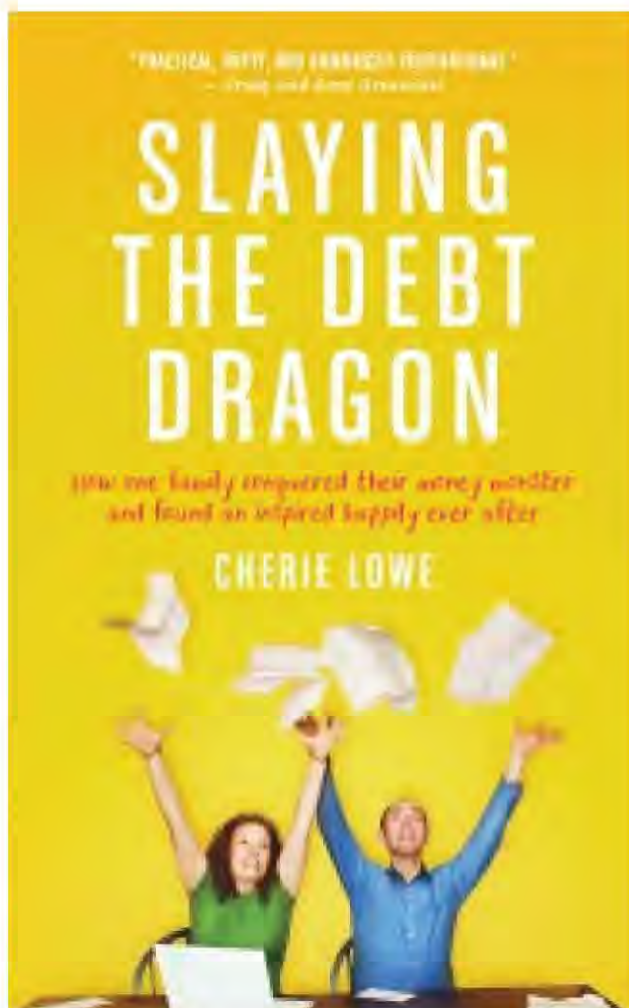
Take a Social Media Blackout

Way too many of us focus on what everyone else is doing and what everyone else has. The fear of missing out (FOMO) is an actual psychological disorder. Removing social media from your life, even just for a short period of time, can help you focus on gratitude instead of winding yourself out about what you don't have. If you don't see videos of that fabulous vacation your college roommate is taking or scroll through pictures of your neighbor out at a hot new restaurant, you won't know what you're missing. And that could be a very good thing for your finances.

## RESOURCE YOURSELF WELL

The best news I could give you is that there are hundreds and probably even thousands of people who are smarter than you and me put together. Why not learn from their wisdom. Head to your local library to check out personal finance books. See if your community center or local congregation is offering any courses about money management. There's no need to fight this battle alone or without a specific strategy. Gather the resources you need to kick debt in the teeth in 2016.

This can be your best year yet. Make smart choices for your money and you'll be surprised how quickly your debt dissipates.



For more information visit:  
<http://www.queenoffree.net/blog/>



# Indiana MoneyWise



Indiana MoneyWise is an educational program designed to increase financial literacy in Hoosiers while also providing information critical to avoiding investment fraud. Throughout the Indiana MoneyWise website and e-magazine you will find interactive learning tools and resources to teach you the skills needed to be both financially fit and a wise investor.

## CONTACT US!

Indiana Securities Division  
Kelly Griese  
Investor Education Coordinator  
302 West Washington Street, Room E-111  
Indianapolis, IN 46204  
1-800-233-3675

Read back issues of this magazine at [www.IndianaMoneyWise.com](http://www.IndianaMoneyWise.com).

Check us out on social media!

