

# PLANNING YOUR FINANCIAL FUTURE

## CÓMO PLANIFICAR SU FUTURO FINANCIERO

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Deborah Smith, a family child care provider, had a few minutes to review her records before the children started to arrive on Monday morning. She glanced at her contract. "Let's see," she thought to herself as she checked off the terms, "Two weeks paid vacation, 10 paid holidays, three weeks of paid sick time off, annual rate increase allowance. ...Yes, it looks in order." Next she listed her personal financial files: liability insurance, disability insurance, life insurance, health insurance, dental insurance, long-term care insurance. "I should make an appointment to see my financial planner next week to go over my retirement investments. I'll ask her if I should take advantage of the new SIMPLE retirement plan."

Does Deborah Smith really exist or is it just a dream? If it is a dream for you, what can you do to make it your own reality?

The family child care business has come a long way in the last two decades. Twenty years ago, most providers charged by the hour, not by the week. If parents didn't show up for one day, they didn't have to pay. Providers' fees were the same for all ages of children. There were few written contracts, no advance payment, no paid holidays or vacations and rarely did providers ever raise their rates. Most family child care providers did not see their work as a career.

Today, a lot has changed. More and more providers look upon their work as a business as well as an avocation. The early signs of professionalism are here: accreditation, written contracts, a few benefits, weekly payments, local family child care associations, and so on. These changes have come faster in some areas than in others. Although many more providers now see that they must take care of business as well as take care of children, the number of Deborah Smiths is still very, very small.

### Steps to Security

If you are a provider who wants more benefits and financial stability from your profession, then you must make it happen for yourself. Will we ever have classes for parents on how to pay their family child care provider on time, or how to give their providers a raise? No. However, not every provider wants the same financial

rewards for her work. Money isn't everything and caring for children is a valuable service that some providers do strictly because they love it. We should always recognize and appreciate that people are motivated for different reasons.

For those providers who are looking for help in improving their financial position, here is a seven-step guide to financial security:

1. Determine where you are financially
2. Set goals and priorities
3. Invest in yourself
4. Protect yourself, your family and your business against major losses
5. Borrow sparingly
6. Pay yourself first
7. Invest for the long run

### 1) Determine where you are financially

Many providers are afraid of money. We don't like to look closely at our money because we are afraid to learn that our finances may be in worse shape than we think. But the first step in taking control of our money is knowing where it goes. Prepare a list of all your assets and debts. Divide your monthly expenses into two categories: fixed and flexible. If you don't absolutely have to buy it each month, it's a flexible expense.

### 2) Set goals and priorities

Identify the most important short-and long-term goals in your life. Do you want to retire at age 60? Do you want to save money for your children's college education? Do you want to pay off your credit card bills? For each goal, set a timeline (short, medium and long term). Decide which goals you can achieve by setting a specific target for each year. You'll never reach your goal if you don't decide ahead of time what it is.

### 3) Invest in yourself

Your greatest asset is your own earning power. Keep it strong through training, professional development and personal growth. Pay attention to your health and emotional well-being. You should be enjoying your work. If not, find something else to do that makes you

*"The mission of Community Resources for Children is to provide resources for the early care and education of children in Napa County"*

happy. Learn about money management and retirement planning.

#### **4) Protect yourself, your family and your business against major losses**

One out of every eight providers will be disabled for 90 days or more before reaching age 65. Everyone should purchase disability insurance to protect against a significant loss of earning power. Insurance ensures that we can survive a major loss. Other types of necessary insurance are: liability, life, health, dental, and long-term care. When an emergency comes, you won't regret having too much insurance.

#### **5) Borrow sparingly**

Your goal should be to pay cash for everything except your house and a college education. If you can't pay cash for something, it probably means that you can't afford to buy it today. Start a saving plan for major purchases. Spend less each year than you make. Pay off all credit card debt. It is hard to follow through on a retirement plan if you are making high interest payments each month.

#### **6) Pay yourself first**

Go back to your list of fixed and flexible expenses under the first step. Once you have set a financial goal, set aside the money you want to save by treating it as a fixed expense. If you run out of money before the end of the month, cut from your flexible expenses.

#### **7) Invest for the long run**

There is no get rich quick scheme that works. Put aside regular, consistent savings to meet your long-term goals. Don't wait to invest for your retirement. Start today by taking small steps. The act of saving begets the habit of saving. Teach your children to save. Follow their example!

Achieving financial security is not easy. But we can take responsibility for our own financial futures. I believe that 20 years from today we will see many more family child care providers like Deborah Smith.

*By Tom Copeland*

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