

The Compass

Financial Newsletter



A Newsletter from Ellis Financial Group

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Budgets are for the Government—not me!

By Sandy Hunter
Administrative/Marketing Assistant



It seems that government reports are always a buzz with banter about the federal budget. Tax payers respond with heartburn and coffee shop talk about how irritated they are that the suits in Washington don't seem to understand the concept of instead of raising taxes to reduce spending. Government officials would rebuttal by pointing out the difficulty in that because every program is vital to citizens. If they cut them there will be an uprising and rioting in the streets. So they feel as though their hands are tied. I'd like to relate how you and big government are more alike than you may think. As we recently experienced a near government shut down due to this very topic I would like to not only touch on this topic but dig in autopsy style and have you take a detailed honest look at your finances, guide you through how to have "the talk", and demonstrate how to develop or update your budget.

Indulge Your Inter Sherlock Holmes

It is important to have an active budget in place. Without it you have no clear understanding of where you are, where you are going, and what your real resources are. You may be thinking, "I haven't bounced a check in years, clearly I am living within my budget." But budgeting is not just about making sure you don't bounce a check or your payments are made on time. Budgeting is at the heart of what we refer to as "behavioral finance" meaning having a greater understanding of the psychology of what you do with your money and how to control that behavior to optimize your opportunities. By so doing, you are able to control much of the emotion that influences your purchasing decisions. In order to do this you need to have a clear understanding of where your money is really going.

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Office Scuttle

We are happy to report that Marv Sr's wife LaRene is doing so much better. She completed the last of her 23 radiation treatments on March 30th. She tolerated them relatively well. They made her very tired so she slept a lot. The 6 different beams they pointed at her tumor only lasted from 6 to 15 seconds. It took longer drive for Marv to the treatments and to get her set on the radiation table than for the treatments

themselves. She has now had two chemo treatments of Navelbine which is a different chemo than what she received before which was Taxotere. She will receive three weekly Navelbine treatments and then a week off to recuperate. They have not said how long she will be on this regiment but we expect it will last for a number of months. She has reported that with both treatments she could feel a tingling feeling in her brain which is something she had not experienced before the radiation

treatments so we really feel the chemo and Herceptin is getting where they need to be. They will be doing another MRI in the next week to reevaluate the tumor.

LaRene is regaining more and more strength and independence every day. Her cognitive skills are also coming back. We thank you for your thoughts and prayers. They are noticed!

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ACTION: With your spouse visit www.ellisfinancialgroup.pro/budgetworksheet.xlsx and use our template as a guide to help you breakdown and see where your money is really going. It is important that you be honest about what you are spending. Yes, that \$20 trip to the spa or that extra soda at the gas station this morning counts! Pull out credit card statements too. They often have a detailed history of what you used your card for by category.

This may hurt a little bit, ok a lot! But if you have accounts, credit cards, or store accounts your spouse does not know about now it the time to come clean. In researching for this article I read a story about a woman who really enjoyed her spending. And when her husband tried to help reign her in, she just opened a card he didn't know about and had the statements shipped to a P.O. Box. Her husband found out when she couldn't pay for the P.O. Box anymore. She had accumulated over \$100,000 in credit card debt. She was blessed that they were able to slowly pay off the card and keep her family together. We know it is hard, but if you are having an affair with credit cards or other unhealthy spending habits, like any other addiction, it is time to come clean and get help.

"The Talk" You Can Do It, Really You Can!

If work worksheet gave you a C instead of the A you thought you were earning there are a few things you can do to put you back on the Honor Roll. They require sacrifice, but you know all great things are worth working for. But it is important you are not the only one who has to do the sacrificing.

ACTION: Review your budget with your spouse first. And ask yourselves if you were to lose your job tomorrow, what items would you cut from your budget? Would the first be the Direct

TV, the satellite radio in the car, the timeshare, or the eating out? It is important that you talk about what is really important to your sustainability. You need to be able to rationally decipher the difference between a want and a need. After you have your list. Ask yourself if you could do without them now? Could you be saving that money for more important things or spending on things that will bring you more happiness such as family outings, getting out of debt, college educations, etc?

Now it is time to bring in the children. Once you and your spouse have a clear vision of where you would like to go. Talk to your children and ask them to do the same thing. Although you are the ultimate voice in the decisions it is important to work as a family. You might find they are more willing to give up the extras then you think they are. And even if they are not, remember you are the parent. They might fight you for a while. If you want to remove something of entertainment value, generate ideas on how you can fill that void with something else (that doesn't cost anything or as much).

Company	Due	Minimum Pmt	Planned Pmt	Actual Pmt
Questar	1st	variable	\$80.00	\$95.00
Car Loan	5th	\$275	\$300	\$300
Master Card	10th	\$100	\$200	\$175
Roth IRA	25th	\$100	\$100	\$100

In economics there is a concept called "opportunity cost" which means that if you spend your money or time on one thing you have lost the possibility of spending it on all the other possibilities. This is a great way to help teach your children to make smarter money choices. If they spend that forty dollars on a pair of new jeans they are not going to wear anymore in three months, then they can't spend it on a car, on souvenirs on your next vacation, hair care, etc. You can take it a step further and

apply the concept of interest if you like and show how they will be spending all the interest they could have made as well. Are the jeans really worth everything else they could have bought?

Making It Work

At the beginning of this article if you found yourself thinking, "I have tried making a budget before and I just can't seem to stick to it" then I need you to really focus in here!

I too have felt that frustration and at times powerlessness. But the first step in your new movement toward more financial strength is to have confidence that you can do it! Because you can! I have found that simply making a list of where I plan on spending my paycheck is not sufficient because I still often found myself wondering where the money went and why there were still bills to pay but no money left. In the excel spreadsheet that I used to create my annual budget (yes, you need plan that far ahead) I put an extra column titled "actual" which helped make what I spent more accurate. See the example below:

This helped me see what was really happening. Another thing that has helped me is to create separate money market savings accounts in my bank for vacations and other large purchases. I enjoy being able to visually see where I am in relations to my goals. I also started pulling out the money for gas, food, and entertainment and keeping that cash in envelopes in my purse or at home. This helped me curb my extra food

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spending. Before I would budget for food and then use my card to buy fast food and things and then use the allotted amount in the grocery store as if the fast food didn't count toward the budget! This way I am more careful where I spend it because once the envelope is empty so is the fridge!

Conclusion

My sister once said something to me that hit hard and has stuck with me throughout a variety of situations in my life. She wisely counseled, "don't sacrifice what you really want, for what you want right now." I would pass on that same advice to you.

As you review your budget and decide

Don't sacrifice what you really want for what you want right now

how to cut spending and/or increase your income remember what your real goals are. Is it to enjoy satellite radio or to travel to Europe during retirement? Or to provide a \$15,000 wedding for your daughter or put that money toward her education? For most of us, we can't have it all. And that is ok. As we learn to prioritize what is really important to us and work hard for those things the fruits of that labor will be so much the sweeter.

Our 5 Basic Steps to building a Budget

By Melissa Ellis

Investment Executive

Step 1: Start Tracking

For at least one month, track all your expenses. You can use a program like Quicken, online websites such as Mint.com, or just an excel spreadsheet to help you with this. There are many options out there so find the one that works for you. Make sure to include large annual

expenses that don't happen during the current month you are tracking. Breaking it down into a monthly amount will make sure that you have enough set aside for when the expense does occur. In addition, make sure you break down your expenses into categories (i.e. food, dining out, cable, phone, mortgage, savings, etc).

Step 2: Start Adding

After you have tracked your expenses for at least one month, go back and add up to the total in each category to come up with an estimated amount of how much you might spend in this category each month. Look for categories that you may be able to cut back on or ones that you know might increase the next few months (i.e. upcoming vacations). The more months you do this the better history you will have of how much you are really spending which will be able to help you create a more accurate budget.

Step 3: Start Estimating

Now that you have tracked and added up your spending it is time to set limits on each of your categories. Use your spending history as a guide to help you set these amounts. For example if you spent \$100 in May, \$200 in April and \$120 in June for gas then average that out to \$140/month. Try using this amount going forward as your budget and track if you exceed it each month or not. If you do, then try adjusting your budget to reflect a more obtainable amount.

Many programs like Quicken and Mint.com allow you to track your spending in these different categories and compare it to what your budget goal is. This makes it easy each month to see where you need to cut back. Keep up the work each month. It may seem tedious but once you do it for a few months it gets easier. Estimating how much you will spend each month is crucial to your financial success. Also make sure that your estimates are helping you reach your goals whatever that might be—

an upcoming vacation, a child's education, or a future car purchase.

Step 4: Start Budgeting

The key now is to implement all of this hard work into a budget that works for you. Whether that be using an application on your phone, tracking it in an excel spreadsheet, or putting cash in separate envelopes each month find what works for you. Your budget will only be as good as you make it. Make sure that each month you continue to track all your expenses and then compare them to your estimated amounts. Setting as many things up on auto purchases or bill pays as you can to make it easier for you.

Step 5: Start Limiting

Finally, once you have tracked, added up and estimated your expenses for a few months then it is time to take a closer look. Make sure to look at those categories that you seem to be spending more than what you estimated. Determine if there is a way you can cut back or if you need to adjust your budget accordingly. Of course, there are many different ways to cut costs. Here are just a few examples derived from Quicken:

- Limit how often you eat out
- Use coupons for restaurants and groceries
- Use Free ATM's
- Avoid carrying a balance on your credit card
- Make fewer trips to the grocery store to limit impulse buys
- Bring your lunch to work instead of eating out
- Leave children at home when you grocery shop
- Adjust your W4 if you receiving a tax refund each year as that is money you could be putting in your pocket instead of the governments each paycheck.
- Reevaluate your cable use and perhaps cut back on some of the cable channels
- Shop around for gas prices

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(GasBuddy.com shows you prices at gas stations near you)

- Bundle your utilities
- Turn down your heat
- Use Compact Fluorescent bulbs in your home to save on your electric bill

Some of these may seem small but over time they definitely add up.

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.... that you can have a bank card with us and receive reward points?

Why not consolidate your investments accounts and bank accounts. Open up a Capital Access account with us today. See the enclosed brochure for more details.

Wonder where "Our View on the Markets" article is?

We are now putting our thoughts on the markets into a video on our website. Visit our website at www.ellisfinancialgroup.pro to view our Quarterly Economic and Market Update video each quarter.



We have consolidated all of our thoughts into a quick 10 minute video that will have you up to date in no time at all.

We also have a pdf version available if you would prefer. So check it out and let us know what you think!

Please join us for Tough Enough to Wear Pink Night

Last year, we decided to team up with the Days of 47 Rodeo and raise money for their Tough Enough to Wear Pink Night. We decided to make bandanas to sell that night and donate the proceeds to Huntsman Cancer Institute in honor of Marv Sr's wife and many others who have been battling cancer. We raised over \$8,500 last year and we are at it again this year to double that number. Join us on Tuesday, July 19th at the Maverick Center and purchase your pink bandana for \$1. With your purchase you will be entered to win a Montana Silversmith belt buckle. Tickets start at \$5 and can be purchased by visiting www.daysof47rodeo.com. We hope you will join in our fun and help raise money for a great cause. If you aren't able to attend donations are accepted by stopping by our office.



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Marv Sr. recently has had a check up on his cancer and all reports are good. He is glad to report he is healthy.

Marv Jr. was able to attend the Raymond James National Conference back in March and enjoyed the information he obtained. He has also been busy getting involved again in our charity of Tough Enough to Wear Pink night and hopes he can make it even

more of a success this year.

Sandy recently got married and enjoyed a honeymoon to San Diego. She planned, prepared and executed her wedding all by herself and all her guests thought it was a hit. She is now excited to get back in to our yearly fundraiser of Tough Enough to Wear Pink.

Melissa continues to adjust to working just two days in the office. Her little girl, Taylor, just turned 9 months old and is very active and crawling all over. Her

life outside the office currently consists of lots of continuous mom duties. When she isn't doing either of the above she has picked up a new hobby of sewing and has managed to keep herself busy with many different sewing projects. She also has begun the planning and anticipation of going back to Hawaii with her family on vacation in October.

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