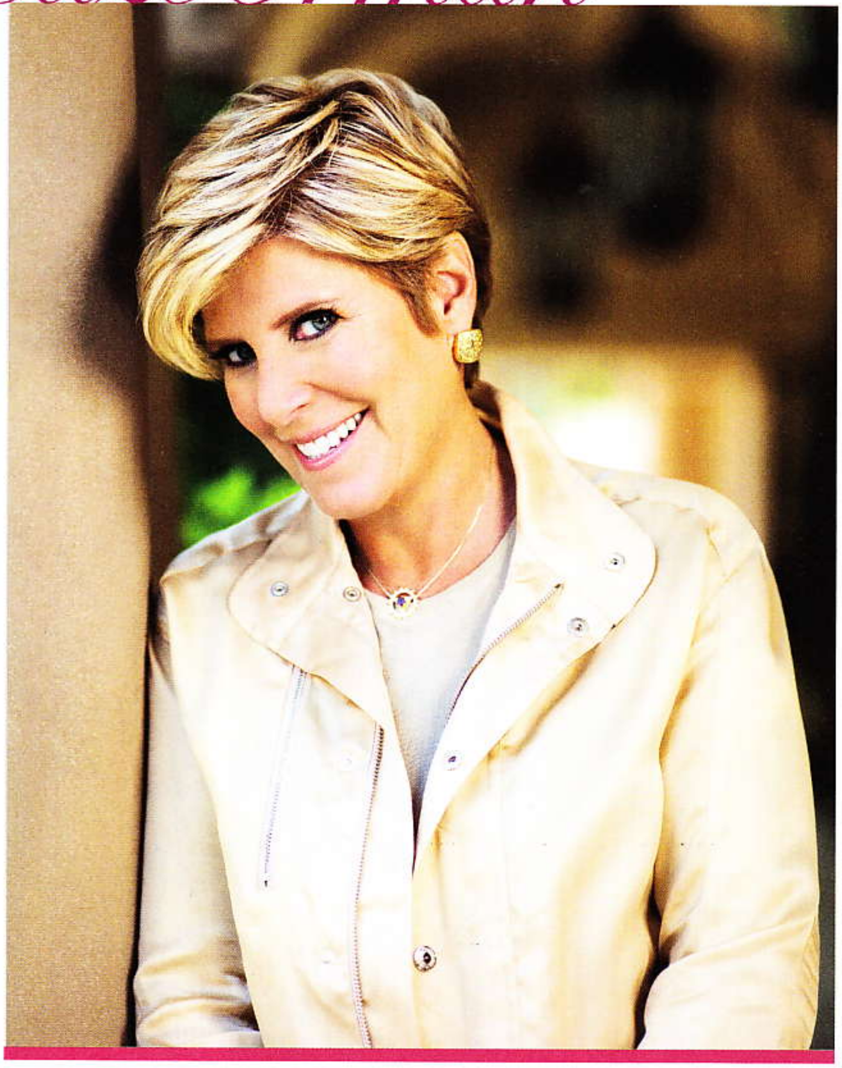

What's Your Financial Age?

How responsibly you handle money has nothing to do with your age. Suze invites you to pick up a pen and learn how financially mature you really are.

WE ALL KNOW that the way you treat your body can have a big impact on your health and longevity, regardless of the date of birth printed on your driver's license. The same is true when it comes to your money. If you think financial maturity is something that develops naturally as the years pass, it's time for a wake-up call.

Do you have the wisdom of a financial sage, or have you been impulsive and messy, like a financial toddler? To find out, let's take an honest look at your habits and beliefs. There's no sense in answering the way you think you should; the first step to growth is to stand tall in your truth.

Part One: How Strong Is Your Financial Foundation?

Answer yes or no to the following questions:

Do you have an eight-month emergency fund?
☐ YES ☐ NO

Do you have all four essential documents in place: a will, living revocable trust, durable power of attorney for healthcare, and financial power of attorney?
☐ YES ☐ NO

If your employer offers a matching contribution to a retirement plan, do you contribute enough to qualify for the maximum match? Or if you don't have matching contributions through work, are you contributing to your IRA?
☐ YES ☐ NO

In the past 12 months, have you paid every bill on time (and if you're in debt, are those payments high enough to help reduce your debt)?
☐ YES ☐ NO

In the past 12 months, have you used annualcredit report.com to obtain free credit reports from the three major credit bureaus, and confirmed that the information is correct and clear of any suspicious activity?
☐ YES ☐ NO

Part Two: What's Your Money Mentality?

1. When it comes to planning for retirement, where do you stand?

- **A** I know saving is important for my future, but I haven't started yet.
- **B** I'm saving as much as possible, but I don't know if I'm on track.
- **C** I've crunched the numbers to understand how much I will need to retire comfortably, and I know what I need to be saving today to have a good shot at meeting that goal. *(continued on page 68)*

PHOTOGRAPH BY ROBERT TRACHTENBERG

(continued from page 66)

2. Someone begs you to cosign a loan. You say yes:

- **A** If it's someone you really love and trust.
- **B** If you have enough extra savings to treat the loan as a gift, if it came to that.
- **C** If the borrower agrees to make automated payments and send you an electronic confirmation at least seven days before each due date.

3. Sally spends $100 a week on groceries. If inflation averages 3.5 percent a year for the next 20 years, how much will those groceries cost Sally in 20 years?

- **A** Math makes me wince, but I know it's more than $100.
- **B** $170.
- **C** Nearly $200.

4. Erica and James are in their 30s with one child and annual living expenses of $38,000. James is a stay-at-home dad, and Erica has a great job that pays $75,000 a year. She has a life insurance policy through work, with a death benefit equal to one year's salary. What size death benefit should they consider when purchasing additional life insurance?

- **A** 25 times their annual living expenses, or $950,000.
- **B** $950,000 on Erica's life and an additional policy on James's life as well.
- **C** They don't need to buy extra life insurance. The company policy is plenty.

5. What percentage of women who are 65 years old today will still be alive at 85?

- **A** 10 percent.
- **B** 25 percent.
- **C** 50 percent.

6. What would be considered a good FICO credit score?

- **A** I am not buying a home or a car, so I don't need to know this.
- **B** Anything above 700.
- **C** 740 or higher.

7. A friend has $20,000 in credit card debt and the interest rate is above 20 percent. Your advice is to:

- **A** Pay at least the minimum due each month, and scour the budget to see if she can curb spending and pay even a bit more.
- **B** Take a withdrawal from her 401(k) or IRA; paying off debt that carries such a superhigh interest rate is one of the few times it's okay to borrow against your future.
- **C** Contact the National Foundation for Credit Counseling (nfcc.org) to get professional advice on whether she qualifies for a debt management plan.

Answer Key

Scoring Part One

Give yourself two points for each time you answered yes: ______________

Any answer marked no should be transferred to the top of your financial to-do list. I promise that the minute you can earn a perfect 5 out of 5 in this section, you will get an immediate payoff: the calm and satisfaction of knowing you are in control of your financial life.

Scoring Part Two

Question 1

A: 0 points. The longer you wait to start saving for retirement, the harder it will be to have any shot at meeting your goals. Your financial immaturity now means you're not taking advantage of one of the best investment tools: time, and the power of compounding over many years.

B: 1 point. Good for you! I'm impressed you're saving as much as possible. Now do yourself a big favor and get a handle on whether you're on track to meet your goals. The free online Retirement Income Calculator at T. Rowe Price is a great resource (www3.troweprice.com/ric/ricweb/public/ric.do).

C: 2 points. Congratulations. Your retirement strategy rates an A+ in my book.

Question 2

A: 0 points. This is the equivalent of needing financial potty training! When you cosign a loan, you become legally responsible for repaying that debt—no matter what. This isn't about love or friendship. This is about protecting your bank account and your FICO credit score.

B: 2 points. This is the only scenario that truly makes the grade as far as I am concerned. You understand that the only money you can ever afford to lend is money you can afford to lose.

C: 1 point. Trying to build in a safeguard shows that you understand the risk you are taking. But safeguards won't mean much if the person you cosign with is suddenly injured or unemployed. Remember, it's your money and FICO credit score on the line.

Question 3

A. 0 points. We all have to be our own best financial adviser, and if you don't understand the impact inflation has on your family's finances, you're going to pay a steep price.

B. 1 point. Pretty good! While 3.5 percent times 20 years is indeed $70 in interest, you're missing one important factor: compounding. Each year the 3.5 percent interest is added to an increasingly larger balance, so over the full 20 years, the total rise in costs will be more than $170.

C. 2 points. Yep, the cost of living will nearly double in two decades if inflation averages 3.5 percent (which, by the way, it has, roughly, over the last 75 years). It's important to keep the impact of inflation in mind for retirement: Once you stop working, your portfolio would need to earn an average of 3.5 percent a year just to allow you to maintain your current standard of living.

Question 4

A: 1 point. You've been paying attention. My advice is to buy a term life policy with a death benefit equal to 25 times the family's annual living costs (SelectQuote and AccuQuote are two good online resources). But with this answer, you've prepared for only one death. What happens if James dies prematurely?

B: 2 points. Excellent choice. All families need to think through what the added expenses would be if the stay-at-home parent were to die prematurely. Add those costs to the current annual living expenses, and the death benefit should be 25 times that new number.

C: 0 points. That will barely cover two years of James's living *(continued on page 71)*

May We Help You?

(continued from page 68) expenses. And how would Erica cover childcare if James were to die? The policy through work is woefully inadequate.

Question 5

A: 0 points.

B: 1 point. Close, but you're still underestimating our average longevity.

C: 2 points. Right! This statistic should give you serious pause about planning for early retirement. If you stop work in your 50s, you may need your retirement savings (along with Social Security and any pensions) to support you for 30-plus years. That is asking a lot.

Question 6

A: 0 points. Are you kidding me? Your FICO credit score isn't just about purchases and loans. A version of your credit score is usually used to determine your car insurance rates. Cell phone companies may require you to leave a fat deposit if you have a low FICO score. And if you're a renter, landlords may check your credit score to help determine whether you'd be a responsible tenant—and they can legally deny your rental application if they don't think your score measures up.

B: 1 point. A score of 700-plus is mighty fine, but since the financial crisis hit, the bar for what's considered a good credit score has gone up.

C: 2 points. You're speaking my language. A FICO score between 740 and 850 is considered the gold standard.

Question 7

A: 1 point. You understand the importance of making timely payments (which accounts for 35 percent of your FICO credit score), and it's smart to do everything possible to boost the payment above the minimum.

B: 0 points. It never makes sense to touch your retirement savings to pay off an unsecured debt.

C: 2 points. Sometimes the smartest way forward is to ask for help, and the counselors at the NFCC are a tremendous resource for people struggling with debt. In many cases, they can help consumers enroll in a debt-management plan administered by an NFCC counselor that helps settle debts within a five-year time frame.

So What's Your Financial Age?

If you scored 16 points or fewer, you're a...*financial toddler.*

Your lack of money smarts has a direct impact on your quality of life, and you deserve better. You may feel impulsive with your spending, bored to tears by budgets and planning spreadsheets, or overwhelmed at the mere thought of trying to understand your finances, but that's no excuse. No one can expect that ignoring a problem will make it better, and financial immaturity will eventually spell disaster—if it hasn't already. Go back and look closely at any questions where you scored zero points. What can you do to learn from those responses? This is your money, and now is the time to be a grown-up about it.

If you scored 17 to 20 points, you're a...*financial adult.*

Honestly, you are doing a pretty great job. You have a firm grasp on your finances and are planning for the future. Good work. But you're so close to a perfect score that I hope you'll study up on the one or two questions you didn't nail. Have you been putting off making your will or checking your credit score? Do you waver when a close friend asks for a loan and you know you can't afford to help out? Identifying your weak spots and working to strengthen them will make you even wiser. And we both know how fabulous that will feel.

If you scored 21 to 24 points, you're a...*financial sage.*

You are approved! Take a minute to applaud the effort and education you've invested to be fully present in your finances. My one request: If there are people in your life who could benefit from your wisdom, make a gentle move to share what you know with them. If they're open to help, a bit of financial guidance can be a gift that will pay off for everyone. ■

Suze Orman's latest book is The Money Class: How to Stand in Your Truth and Build the Future You Deserve *(Spiegel & Grau). To ask Suze a question, go to oprah.com/omagazine_talk.*