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Trust & Investment Services

BankFinancial Newsletter
Planning Your Financial Future

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Investing in Yourself for a Change

Retirement. College. An emergency fund. A new home or home improvement project. Check, check, check, and check. If you've been saving faithfully each month for some or all of these things, you might feel that you're on a never-ending financial treadmill. It takes discipline, perseverance, and sacrifice to maintain a robust savings effort month after month, all while meeting your day-to-day financial obligations.

But with such planning and focus, it's possible to get into a rut of always saving for the future with nothing left for today. If so, it might be time to take a step back and focus on the present. If you can't remember the last time you felt energized or inspired in your daily life, consider investing in a new asset: yourself. Focusing on yourself from time to time might just give you the extra motivation you need to stick with your long-term savings plan. Think of it as seeing the trees instead of the forest for a change.

If you find yourself with a small windfall from a tax refund, bonus, flexible spending account reimbursement, or simply a cut in discretionary spending, here are some ideas for spending it.

Focus on your health and well-being

Are you feeling sluggish or stressed out? Having trouble sleeping? Watching the pounds creep on little by little each year? It might be time to focus on your health and well-being. Staying active is critical to maintaining good physical and mental health. Regular exercise can help control your weight; prevent disease; improve your mood, sleep, and energy levels; and generally make it easier for you to tackle all the things — financial and otherwise — on your plate each day.

To get on the health track, you could join a gym; work with a personal trainer or nutritionist; or sign up for a yoga, weight, or other fitness class. Or start on your own personal fitness path by purchasing home exercise equipment and workout gear for training trips around the block or a 5K.

Sore muscles? Chronic backache? Neck pain from working at a computer all day? Maybe it's time to see a physical therapist and invest in an ergonomic office chair, a stand-up desk, or a new bed and pillows.

What about your diet? Do your eating habits need improvement? Consider investing in some new kitchen equipment/appliances, cookbooks, a food delivery service, or even a cooking class so you can try new recipes and discover healthy dishes you enjoy.

Along with better physical health, maybe you could benefit from some inner peace and quiet, too. Consider creating a meditation spot inside or outside your home where you can go to relax and reflect on your day: a bench under a favorite tree, a new chair next to the fireplace, or a small desk near a window.

Expand your horizons, literally and figuratively

Do you feel as though you're living the same day over and over again? Doing something outside your normal routine can shake out the cobwebs and give you fresh inspiration and a new perspective. Possibilities include taking a trip to a new destination, participating in a short volunteer vacation, enrolling in an adult education class, or getting involved in a new project or hobby and seeing how much fun a creative outlet can be. You don't have to limit yourself to one!

Get up-to-date

Still sporting clothes, eyeglasses, or a hairstyle from your younger days? Carrying a worn briefcase or bag to work every day? Trying to accomplish tasks on an old laptop? Maybe it's time to update your wardrobe and accessories.

About Financial Ratios

Financial ratios are an important tool in any business owner's toolbox. There are four categories of financial ratios:

- Liquidity: Assess your organization's ability to meet its obligations in the short term
- Profitability: Measure how profitable your organization is
- Activity: Measure how effectively your organization manages its assets
- Leverage: Assess whether debt levels are appropriate

When you have many financial obligations, it's easy to put yourself last. But occasionally, it's important to put yourself first. In addition to the immediate benefits, investing in your health and interests might pay off in the future in the form of lower health-care costs, a wider social network of friends, fulfilling hobbies, and a new perspective on life.

Key Financial Ratios for Small-Business Owners

Financial ratios are an important tool in any business owner's toolbox. Used to measure a business's condition and performance, financial ratios help you evaluate your organization's financial status and rate of success. They are also used by those evaluating your business for potential investment or lending opportunities.

Generally speaking, there are four categories of financial ratios: liquidity, profitability, activity, and leverage. Your balance sheet and income statement will help you calculate the ratios within each category.

Liquidity

Liquidity ratios assess your organization's ability to meet its obligations in the short term. Put simply, liquidity measures your firm's ability to pay its bills.

Current ratio: This measures the amount of debt relative to total assets (total assets divided by total liabilities). A current ratio of at least 1 (ideally, greater) indicates your business has enough assets to cover its current obligations.

Acid test or quick ratio: This ratio measures your organization's ability to pay its current obligations with accessible assets. In other words, it helps you assess its "cash position." The calculation is (cash and cash alternatives plus marketable securities plus accounts receivable) divided by current liabilities. The higher the ratio, the stronger its position. A low ratio could indicate a potential cash crunch.

Profitability

These ratios help measure how profitable your organization is.

Gross profit margin: This ratio determines how much remains after accounting for the cost of goods sold (COGS) to pay for expenses, taxes, interest, etc. It is calculated by dividing gross profit by sales. (Gross profit equals sales minus COGS.)

Net profit margin: Net profit allows you to gauge how well your company is performing per dollar of revenue. It is calculated by dividing net income (income after expenses) by net revenue (revenue after adjusting for discounts and refunds). While growing revenue year over year can be impressive, growing revenue alongside a growing net profit margin demonstrates strong overall management.

Return on assets: Calculated by dividing net income by average total assets, this ratio shows the organization's ability to generate income relative to overall assets. Therefore, it helps gauge management effectiveness in putting those assets to use. (To calculate average total assets, add the total assets at the beginning and end of the year and divide by two.)

Activity

Also known as efficiency ratios, activity ratios measure how effectively your organization manages its assets.

Accounts receivable turnover ratio: This ratio is used to evaluate the quality of receivables and to help determine how successful your organization is in collecting outstanding payments. It is determined by dividing net sales by average receivables outstanding over a given time period. (Average receivables outstanding is calculated by adding the beginning and ending balances of accounts receivables over a period of time and dividing by two.)

See disclaimer on final page

Stay one step ahead

Before you donate to a crowdsourcing campaign, help protect yourself from being scammed by following these tips.

- Check the campaign creator's credibility
- Research the crowdsourcing platform
- Consider the timing of the campaign

Inventory turnover ratio: This ratio can help determine whether your company is efficiently managing inventory. It is calculated by dividing the COGS by the average inventory (the average of the beginning and ending inventories over a period of time). A high ratio may indicate that inventory typically runs low and may present a risk of "selling out." By contrast, a low ratio may indicate that product is overstocked or not moving well for a particular reason that might warrant further investigation.

Leverage

Also known as debt, coverage, or solvency ratios, leverage ratios can help assess whether debt levels are appropriate.

Debt to asset ratio: This ratio measures the percentage of assets that is financed with debt, rather than equity. The calculation is total debt divided by total assets.

Debt to equity ratio: This ratio compares an organization's total debt to its total equity. The calculation is total liabilities divided by total equity. A high ratio may indicate a business has assumed a great deal of risk.

Understand your industry's benchmarks

Before evaluating your organization's financial ratios, it may be helpful to understand ratio benchmarks within your industry. What may seem like a high or low ratio on its own may actually be in line with other, similar operations in your field.

How can I tell if a Crowdsourcing Campaign is a scam?

Crowdsourcing can be an effective way to raise funds for a variety of causes, but it's also a great opportunity for scam artists to take advantage of your goodwill. Before you donate to a crowdsourcing campaign, help protect yourself from being scammed by following these tips.

Check the campaign creator's credibility. If you don't personally know the campaign creator, it might be worth your time to review his or her social media profiles. This should be easy to do, since most crowdsourcing platforms link social media accounts to campaigns. When you visit a profile, look for red flags. Does the profile seem new? Does the campaign creator have friends or followers listed on the profile? Does the campaign creator have just one social media account? Does the profile seem active or old/unused? Answering "yes" to any of these questions should cause you to question the legitimacy of a crowdsourcing campaign.

Research the crowdsourcing platform. Many different crowdsourcing platforms exist, from the well-established to the startups with no track record. Review a platform's terms and policies before you donate to one of its crowdsourcing campaigns. Find out how long it's been in business and whether it evaluates or checks out campaign creators. Determine whether the platform will refund money or take responsibility for a crowdsourcing campaign scam. Remember to look for the secure lock symbol and the letters https: in the address bar of your Internet browser — this indicates that you're navigating to a legitimate web address.

Consider the timing of the campaign. Be wary of campaigns that are created after national disasters. It's unfortunate, but scam artists often exploit tragedies to appeal to your sense of generosity. In the case of disaster relief, bear in mind that it's probably safer to donate money to established nonprofit organizations with proven track records than to a crowdsourcing campaign.

If you've been defrauded or suspect fraudulent activity, report your experience to the crowdsourcing platform. You can also file a complaint with the Federal Trade Commission (FTC).

Can a flexible work schedule help you stay in the workforce after having children?

Yes, it just might be the key. Your job is the foundation for general financial security, including retirement. In addition to providing you with a steady salary and valuable employee benefits, it typically brings with it the ability to save in a tax-advantaged employer-sponsored retirement plan like a 401(k), and if you're lucky, a pension. It also allows you to start qualifying for Social Security retirement benefits.

Women and men may start out on relatively equal financial footing in their 20s. But when children come along, women are much more likely to take time out of the workforce to care for them.[1] A common refrain is "my salary would just go to daycare costs anyway, so what's the point?" This is often true. But it's really not fair for one parent to assume sole responsibility for child-care costs; it is a shared financial responsibility that both parents should take on.

Many women want to keep at least one foot in the workforce after having children, not only for financial reasons but also for career mobility and personal fulfillment. If you'd like to keep working but can't accommodate the traditional, 40-hour-per-week, in-office schedule, consider requesting a modified schedule if your job allows it. This could mean telecommuting from home one or more days per week, having a flexible work schedule (such as 11 a.m. to 7 p.m.), working part-time, or some combination thereof. In many cases, a flexible work arrangement can be the difference between staying in the workforce or having to leave it, so consider exploring this possibility before you exit prematurely.

Think about what your ideal work arrangement would be and request a meeting with your manager to discuss your well-thought-out proposal. This plan should include a trial period after which both sides can come back to the table and evaluate how things are working. Employers are increasingly recognizing that flexible schedules are key to having a diverse, gender-neutral workforce. In the end, asking for a flexible schedule might just allow you to keep that steady salary and continue saving for retirement.

1) U.S. Department of Labor Blog, Women and Retirement Savings, March 2017

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