FINANCIAL TOOLS

with step-by-step instructions

Build a solid financial future.

Understanding your current financial situation is the first step to maintaining financial security.

To help you succeed, Red River Bank has created a set of Financial Tools. They are designed to promote healthy and practical money management skills. With these tools and a little self-discipline, you can be on your way to better money management and financial well-being.

You have the power right in your hands to build a solid financial future and Red River Bank is here to help.

Red River Bank Financial Tools with step-by-step instructions.

It starts with a plan and builds from there. We've identified six areas of finance that most impact your life. By understanding and applying these tools, you'll change the way you look at money for the better. Let's get started.

Establish goals.

Create a budget.

Start saving.

Conserve it.

Understand credit.

Teach your children.

RED RIVER BANK

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1) Establish goals.

When you think about your future and what you want to achieve, it's helpful to establish goals. A goal is a very specific result you intend to work toward. When you are realistic about your goals, it's easier to achieve them.

A realistic goal is SMART.

Specific: Smart goals are specific enough to suggest action.

Measurable: You need to know when you have achieved your goal, or how close you are.

Attainable: The steps toward reaching your goal need to be reasonable and possible.

Relevant: The goal needs to make sense as part of your life situation. You don't want to struggle or work toward a goal that doesn't fit your plan.

Time-Related: Set a definite target date for completion.

Establishing savings goals.

For long-term goals, such as saving for a home or retirement, you may also want to consider investments which may offer higher rates of return. Some common investments are bonds, mutual funds, real estate, and stocks. When considering these types of investments, it's important to remember that savings accounts with banks are protected up to at least $250,000 by the Federal Deposit Insurance Corporation (FDIC) while bonds, mutual funds, real estate, and stocks are not FDIC insured. For more information on investments, call our investment specialists at (318) 561-4094 in Alexandria, (225) 928-8282 in Baton Rouge or (318) 675-2995 in the Shreveport/Bossier City area. Whether you have short-term or long-term goals, it's important to make plans and save regularly. Your Red River Bank personal banker can help you make choices that are right for you and answer specific questions about the accounts that are available. Once you get started on a regular savings plan, you'll be able to watch your money grow and your dreams come true!

See attached Goal Worksheet to get started on your goals.

Click here to use our online Savings/Goals Calculator

Financial Goals Worksheet

Date: / /

Tip: *Revise your goals 4 times a year*

Your financial goals are specific things you want to do with your money within a certain time period. Short-range goals are accomplished within one year, mid-range goals are accomplished within 2 to 5 years, and long-range goals generally take more than 5 years to achieve. Use this worksheet to help set your goals.

	Target Date	Target Needed	Current Savings	Additional Savings Needed	Pay Periods Until Target Date	Savings Needed Per Pay Period	Savings Needed Per Month
Short Range Goals Ex: Christmas	Nov. 1st	$1,000	$200	$800	18	$44.44	$88.88
Mid Range Goals							
Long Range Goals							

2) Create a budget.

Now you 're ready to take the next step toward reaching your financial goals - learning how to make a budget and how to stick to it. All it takes is a plan and some self-discipline.

Budgets are designed to help you:

- Live within your income
- Spend your money wisely
- Reach your financial goals
- Prepare for financial emergencies
- Develop wise money management habits
- Decrease stress

Getting started.

The first thing you need to do when making a budget is to determine the amount of money you have to work with. How much income do you currently have and how much are your expenses?

To make this task easier, it might be helpful to make a budget worksheet. (see next page)

1. Begin by listing all of your current sources of income (be sure to include as much information as you can). Don't forget to subtract taxes and other deductions.

2. Next, list your current expenses. Don't leave anything out no matter how small it may seem. Some expenses (like utility bills) will change throughout the year, so use a monthly average. Some typical expense categories are housing, utilities, food, personal care, transportation, health, loan payments, credit card payments, and recreation and miscellaneous – (charity, education, gifts, pets, etc.). Including all of your expenses is very important in helping you understand where you currently spend your money.

3. Subtract your total monthly expenses from your total monthly income. Are they less, equal or more?

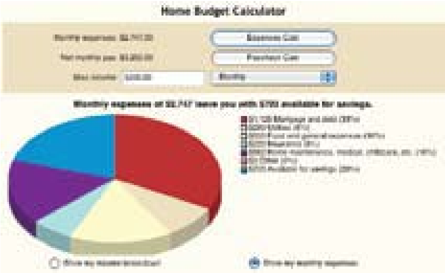
The moment of truth.

Are your expenses less than your income? That's great! If you don't already have a savings plan, you should consider beginning one now so that your money can work for you.

Are the amounts equal, but only because you use credit? Are you making ends meet because you're regularly using credit for what you need and want? If that's the case, you may want to look at how you use credit and learn to borrow only what you need and what you can afford to repay.

Are your expenses more than your income? If so, you'll need to cut your expenses.

See attached Budget Worksheet.



Click here to use our online
Home Budget Analysis Calculator

Budget Builder Worksheet

Date: / /

Tip: *Revise your budget 4 times a year*

1 Total Monthly Income (after taxes) .... ______

2 Housing Expenses
Rent or Mortgage........................ ______
Utilities (Cable, Water, Electricity, Gas)............ ______
Telephone........................ ______
Insurance........................ ______
Repairs........................ ______
Taxes........................ ______
Car Expenses
Loan Payment(s)........................ ______
Fuel........................ ______
Insurance........................ ______
Maintenance & Repairs........................ ______
Debts
Creditor #1........................ ______
Creditor #2........................ ______
Creditor #3........................ ______
Creditor #4........................ ______
(Figure more if needed)
Miscellaneous
Charity........................ ______
Groceries........................ ______
Dining/Entertainment........................ ______
Childcare........................ ______
School Tuition/Supplies........................ ______
Medical Bills/Copays........................ ______
Prescriptions........................ ______
Pet Supplies & Exams........................ ______
Cell Phones........................ ______
Subscriptions........................ ______
Clothing........................ ______
Personal Care........................ ______
Cash........................ ______
Other........................ ______

Monthly Expense Subtotals
Housing........................ ______
Car Expense........................ ______
Debts........................ ______
Miscellaneous........................ ______

TOTAL MONTHLY Expenses........................ ______

3 Monthly Net "Spendable Income".......... ______
(Minus) Monthly Expenses........................ ______

TOTAL SURPLUS OR SHORTAGE.............. ______

Making Decisions.

After completing a budget worksheet, you'll be able to see how and where you're currently spending your money. You can then use this information to help you make some decisions. Is there a way you can increase your income, at least temporarily? Can you decrease your expenses by cutting out some and cutting back others? As you make these important decisions, keep in mind that it's usually easier to cut back on expenses than to increase income.

Now, go back and make a revised budget that will bring your personal finances into balance. After you've completed your revised budget and your expenses are less than your income, it's time to consider beginning a regular savings and investing program.

3) Start saving.

There are many reasons to save, ranging from a new wardrobe, a down payment on a house, to a college education or a comfortable retirement. How much you need to save is determined by how much you already have, the cost of what you want, and how long you're willing to save.

Here are a few guidelines on how much to save.

The general rule of thumb is to have at least two months income in savings to cover your household expenses or any unexpected emergencies. Another rule suggests that you save 10 percent of your income for emergencies and retirement. It might help to save if you think about your savings account as a safety net that's ready to catch you in case you encounter unexpected financial hardships such as the loss of your job.

Another way to look at saving money is to follow the "pay yourself first" rule. This means that when you're making out your budget, take a certain percentage of your paycheck and put it in your savings account before you decide how much you need to pay your bills. That way, when it comes to the end of the month, you won't find there's nothing left to save. And more importantly, you'll be growing richer each month!

Key components of savings accounts.

Savings accounts offer different levels of safety, liquidity and rate of return (interest), depending on the types of accounts you choose. You can make the best choices on which types of savings accounts may be right for you and your money when you understand these terms.

Safety means knowing that you'll always get back at least what you put into the account, no matter what happens. Liquidity means you can convert your savings (Plus interest earned), into cash without any significant delay. Return (also called rate of return or interest rate) is the money you earn on your savings, and is almost always related to the degree of risk associated with a particular account.

Your personal banker can be a helpful advisor when it comes to deciding which type of savings account is best for you.

General types of savings accounts:

- Basic Savings Account

This is a good first choice when you begin saving. While the interest rate you receive may not be as high as other types of savings accounts, your money is easily and quickly available in this type of account.

- Dreambuilder Savings (See attached)

- Money Market Account

This is a good choice when you're saving for the short-term, such as for a vacation or to purchase a car. Compared to a basic savings account, it usually requires a higher minimum deposit and minimum balance and may have a higher interest rate. It normally includes check writing privileges.

- Certificate of Deposit (CD)

A CD is a good choice if you have a sum of money on hand and you won't need the money for a certain period of time. This type of account offers the opportunity to save a specific amount of money for a specific amount of time, such as six months, one year, five years or ten years. Because you agree to pay a penalty fee charged by the bank if you decide to withdraw your money before the end of the specified time period interest rates will normally be higher than for a basic savings or money market account.

Click here to use our online Savings/Goals Calculator

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Save with Dreambuilder.

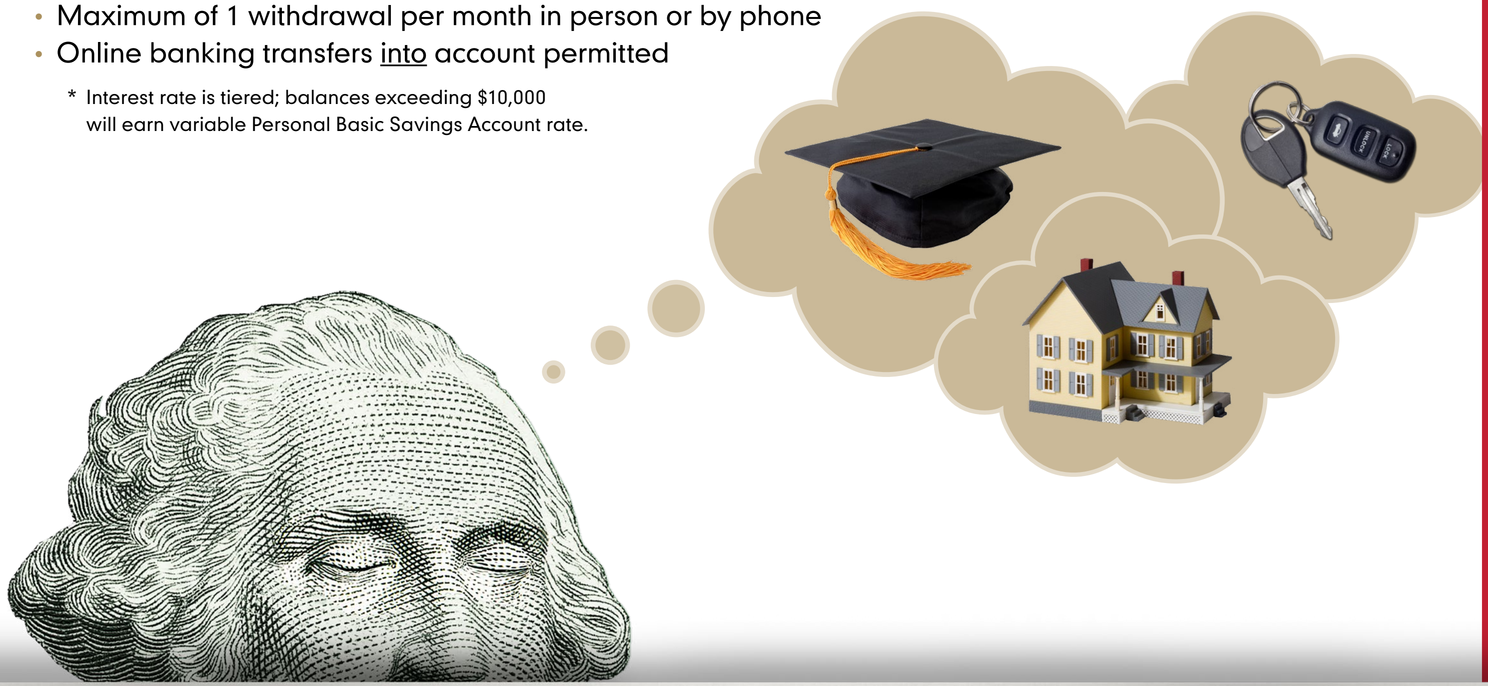
This account makes it easier than ever to set—and reach—a goal beginning with as little as one dollar. Monthly automatic transfers are set up from your checking account to earn interest and build your dream.

1) Establish goals. 2) Create a budget. **3) Start saving.** 4) Conserve it. 5) Understand credit. 6) Teach your children.

Product Details

- Minimum opening deposit $1.00
- Maximum opening deposit $1,000
- Maximum balance $10,000*
- Monthly automatic transfer of at least $10 from checking account is required
- Interest credited and compounded monthly
- Interest rate is variable and determined by Red River Bank
- Monthly combined statement with checking account
- Maximum of 1 withdrawal per month in person or by phone
- Online banking transfers <u>into</u> account permitted

* Interest rate is tiered; balances exceeding $10,000 will earn variable Personal Basic Savings Account rate.



What does your money dream about?

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4) Conserve it.

We as consumers are constantly pressured to buy now. It's easy to get caught up in the moment and make unnecessary purchases. To keep more money in your pocket, you have to think more conservatively in terms of spending. Here are several steps you can take to accomplish this;

Pay with cash.

Pocket that plastic. Paying with cash whenever possible helps you spend less than if you had charged the purchase. You'll avoid credit card interest charges.

Do your research.

When you choose to apply for a credit card, shop carefully. Watch out for "teaser" rates that offer low rates initially but increase dramatically soon after.

Pay off debt.

Get rid of debt by attacking the balance with the highest interest rate first. Pay double, or triple, the minimum payment required. Continue paying your bills even in times of financial distress; any late payment may affect your credit score.

Make every dollar count.

Above all, you must distinguish between your "wants" and your "needs." By thinking about where you spend money, you can save and buy the things that are important to you.

Click here to use our online Personal Debit Consolidation Calculator

5) Understand credit.

We as consumers are constantly pressured to buy now. It's easy to get caught up in the moment and make unnecessary purchases. To keep more money in your pocket, you have to think more conservatively in terms of spending. Here are several steps you can take to accomplish this;

1) Establish goals. 2) Create a budget. 3) Start saving. 4) Conserve it. 5) Understand credit. 6) Teach your children.

Applying for credit.

When you apply for credit, a lender typically will require evidence about your character (including confirmation of your employment and proof that you regularly pay your rent or mortgage payments), collateral (something of value that you own that can back up the amount you are borrowing), capacity (proof that you can repay the amount of the original loan), and credit (the amount of credit you already have outstanding and your history of timely payments).

Understand credit.

Establishing and maintaining a good credit score is critical for securing loans and lines of credit. Pay all bills on time. Safeguard your identity from financial predators. Keep an eye on your debt-to-income ratio it should not exceed 38% as calculated below.

$$\frac{\text{Payments on Debt}}{\text{Income}} = \text{DTI (Debt to Income Ratio)}$$

Types of credit.

Secured credit is protected and backed by the value of your property (collateral). This means that if you fail to repay a secured loan, the lender has the right to possess and sell the collateral to recover what is owed. Because the lender is protected this type of loan usually carries a lower interest rate than unsecured credit. Some examples of secured loans are automobile loans, mortgage loans, home equity loans and loans secured by your CD or savings.

Unsecured credit is not backed by collateral. Because the risk to the lender is higher, the interest rate is usually higher than the rate for a secured loan. The most common type of unsecured credit is a credit card.

Your credit score.

A credit score (sometimes called a credit rating or a FICO score) is a number based on information in your credit file that predicts how likely you are to pay a loan back on time. The higher your score, the less risk there is that you might default on a loan.

There are three major credit bureaus (Experian, Equifax and TransUnion) which write up your credit report based on information they receive about you from companies that have given them your credit history, the types of credit you have, and the amounts you owe.

Your credit score – a number from 300 to a perfect 850 – is a quick way for lenders to assess how likely you are to make your credit payments on time. You're more likely to get their best available rates the higher your score.

Ways to improve your credit score:

- Pay your bills on time.
- Keep balances low on credit cards.
- Pay off debt rather than moving it between credit cards.
- Apply for and open new credit accounts only when you need them.
- Check your credit report annually for accuracy by visiting www.annualcreditreport.com. Contact the creditor and credit-reporting agency to correct any errors.
- If you have missed payments, get current, and stay current.

6) Teach your children.

Nope. Money doesn't grow on trees. Teaching your children good financial habits should begin at an early age. Educate your kids on the importance of saving and how money grows over time. Talk to them about how a check works and where the money goes. Help them get a head start by sharing what you know. Ask about our conveniently located coin machines.

Quick tips to help your kid save money.

1) Give your child a piggy bank.
Suggest he/she saves for something special like paying for holiday gifts or a trip.

2) Start allowance early.
A child as young as four can begin to receive an allowance and learn to save.

3) Encourage philanthropy.
Have your child pick a charity based on his/her favorite animal or activity. Set up a jar where they can put extra change or the occasional dollar bill. At a future date, take the child to donate the money and see the result of their contribution.

4) Start a college savings plan.
It is never too early to begin saving and planning for a child's education. Discuss your options with your Red River Bank personal banker.

Plan a visit to the bank.

With the convenience of online-banking, mobile banking, drive-thrus and ATMs, some busy adults rarely go into their local bank. Convenience is great, but do the young children in your life know how the ATM actually works - that it isn't just money coming out of a machine on the wall?

Bank branch hours are becoming more convenient, with many banks offering late evening or weekend hours.

The next time you have a deposit to make or a check to cash, take the opportunity to go into the bank and show your child around. Many bank employees would be happy to take you and your child on a tour – you might even get to see the vault!

If the young child in your life doesn't have a savings account yet, consider opening one for him/her and explain where that $25 check from Aunt Betty or Grandpa Joe is going. The banker who opens the child's new account can also be helpful in sharing this lesson.

Discuss a long-term savings goal the child can work toward, and schedule regular visits to deposit money from gifts or allowance. Establishing a comfortable relationship with a bank early will help your young child down the road when he/she decides to open a checking account or apply for a loan.

Resources.

There are many online resources parents can go to for ideas and activities for teaching their child about financial literacy, including:

- www.MyMoneyManagement.net
- www.HandsOnBanking.com
- www.practicalmoneyskills.com