RFM Financial Solutions, LLC

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Personal finance ratios

There are seemingly countless ways to measure financial health for both individuals and corporations. In earnings reports, companies use complicated calculations and ratios to inform investors—and the general public—regarding the health of their business. However, the average American can use these principles to assess their own financial health.

Personal savings

Formally known as "average propensity to save," the personal savings ratio is the amount of income saved for an individual or household. According to the Federal Reserve Bank of St. Louis, the average saving rate was just under 5 percent for Americans in 2016. Historically, the average savings rate in any given year since 1959 has been about 8.5 percent.

Debt-to-income

As its name would indicate, a debt-to-income (DTI) ratio is the proportion of an individual's monthly debt payments in relation to his or her gross monthly income. Many lenders use DTI as a primary indicator of worthiness of loans because it gauges the individual's ability to cover loan payments. Though there is no consistent, unilateral recommended ratio, it is popular convention that a DTI over 40 percent will make it more difficult to secure a loan.

Liquidity

This ratio is used to determine how an individual is able to make ends meet in the event of an emergency. Liquidity is calculated by taking all liquid assets (such as nonqualified accounts and cash) divided by fixed monthly expenses (like debt payments). It is commonly suggested that an individual should have 3-6 months' worth of expenses in liquid assets.

Debt-to-asset

The debt-to-asset ratio is calculated by taking an individual's total debt divided by their total assets. Though this ratio is primarily used in relation to a company's finances, it is used to help lenders understand an individual's borrowing habits, specifically how much of their net worth is tied up in hard assets.

The market at a glance

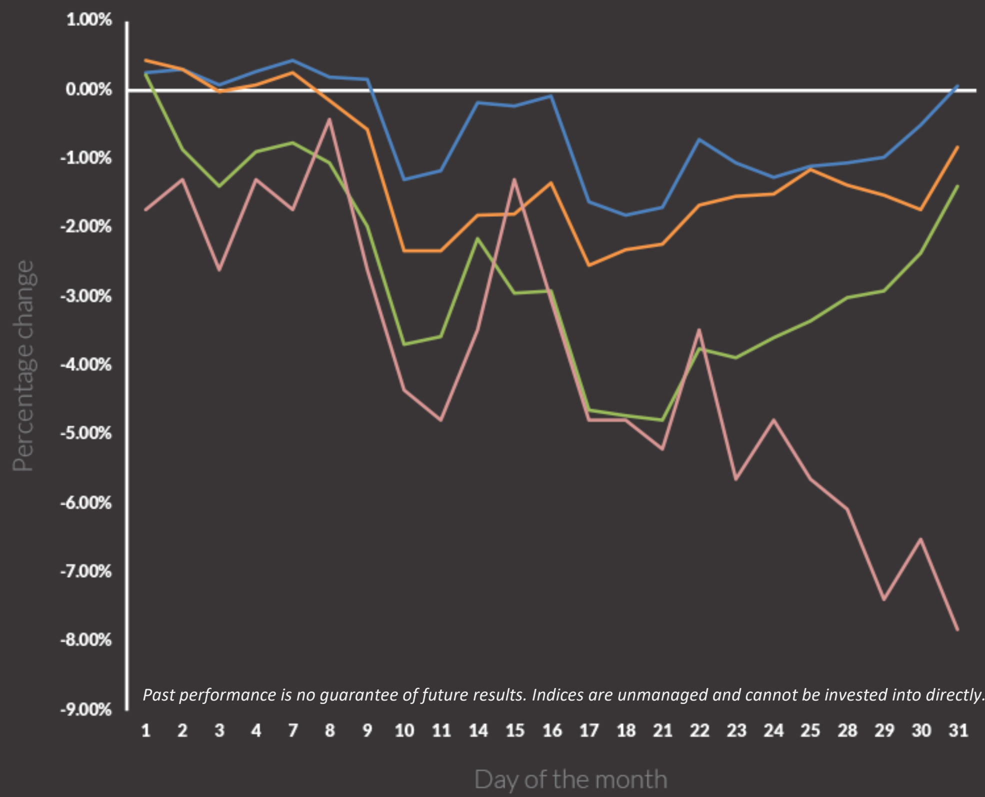
August

U.S. Large Cap
(S&P 500)
2,471.65 (0.05%) ▲

U.S. Mid/Small
(Russell 2000)
1,405.28 (-1.39%) ▼

International Large
(NYSE International 100)
5,519.04 (-0.83%) ▼

U.S. Treasuries
(U.S. 10-year Treasury yield rate)
2.12 (-7.83%) ▼



The market in action

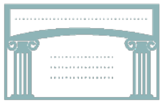
- Venezuela is continuing to battle economic and political turmoil. The country's GDP has shrunk by about 35 percent since 2013. In comparison, in the four years spanning the duration of the Great Depression, the United States' GDP decreased by 28 percent.
- Boxing legend Floyd Mayweather faced off against MMA superstar Conor McGregor on August 26 in Las Vegas in what was declared "The Fight of the Century." Though the exact numbers have not yet been released, pay-per-view purchases are expected to surpass 4.6 million, resulting in an estimated $500 million in revenue. Live gate for the monumental event could be as much as $90 million.
- Walmart recently filed for a patent for a "floating warehouse" that would be used as a way for drones to more easily deliver to homes. This move is said to help Walmart bring down costs for consumers and to remain competitive in the increasingly crowded online shopping space.
- The second-largest Powerball in history, worth over $700 million if the annuity option was exercised, was won in August. The odds of winning were roughly one in 292 million.
- Disney announced that it would be removing its movies from Netflix at the end of 2018. Disney then announced that it is planning on launching its own exclusive streaming platform, tentatively scheduled for 2019.
- Productivity in the United States in the second quarter grew more than projected. According to the US Labor Department, productivity rose by .9 percent, up from just .1 percent, in the first quarter.
- The price of bitcoin, the most prominent cryptocurrency in the world, skyrocketed in August, increasing by over 100 percent in the weeks following a drop in value in mid-July.
- On its first day of being operated by Amazon, Whole Foods saw prices slashed by up to 43 percent.

5 major mistakes people make before retirement

A good retirement draws on a lifetime of saving and work. But, despite its huge importance, many people slip up in the years just before this milestone. Some of these mistakes are the result of not understanding retirement, while others are conscious decisions that simply have a greater impact than estimated. Here are five of the biggest mistakes people make as they approach retirement.

Not preparing a budget

Do not wait until retirement to make a detailed budget. Budgets built on "frugal" spending or optimistic estimations can be broken by relatively small lifestyle changes. Create your retirement budget years in advance and tweak it annually to improve its accuracy.

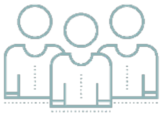


Taking social security early

Those who take social security benefits before their full retirement (benefits are available as early as age 62) will receive reduced payments. If you are still working, tax repercussions may make delaying benefits a smart option.

Decreasing retirement savings

As retirement gets closer, those with accounts projected to meet retirement needs often cut their savings, thinking that their money won't grow much before retirement. You should remember that this money will actually keep growing until the end of retirement, 20 or 30 years down the road.



Lending too much to family

For most, supporting family is of the utmost importance. But retirees need to remember that children and grandchildren have decades more to recover from losses and debt than they do. It may be hard to say "no," but if handing out loans scuttles your retirement, it will end up costing everyone in the family more money.

Relying on home values

Many people rely on their home equity to fund a substantial portion of their retirement. While using home equity is not necessarily a bad thing, diversify your assets as much as possible to avoid home prices from dictating your entire retirement.

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