

Indiana MoneyWise

A publication provided by THE INDIANA SECRETARY OF STATE



2015: THE YEAR OF THE BUDGET



Resolve to tackle
your debt

Take expenses to the
chopping block

Now's the time to buy!

Investing in your future

IT'S TIME TO
PAY
YOURSELF

+ 2014 IN REVIEW:

Secretary of State's office protects investors

Dear Hoosiers:

Thank you for reading the Indiana Secretary of State's e-magazine. The purpose of this publication is to provide Hoosiers with timely tips and information on smart money management skills and how to be financially fit.



It is 2015 and every year people decide to make changes. People want to change their health, quit a bad habit or increase their wealth. The unfortunate truth is very few people actually stick to their resolutions.

Make this the year you follow through with your financial resolutions. According to a survey by Fidelity Investments, 41% of the respondents to the survey say they are in a better financial situation because they kept their financial resolutions. In this month's Indiana MoneyWise e-magazine, you will find tips and tools you can use to keep your resolutions on track. There is no better way to start a new year than by mapping out a clear and strong financial plan.

Sincerely,

A handwritten signature in black ink that reads "Connie Lawson". The signature is written in a cursive, flowing style.

Connie Lawson
Indiana Secretary of State

MISSION STATEMENT

It is the mission of the office of Secretary of State Connie Lawson to deliver to the people of Indiana government-as-a-service that focuses on unqualified integrity and accuracy in our elections, consistent and principled regulatory methods, ceaseless protection of Hoosier investors, and the most efficient use of taxpayer resources.

What services make up the Secretary of State's office?



There are four main divisions that comprise the Secretary of State's office:

Business Services
Securities

Elections
Auto Dealer Services

The Office of Secretary of State is one of five constitutional officers originally designated in Indiana's State Constitution of 1816. Sixty-one Hoosiers have served as the third highest-ranking official in state government.

Duties of the office include registering new business, regulation of the securities industry, oversight of state elections, commissioning of notaries public, registration of trademarks and licensing of vehicle dealerships throughout Indiana.

2015: THE YEAR OF THE BUDGET

Every year, you make the resolution to be smarter with your money. And every year, you break that resolution. One way to help you stay on track is to create a budget. Budgeting helps you know exactly where your money is going. Follow these tips to make 2015 the year of the budget.





Choose a format.

There are many different budget formats. Using a budget worksheet is a great way to get started. They provide pre-filled expenses, but also allow for you to customize to your needs.



Determine net income.

Net income is the amount you make after taxes. Whatever your budget period (i.e. monthly), calculate net income for that period to use in your budget.



Estimate expenses.

There are two types of expenses. Fixed expenses, like rent, rarely change and are typically due the same time each month. Flexible expenses, like food and gas, vary each month.



Track your debt.

Make a list of all debt including credit cards, students loans, etc. Write down the amount owed and interest rate. This will allow you to calculate your debt-to-income ratio so you know how much income to put toward paying off debt.



Pay yourself.

It is important to pay your bills and debt, but it is equally as important to pay yourself! Saving not only prepares you for the future, but protects you from unexpected expenses. It's okay to start small, but aim to save ten percent of your income. As debt and expenses are eliminated or cut, you can add more to your savings plan.

Now that you have created your budget, make sure to follow through with it each month. It will get easier over time.



**Taking
expenses
to the
chopping block**

One way to be financially fit is by cutting expenses. This is simpler than you think. Below are some suggestions of areas of your life where expenses can be reduced.

Entertainment

We spend a lot of money on entertainment. Here are some simple ways to reduce your entertainment expenses:

- ***Get rid of cable or satellite** - Many tv shows can be viewed on network websites or through internet streaming services such as Netflix, Hulu or Amazon.
- ***Don't forget about the library** - It is filled with books, music, movies and TV shows that you can borrow for free!

Communication

You have a landline, the internet and a cell phone. Do you really need all three? Communication can be pricey, but only if you let it.

- ***Limit devices** - Pick one or two sources of communication rather than having all three. This can cut your expenses drastically.
- ***Call your providers to see if they have better deals to offer** - Negotiating with them is often easier if you know the specific offers being made to new customers. These providers are usually willing to trim your bill if it means keeping you as a customer.

Food

Food is a necessity, but do you need that morning \$5 latte? Reducing unnecessary food expenses, along with the tips below, can help you save money.

- ***Coupon** - You have seen the shows. Couponing is very popular right now and for reason: it saves money. There are dozens of websites dedicated to how to maximize your coupon savings.
- ***Eat at home** - Eating out should be a treat rather than the norm. Use sites like Recipe Key, Recipe Matcher and Supercook for recipes based on what you already have in your pantry.
- ***Learn the art of meal planning** - Make weekly meal plans and corresponding grocery lists to keep you from buying unnecessary food items.

Energy

Consider requesting a free energy assessment.

- ***Visit Energizing Indiana** to sign up for a free energy technician to analyze your energy use and recommend ways to increase efficiency.

We are ready to start investing. Now what?

Have you made the decision to start investing your money? If so, make sure you are prepared to ask questions! Investing your hard-earned money in the right products with a properly licensed advisor is crucial to not only getting a return on your investment, but to keep you from getting scammed. Make sure to educate yourself prior to writing that check.

The best way to guide your investing is by determining your investment plan. Take some time to answer these three important questions:

Why?

For what is it you are saving? Are you preparing to buy a house or to pay for your child's college education? Knowing why you are investing is key to picking the right product.

How long?

Some investment products are designed for short-term goals while others focus on long-term goals. Learning about the different types of investments will help you determine if they meet your long- or short-term goals.

What is your risk tolerance?

Your risk tolerance is essentially how comfortable you are with big gains and losses versus smaller gains and losses.



Investing

Finding the right adviser

Once you have made your investment plan, it is time to choose a helpful adviser.



Choosing the right financial planner, investment adviser or broker-dealer can mean the difference between making smart investments and getting scammed out of your life savings. Making sure you hire a legitimate adviser will save you money and headaches down the road. Here are some helpful questions to finding the right financial professional:

What are your qualifications?

Verify licensing and registration by calling the Indiana Securities Division at 1-800-223-8791 or use the searchable databases online at www.IndianaMoneyWise.com.

How are you compensated?

Fee-based professionals charge an hourly rate or a fee based on the performance of the funds they are managing. In comparison, commission-based professionals earn a commission each time they buy or sell a product for their clients.

Do you have a fiduciary duty?

Fiduciary duty requires that a financial professional offer products in the best interest of the client, meaning they put the needs of the client before the needs of their employer and themselves. It is the highest standard of care in the industry.

Do you understand our needs?

Legitimate financial professionals want to understand your unique needs, goals, and risk tolerance levels before offering advice. They will likely ask you to complete a suitability assessment to better understand your financial goals.

Can I get it in writing?

Every investment opportunity should come with a prospectus or circular outlining the details of the investment. If an investment professional does not want to put it in writing or is hesitant to answer any of your questions, walk away! Those are red flags indicating possible fraud.



Resolve to Tackle Your Debt

Whether you have debt from the holiday season, student loans or credit cards, there is no better time than the present to get rid of it. Just think how good it will feel to stop paying creditors and start paying yourself! Below are some tips to help you become debt free!

Make a plan.

There are two popular ways to map out your debt repayment plan.

Highest interest rate: Pay off the debt that grows the fastest first. One example of this method comes from the Spending Fast plan.

Lowest balance: Pay off small debts first to help motivate you. Personal finance expert Dave Ramsey takes this approach in his Debt Snowball Plan.

Negotiate lower interest rates.

Calling creditors to negotiate lower interest rates may help you get a better rate and make it easier to pay off the debt. There is no harm in asking!

Know your rights.

Creditors must follow federal law and they cannot harrass you or use unfair practices to try to collect a debt. They may not call between the hours of 9 p.m. and 8 a.m. They also must honor any written request to stop further contact.

Avoid NEW debt.

Paying off current debt is a lot harder if you are still using those credit cards. Cut unnecessary expenses from your budget to keep from going into further debt.

Stay positive.

There is no magic wand you can wave to make your debt disappear. It is a process that takes time. Look to people like Indiana's own Queen of Free, Cherie Lowe. You can even contact her via social media for inspiration!

IT'S TIME TO PAY YOURSELF!

A key component to smart money skills is learning how to save. Yet, many Americans are not doing it. According to a 2014 Washington Post article, 30.9% of people in the US have no money saved for retirement. Here are some ways you can start paying yourself today.

5 WAYS TO START TODAY

1. Try to budget 10% of your monthly income for savings. Look at your unnecessary expenses and see how you can translate those into savings.

2. Build a "rainy day" fund to cover expenses in case of an emergency. It should be readily available for when a real emergency happens.

3. Scale up your savings. Start small and increase it incrementally. One popular idea is the 52 week plan. Save the amount of money equal to the number of week it is in the year.

4. Set a goal. If saving is hard for you, keep motivated by setting a specific target.

5. Save automatically using direct deposit by having it automatically put into your savings from your paycheck.



FRAUD STOPPERS

Secretary of State's office protects investors in 2014

2014 was a busy year for the Indiana Secretary of State's Securities Division. The Division worked tirelessly to investigate and prosecute investment fraud perpetrators. The Prosecutors' Assistance Unit worked alongside local, state and federal law enforcement, the United State District Attorney's office and county prosecutors to make sure these fraudsters were brought to justice.

Here is a rundown of some of the arrests made and convictions received in 2014.

Jerry Smith, Franklin County

Charges: Five Class C felonies for sale of unregistered securities
Sentenced: 20 years in prison, 20 years probation and \$410,189
Method: Ponzi scheme totaling to more than \$4 million in losses

Lynn Simon, Vanderburgh County

Charges: Class C felony securities charge, a Class C felony for sale of unregistered securities and 2 Class B felonies for committing securities frauds to victims over age 60.
Sentenced: Pled guilty in August. 2 years in prison, 8 years work release, \$1.4 million in restitution
Method: Ponzi scheme. Simon solicited clients through his company Financial Security and then used their money for personal gain.

Kevin James, Marion County (Federal case, US District Court, Southern District of Indiana)

Charges: Stole \$1.4 million from 30 investors. Charged with mail fraud, securities fraud and money laundering.
Sentenced: 10 years in prison, \$1.3 million in restitution
Method: Sold annuities and offered to reinvest current annuities for his insurance clients through a fictitious fund called the Financial Security Program.

Rudolf "Rudi" Pameijer, Johnson County

Charges: One Class B felony and two Class C felonies for securities fraud violations.
Sentenced: Pled guilty. 18 years and \$1.8 million in restitution. 8 of ten years suspended with 10 years to be served in prison.
Method: Ponzi scheme

Don't be a victim of investment fraud.
Find out ways to protect yourself here in.gov/sos

Real life stories of investment fraud

John Shamo, Posey County

Sentenced: Four years with two years in community corrections plus two years probation.

Charges: 12 Class C felonies for selling unlicensed securities and for failure to register to sell securities.

Method: Convinced owners of oil wells to invest funds to open wells and he would create investment opportunities. Instead used funds for personal gain.

Ryan Koester, Johnson County

Charges: Four Class C felonies securities fraud violations

Sentenced: 16 years and \$517,000 in restitution.

Method: Foreign commodities. Solicited clients through his company Rykoworks Capital Group and told clients he was investing their funds in foreign markets, but used the funds for his personal gain.

Parry Clark

Charges: Three C felony counts and one B felony county for fraudulent sale of securities as an unlicensed broker-dealer

Sentenced: Pled guilty and sentenced to 10 years with four years of jail time and six years probation. Ordered to pay \$1.7 million in restitution.

Method: Sold unregistered securities as an unlicensed broker-dealer

Norman Forest Germany and E.B. Germany and Sons

Charges: Violations for not being registered to sell securities in Indiana, selling unregistered securities in shares of an oil project that never happened and falsifying statements of material facts in the sale of those securities.

Sentenced: \$80,000 settlement for selling unregistered oil rights to two Indianapolis residents.

Method: Oil investment scheme

Charles Blackwelder and Cara Grumme, Hamilton County

Charges: 20 different felony counts violating securities fraud. Proof of claims approximately \$23 million.

Sentenced: Arrested in July. Pled guilty December 2014. Sentencing due in March 2015.

Method: Allegedly running a Ponzi scheme by selling investment opportunities through rental properties to elderly investors.

Indiana MoneyWise



Indiana MoneyWise is a financial education program designed to increase financial literacy in Hoosiers and educate them about smart money management and how to avoid being the victim of investment scams. Throughout the Indiana MoneyWise site, you will find interactive learning tools and resources to teach you the skills needed to be both financially fit and a wise investor.

CONTACT US!

Indiana Securities Division
Kelly Griese
Investor Education Coordinator
302 West Washington Street, Room E-111
Indianapolis, IN 46204
1-800-233-3675

Read back issues of this magazine at www.indianamoneywise.com.

Check us out on social media!

