Twenty Tips for Managing Your Money

The reasons for money problems are quite varied, but the solutions are not. The following tips are culled from many sources and are designed to help you do a better job of living within your means:

- **Diagnose the problem.** Do you know exactly where all your money goes to in a day, much less in a month? Start at the beginning of next month and get one index card for each day of that month. Every time you spend any money that day, whether by check, credit card or cash, record it on your card.
- **Create categories for your expenses**. List all the above expenses in categories such as "lunch", "gas", "entertainment", "rent/mortgage", "supermarket", "household", etc. and add up the expenses in each for the month. What have you learned?
- **Where can you cut some corners?** What can you do without? Do you really need to spend so much on coffee? CD's? Cigarettes? Now, based on your monthly income, decide how much you can allocate for non-essential items and try to live the next month within those targets.
- For some people, small adjustments aren't enough to live within their incomes. Big decisions may be necessary such as moving to a lower rent apartment or getting a roommate. Other big-ticket items to reconsider are your car payments, restaurants, and of course, credit cards.
- **Many people get into trouble because they spend far more on non-essentials with a credit card than they would if they paid in cash.** Tear up all your credit cards and pay for everything in cash. You are guaranteed to reduce your expenses that way, not to mention the money you save in avoiding the exorbitant interest rates charged to credit card holders.
- **Investigate the merits of a consolidation loan for your remaining credit card debt.** These loans will reduce the interest rate you pay considerably on all your remaining debt.
- Some non-profit agencies will negotiate with your creditors to reduce your monthly minimums or even the total amount owed if you are on the verge of defaulting due to non-payment.
- **Check with your bank or employer to set up automatic deposit of some or all of your paycheck**. Be sure to set aside the same amount every pay period for savings.
- Round up the numbers you enter in your checkbook when writing checks. The change you save from each check adds up quickly. Every month, when balancing your checkbook, add up the total and enter the money you saved into a savings or money market account.
- **Try to invest your money in a suitable mutual fund from the earliest age possible.** Automatic monthly transfers from your checking or money market account can be arranged. Or else, when you get a raise, make all the additional money available by monthly automatic investing in your mutual fund. This way you take advantage of an important principle called "dollar cost averaging" which is the most effective way to grow your mutual fund values.
- **There is a good chance that your money problems are in turn causing you other problems.** For instance, you may be fighting more with your partner, feeling depressed, or turning to drugs and alcohol. Don’t make a bad situation worse.
- **Make it difficult for yourself to withdraw money from bank accounts.** Set up automatic payroll deposits at a bank or credit union that offers good rates but isn't conveniently located. You will minimize those impulsive ATM withdrawals.
- **If you have credit card debt and money in a savings or money market account, compare the interest rate you pay on the credit cards with the interest rate you earn on the savings**. Guaranteed: the credit card interest rate is far higher. It makes financial sense to eliminate this expense aggressively rather than save money at a lower rate. In fact, many argue that credit card debt

should be the first thing you tackle. Use some savings to pay off the cards with the highest rates first, etc.

- **Pay the same amount each month.** Keep on paying the same amount each month, even though your loan balance goes down. The faster you pay off principal, the more interest you save and the faster your total debt declines. Once you've erased the highest rate loan, start on the next highest--still paying the same fixed.
- **Increase your monthly debt-reduction budget, even if it's only a small amount**. Say you owe $3,000 at 18 percent interest, on which you're paying the minimum - $60 a month. It will take you 30 years and ten months to get out of debt. If you add just $15 to your payments, you'll be out of debt in five years and three months--and save an enormous $5,759 in interest.
- **Pay yourself before your bills.** Choose a realistic amount of your monthly income (1-10%) and set that aside first for savings. Use the remaining amount for expenses.
- **For hard-core spendaholics: Freeze your credit cards in a block of ice**. Then, when you're desperate and you're standing at the sink running hot water over the block, you'll have plenty of time to reflect on your financial priorities.
- **Confront your financial situation.** Many people avoid the truth about their debt, their credit profile or other aspects of their financial health. You can't manage something you don't understand. Many times the facts are not as bad as you think.
- **In setting up a budget, be realistic.** Unless your financial situation demands that you do otherwise, budget money for recreation/entertainment. A budget should give you freedom to make financial decisions and not restrict you from having any fun. This will help you stick to the guidelines of your budget.
- **Make a game with your spouse or partner of ways to save money.** A few suggestions: give gifts of personal service; barter, rather than buying gifts; borrow books, magazines, records or cassettes from the library instead of buying or renting them. Hold a garage sale or sell something- anything at all. Use museums, galleries and free public events as part of your entertainment (from Jerrod Mundis, **How to Get Out of Debt, Stay Out of Debt and Live Prosperously**).

We have a list of websites and other resources that can be helpful. You may need to meet with a financial planner, a consumer debt specialist or a bankruptcy attorney.

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