



Seven Steps to Better Money Management

The following tips are designed to help you manage your money more effectively.

1. Calculate your Net Income. Know all your sources of income after deductions, like income taxes and 401k, are removed. This number ultimately determines what you can spend each month.

2. Create a Personal Budget. A budget is your roadmap for spending and is a tool to help you achieve your financial goals. Save your receipts and take the time to add up all of your expenses for a month. Subtract your expenses from your Net Income, calculated in Step 1. If the result is a positive number, then you are living within the limits of your income. If the result is a negative number, your expenses are exceeding your income. Look for non-essential expenses that you can reduce and recalculate. Ask yourself if each expense is a “want” or a “need,” and try to minimize spending on the “wants.” Most importantly, once you create a budget, stick with it. Make adjustments, as necessary. Having a budget will allow you to control your money rather than your money controlling you. Ask your banker for a copy of the *Personal Budget Planner*, which will help you create a budget.

3. Balance your Checkbook.

The balance in your checkbook is a critical number in money management because it allows you to know exactly how much money currently you have to save or spend. Keeping an accurate checkbook register also allows you to review where you spend your money. Be sure to record all transactions, including ATM/Visa Check Card transactions, checks, and deposits. For more information on balancing your checkbook, request the brochure “Eight Simple Steps for Balancing Your Checkbook” from your banker.

4. Minimize your Use of Credit Cards.

Millions of Americans are in debt. Credit card debt is an easy trap to fall into. The best way to avoid this trap is to avoid using credit cards altogether. If you like the convenience of a credit card, consider getting a check card instead. Check cards are accepted at most places that accept credit cards. The difference is that the expense is automatically deducted from your checking account balance, which reduces your urge to spend more than you have. Be sure to track each check card transaction in your checkbook ledger, just like you would if you wrote a check.

5. Pay Down Your Debt. If you have Credit Card debt or other debts, pay the maximum to your highest interest rate debts first and the minimum on lower interest debts to pay debts faster.

6. Establish Savings. Pay yourself, first. When you pay your monthly bills, write a check to yourself and put it in your savings accounts. If you get your paycheck deposited automatically, ask your employer about having a portion of your paycheck deposited to your savings account.

7. Know Your Credit History. Credit reporting agencies collect data regarding your credit repayment history and sell this information to lending agencies.

If your report shows that you are late paying bills, have maximized lines of credit, or have bankruptcies or other collection activities, this will negatively impact your ability to get credit.

You can request your credit report from the following credit reporting agencies:

Equifax www.equifax.com

Trans Union www.transunion.com

Experian www.experian.com

If you have been denied credit, you can get a copy of your credit report free. Otherwise, a small fee may be required.

If you find incorrect information in your credit report, contact the credit reporting agency. They are required to investigate the information within 30 days and delete the information if it cannot be verified. Your rights are further described in the Fair Credit Reporting Act.



Debt Reduction Strategies

The following tips are designed to help you reduce your debt quickly and economically.

1. **Create a Budget and Stick With It.** Your budget should include all of your current expenses. Request a copy of the Personal Budget Planner for more information on creating a budget.
2. **Don't Borrow Additional Money to Pay off Debts or Bills.**
3. **Cut Expenses.** Get this number by analyzing your budget and determining where reductions can be made (e.g., eating out, buying snacks and lunch at work, going to the movies, etc.). Once you have determined how much you plan to cut, use this "found" money to pay down the balances on your debts.
4. **Optimize Your Monthly Payment.** Pay the maximum amount towards your highest interest rate debts. Pay the minimum amount on all other debts.
5. **Ask for Reduced Interest Rates.** Some creditors, especially credit card companies, will reduce your interest rates if you just call and ask. If you receive offers for other credits cards with lower interest rates in the mail, use those offers as leverage when you are re-negotiating your rates with your current creditors.
6. **Set Goals and Priorities.** Determine what's important. When you prepare to buy something ask yourself if this purchase is in line with the priorities you have set and will it help you reach your goal or delay it.
7. **Check out the website**
http://download.cnet.com/Debt-Reduction-Calculator-for-Excel/3000-2057_4-10770226.html?part=dl-DebtReduc This site provides a free download Debt Reduction Calculator that allows you to determine the amounts you should be paying towards each of your debts and calculates the money you will save by paying your debts in the recommended order. Additionally, the program tells you when each of your debts will be paid off.



Effective Strategies for Saving

The following recommendations are designed to help you establish and or grow your personal savings.

8. **Pay Yourself First.** When you pay your monthly bills, write a check to yourself, first and put it in your savings account.
9. **Don't Borrow Additional Money to Pay off Debts or Bills.**
10. **Cut Expenses.** Get this number by analyzing your budget and determining where reductions can be made (e.g., eating out, buying snacks and lunch at work, going to the movies, etc.). Once you have determined how much you plan to cut, use this "found" money to pay down the balances on your debts.
11. **Optimize Your Monthly Payment.** Pay the maximum amount towards your highest interest rate debts. Pay the minimum amount on all other debts.
12. **Ask for Reduced Interest Rates.** Some creditors, especially credit card companies, will reduce your interest rates if you just call and ask. If you receive offers for other credits cards with lower interest rates in the mail, use those offers as leverage when you are re-negotiating your rates with your current creditors.
13. **Set Goals and Priorities.** Determine what's important. When you prepare to

buy something ask yourself if this purchase is in line with the priorities you have set and will it help you reach your goal or delay it.

14. **Check out the website:**

[http://download.cnet.com/Debt-Reduction-Calculator-for-Excel/3000-2057_4-10770226.html?part=dl-](http://download.cnet.com/Debt-Reduction-Calculator-for-Excel/3000-2057_4-10770226.html?part=dl-DebtReduc)

[DebtReduc](http://download.cnet.com/Debt-Reduction-Calculator-for-Excel/3000-2057_4-10770226.html?part=dl-DebtReduc) This site provides a free download Debt Reduction Calculator that allows you to determine the amounts you should be paying towards each of your debts and calculates the money you will save by paying your debts in the recommended order. Additionally, the program tells you when each of your debts will be paid off.



Money

Management References

For more information on effective money management and financial fitness, consider the books and web sites listed below.

Helpful Books

Pay It Down by Jean Sherman Chatzky. November 2004, Penguin Books, Inc., ISBN:1591840635

The Money Book for the Young, Fabulous & Broke (Hardcover) by Suze Orman, March 2005, Putnam Publishing Group; ISBN: 1-57322-2976

The Millionaire Next Door: The Surprising Secrets of America's Wealthy by Thomas J. Stanley, Ph.D. and William D. Danko, November 28, 2000, Pocket Books; ISBN: 0743420373

How to Get Out of Debt, Stay Out of Debt and Live Prosperously. By Jerrold Mundis, April 1990, Bantam Books; ISBN: 0553283960

Credit Card Debt: Reduce Your Financial Burden in Three Easy Steps by Alexander Daskaloff (April 1999) Avon; ISBN: 0380807009

Slash Your Debt - Save Money and Secure Your Future

by Gerri Detweiler, Marc Eisenson, and Nancy Castleman, October 1999 Financial Literacy Center; ISBN: 0965963837

9 Steps to Financial Freedom: Practical and Spiritual Steps So You Can Stop Worrying by Suze Orman, 1st edition (December 15, 2000) Three Rivers Press; ISBN: 0609801864

Helpful Websites

<http://www.mapping-your-future.org/features/dmtensteps.htm>

Provides 10 Steps to Financial Fitness and tips for creating budgets, and establishing savings. Features a Savings Calculator and test to help you gauge your current financial situation.

<http://www.quicken.com/planning/debt/>

This site offers a free interactive Debt Reduction Planner, which allows you to save money on interest expenses and pay your debt off sooner by paying off your higher interest debts first.

1. Create an action plan to reduce your debt.
2. Use the interactive calculator to determine how much savings to contribute and how much expenses to cut out to pay off the debt sooner.
3. View how the graph changes as you figure out how to decrease your spending.

4. Access useful resources on how to be debt-free.

<http://www.nfcc.org/>

This is the home site for the **National Foundation for Credit Counseling**, a national non-profit network of 1,450 Member agencies designed to provide assistance to people dealing with stressful financial situations. The site provides links and information for financial counseling, debt planner tools, and other helpful websites.

http://www.pueblo.gsa.gov/cic_text/money/save-fit/save-fit15.htm

This government sponsored website for The Department of Labor provides additional helpful links for retirement planning and financial fitness, including free online calculators.