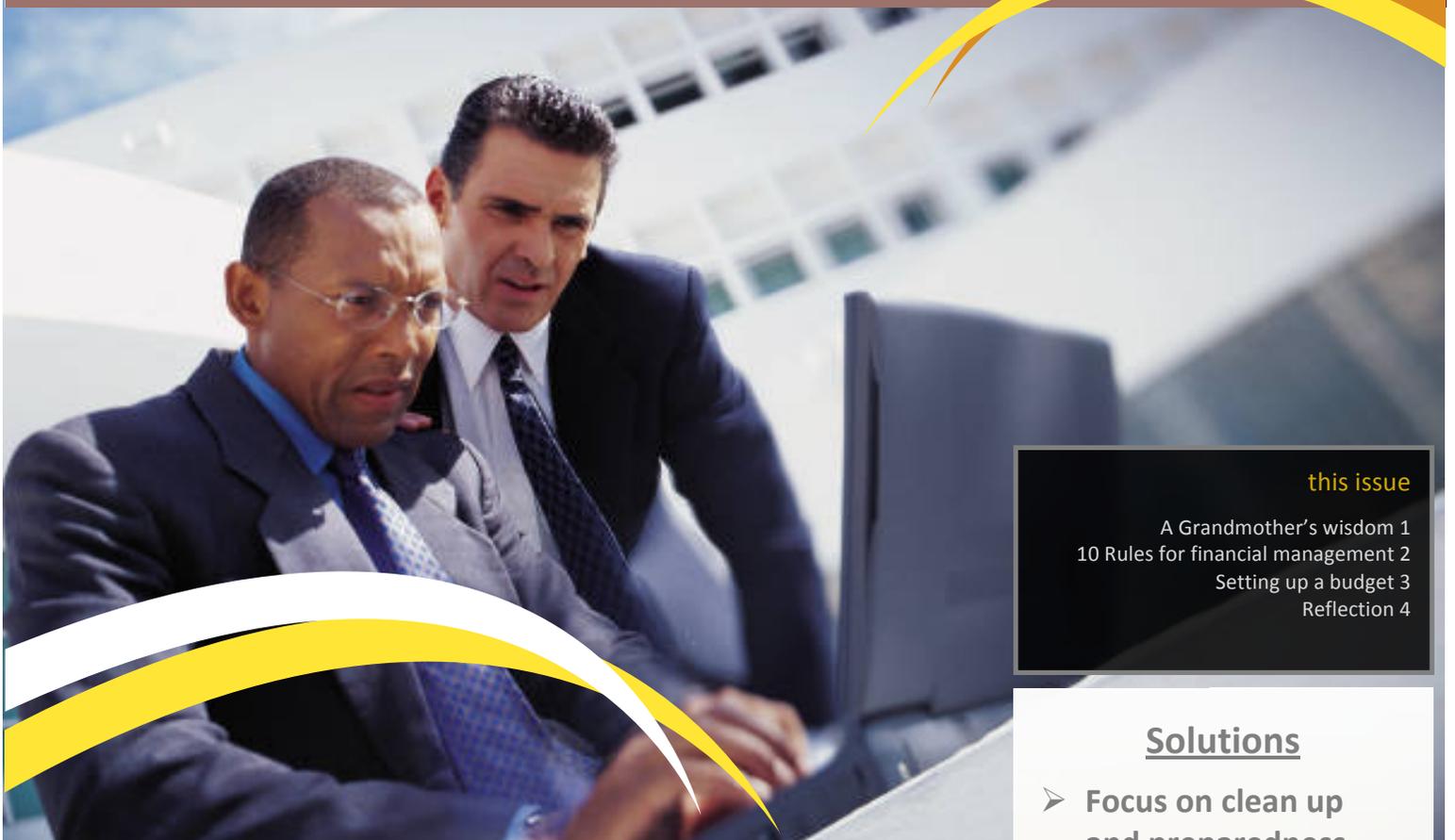


Financial Management

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Solutions

- Focus on clean up and preparedness – not on waste and want.
- Don't spend what you don't have.
- Stay away from cash advances - they are NEVER a good idea.
- Save.
- Save.
- And then....save some more.

Grandmother's Wisdom

My grandmother was born in 1919 in Louisiana. Her Mother, my Great-Grandmother, lived in a home with a dirt floor, had no running water, and washed clothes by hand – just like everyone else in Plain Dealing, Louisiana. My Great-Grandmother saved enough money cleaning other people's houses to move herself, her sister and my Grandmother up North. In the North, my Grandmother worked as a maid, raised five boys and managed to purchase a car – in cash and a home – in cash. This is not a story about my family, or even about my grandmother. This is a story about financial management – the wisdom of the elders, and learning from the past.

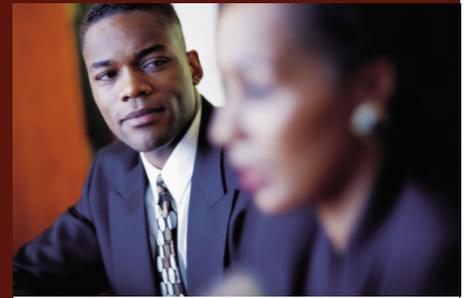
Grandmother's Wisdom con't

"Grandmother is gone now, but her wisdom is here."

When I was 18 years old, my Grandmother decided I needed a checking account, so she took me to the bank, withdrew \$200 and started a checking account AND a savings account for me. I remember her telling me to never spend what I don't have, never bounce checks, because that's how they "get cha", and keep my savings for what it's for – saving. I also remember her checking on her own account and showing me on the screen that she had \$19,000 in her account.

This wasn't \$19,000 from some cashed in bond, or some loan – this was \$19,000 saved over time, one pay-check at a time. This was \$19,000 saved after purchasing the car and home in cash, after raising five boys, after spoiling grandchildren. This was, I would later be told, instructed and reminded, \$19,000 saved by being absolutely adamant, no matter what, about saving 10 cents out of every single dollar she ever earned. She didn't believe in paying interest. She didn't believe in purchasing anything, if it could be helped, at full price, and she didn't believe in counting that 10 cents as any part of her money – that was her savings....and that was that.

Grandmother is gone now, but her wisdom is here, as a constant reminder of what to do and what not to do. When we know better, we should do better. Surely – if my Grandmother, who started out making less than a dollar an hour and never made over \$15,000 a year could save thousands, than we can implement wise practices and save for ourselves and our future.



10 Rules for financial management from CNN Money.

1. Budgets are a necessary evil.

They're the only practical way to get a grip on your spending - and to make sure your money is being used the way you want it to be used.

2. Creating a budget generally requires three steps.

- Identify how you're spending money now.

- Evaluate your current spending and set goals that take into account your long-term financial objectives.

- Track your spending to make sure it stays within those guidelines.

3. Use software to save grief.

If you use a personal-finance program such as Quicken or Microsoft Money, the built-in budget-making tools can create your budget for you.

4. Don't drive yourself nuts.

One drawback of monitoring your spending by computer is that it encourages overzealous attention to detail. Once you determine which categories of spending can and should be cut (or expanded), concentrate on those categories and worry less about other aspects of your spending.

5. Watch out for cash leakage.

If withdrawals from the ATM machine evaporate from your pocket without apparent explanation, it's time to keep better records. In general, if you find yourself returning to the ATM more than once a week or so, you need to examine where that cash is going.



Setting up a Budget

1. Determine Your Income

You need to know how much money you will have each month to meet your expenses. If you are starting a new job you may want to use a payroll calculator to determine how much money you will bring home each month. You may be surprised at the figure. If you have a variable income, you will need to set up a different style of budget, and learn to manage your irregular income carefully.

2. Determine Your Fixed Expenses

Your fixed expenses are items that will not change from month to month. These items can include rent, a car payment, car insurance, your electric bill and your student loan. You should also include savings in this category as well. It is important to pay yourself first. Ideally you should put at least ten percent of your income into savings each month.

3. Determine Your Variable

After you have listed your fixed expenses you will want to determine the amount that you spend on variable expenses. These items may include your groceries, eating out, clothing and entertainment. These are also considered variable because you can cut back on how much you spend on these categories if you need to. You can determine what you spend by reviewing the last two or three months of your transactions in each category.

4. Compare Your Expenses to Your Income

Ideally you should create a budget where your outgoing expenses match your income. If you assign every dollar a specific place this is called a zero-dollar budget. If your amounts do not match

Continued on page 4

10 Rules for financial management, con't.

6. Spending beyond your limits is dangerous.

But if you do, you've got plenty of company. Government figures show that many households with total income of \$50,000 or less are spending more than they bring in. This doesn't make you an automatic candidate for bankruptcy - but it's definitely a sign you need to make some serious spending cuts.

7. Beware of luxuries dressed up as necessities.

If your income doesn't cover your costs, then some of your spending is probably for luxuries - even if you've been considering them to be filling a real need.

8. Tithe yourself.

Aim to spend no more than 90% of your income. That way, you'll have the other 10% left to save for your big-picture items.

9. Don't count on windfalls.

When projecting the amount of money you can live on, don't include dollars that you can't be sure you'll receive, such as year-end bonuses, tax refunds or investment gains.

10. Beware of spending creep.

As your annual income climbs from raises, promotions and smart investing, don't start spending for luxuries until you're sure that you're staying ahead of inflation. It's better to use those income increases as an excuse to save more.

you will need to adjust accordingly. You may need to scale back on your variable expenses. If you have extra money at the end of the month, reward yourself by putting that money directly into savings. If you have cut back significantly on your variable expenses and still can not meet your fixed expenses you will need to find ways to change your fixed expenses.

5. Track Your Expenses

After you have set up your budget you need to track your expenses in each category. You can do this with budgeting software, on Quicken or Microsoft Money or on a ledger sheet. You should have an estimate of what you have in each category at all times. This will help to prevent your from overspending. If you sit down for a few minutes each day you will find that you spend less time then you would if you put it all off until the end.

6. Adjust as Needed

You can make adjustments easily throughout the month. You may have an emergency car repair. You can move money from your clothing category to help cover the cost of the repair. As you move money around make sure that you do so in your budget.

7. Evaluate Your Budget

After you have followed your budget for a month you may find that you can cut back in a few areas, while you need more money in others. You should keep tweaking your budget until it works for you. You can evaluate at the end of every month and make changes according to the expenses in the upcoming month as well.

For reflection:

Your financial security is an imperative. It is something that you need to think about and plan for each and every day, each and every dollar.

As yourself – what it is that you really want? Then, examine the ways that you will take to reach that goal. Don't count on the lottery, or a business scheme (if it sounds too good to be true, it probably is). Don't plan to borrow your way to security.

Read the stories and allow their examples to serve as models for your financial picture.