



How To Budget Successfully

By Terry Rigg
Of Budget Stretcher

<http://www.homemoneyhelp.com>

Thirty-five Articles To Guide You Through The Budget Process

Based On The Ebook

Living Within Your Means - The Easy Way

<http://www.homemoneyhelp.com/ebookadpage.html>



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Chapter 1

Where To Start

Get Serious About Your Money

What is the most important aspect of getting your finances in order? In past articles I've written about how important discipline, organization and sacrifice are to solving your money problems, but this all comes later.

For years I would write my bills down, figure my income and subtract the bills from my paycheck to see what was left. It was a real good start but by payday it was either forgotten or something would happen to mess it up.

It finally dawned on me that the way I was going about this wasn't going to work. I needed a different plan. Something that would make me understand the problem and help me come up with a solution.

What I came up with was a little surprising, at least to me. I had been trying to solve my problems without being willing to make some major changes that needed to be made. I really wasn't serious about fixing the problem.

After several years of counseling a lot of people about their finances, I've come to the conclusion that this is what keeps many people from overcoming their financial woes. There are exceptions of course. In some cases there isn't much that can be done short of bankruptcy.

Before you sit down and try to develop a budget or decide what your future plans are, you need to decide if you are willing to follow it through to the end. If you aren't, you will be just spinning your wheels. Here are few questions you need to ask yourself:

~~Are you willing to do without the joys of what those credit cards can buy?

~~Are you willing to have your family sacrifice as much as you do?

~~Can you make the hard decisions that will be necessary?

Remember, this is only the first step, however, this is absolutely the most important. If you can't cross this hurdle then going to the next step is futile.

On the brighter side, if you are determined to get your finances in order, the rest is relatively simple. You first have to decide what it is that you

want. Set your long and short term goals. Do you want to retire early, buy a house, send the kids to college? Will you need a new car in the near future? This will take money and it is absolutely necessary that you start saving as early as possible for these goals.

Your next step is to set up a simple and workable budget. For many people living on a

budget is like serving a life sentence in a maximum security prison. It doesn't have to be that way.

The worst thing you can do is develop a budget that takes hours every day to manage. I have developed a budget that takes a few hours to setup, just a few minutes on payday to keep up and is free for anyone to use. You can visit The Complete Budget and Bill Organizer at <http://www.homemoneyhelp.com/BBOonline.html>.

While you are developing your budget you need to look for every way possible to cut corners but you have to be realistic. If you try to budget \$400 a month for groceries then you need to make sure that you can make it on \$400. If you can't then you have to set aside more.

Being organized is also an important aspect of money management. Assign one member of the family to manage the budget and bill paying. Setup your files so that you can quickly lay your hands on the bills, receipts, contracts, etc.

Deciding you have the willingness to get control of your money, setting your goals and developing a budget will all take an enormous amount of discipline to carry it out. I believe that if everybody applied the same discipline to their finances that they use to get up in the morning, go to work, take care of the kids and all of the other things we have to do everyday, money management wouldn't be such a struggle for some people.

Today, you don't have to do this alone. The internet has thousands of web sites that are designed to help. Most of them won't cost you a cent. However, it is going to be up to you to decide if you are ready.

Money Management & Savings Tips

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<http://www.yourfreecreditreportnow.com/newsletter.html>



Planning Ahead

What do you think of that title? Just another article about the impossible task of trying to predict the future. Not this time. This is an article that may give you some ideas on, not how to predict the future, but to be ready when it gets here.

Naturally, I'm talking about your finances. When it comes to your regular bills and

expenses many of us have a hard time making plans to pay the bills that we know are coming. What can we do to plan for the unexpected?

All too often when we have an expense that wasn't neatly placed in our budget we grab the credit cards. Needless to say this is just what the credit card companies are hoping for. If this persists the result is serious financial problems. It all boils down to spending more than you make each month.

To avoid this you need to have money put back to cover your unexpected or unplanned expenses. As always this is easier said than done if you are already struggling. But, like we used to say in the Navy, "The difficult tasks are a piece of cake. It's the impossible that takes a little longer".

First, what do you do if you don't have enough money? You either cut your expenses or you get more money. It's just that simple. Your best bet is to cut your expense as much as

possible and still be able to have enough money for the essentials. Check the web. There are thousands of ideas online to help you save on your expenses. Use search words like "saving money, cutting expenses, etc.". You can start by visiting the following sites:

TheFrugalShopper.com

<http://www.thefrugalshopper.com>

Saving Advice.com

<http://www.savingadvice.com/affiliates.php?partner=BudgetStretcher>

BetterBudgeting.com

<http://betterbudgeting.com>

Debt Smart

<http://www.DebtSmart.com>

At Home Parent.com

<http://www.athomeparent.com/>

Brighter Futures

<http://www.brighterfutures.com>

Freebie Haven

<http://www.121fun.com>

Tidbits from the Pantry

<http://www.humansrv.net>

Frugal Village

<http://www.frugalvillage.com>

MoneyMakingMommy.com

<http://www.moneymakingmommy.com>

Dollar Stretcher

<http://www.stretcher.com>
Creative Finances
<http://www.CreativeFinances.com>

Now lets get into some possible ways to bring in more money. Everybody I know has a talent that has the potential to make extra money. Even things like holding a monthly yard sale can bring in some money. I would suggest that if you need some extra income that you sit down and think about what talents you have. Then try to picture how you could use those talents to earn money.

My daughter, a stay-at-home Mom, wanted to earn some extra money. Just recently she

brought some pictures to my house that had a magnetic backing, perfect for displaying those cherished pictures on the refrigerator. After we discussed it we decided to make this service available on the web. The easiest thing to do is to forward pictures as attachments to email so that is the way she going to start. A customer places an order and sends the pictures, she prints them using the software she has on her computer and mails the pictures. Eventually, she will get a scanner and customers will be able to mail her their pictures. Presto, she has a service that almost everyone would like to have.

This is just an example of taking what you have and making something out of it. No, you may not make a lot of money at first but it is money that you didn't have. Try to find something that doesn't cost you a lot to get started.

Just one caution. There are almost as many scams on the internet as there are users. A rule of thumb if you are going to try to earn money on the internet: If you have to pay to make money with their offer then it's usually not a money maker for anyone except them.

Now, back to the topic. There are a lot of us having money problems and not all of these can be solved by cutting expenses or earning a little extra money. What can solve many of the problems is knowing what state your finances are in. Prepare a budget and stick to it. Look at it often especially before you make any major purchases. Know whether or not you can afford what you are buying. Put money aside to cover unexpected expenses. If you don't have it, find it.

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Your Finances

Which category do you fall in?

I have determined that financially, people fall into one of three categories.

1. Family 1 has all the money they need for necessities and more and manage it very well.
2. Family 2 has all the money they need for necessities and more but live payday to payday with ever increasing debt.
3. Family 3 don't have enough money for necessities.

The funny thing about the three families above is that they could have exactly the same income and family size. This is not to say that special circumstances has nothing to do with it, but on the average most people live above their means.

Family 1 has established a workable budget. They don't pay more than they can afford for housing, transportation, utilities, etc. They also have money set aside for long and short term savings. This short term savings provides two things. First, it makes money available when the car breaks down, you need a new washer or any number of unexpected expenses that crop up. Second, it prevents the need to use credit cards for these items. The savings here could be hundreds of dollars. Family 1 planned.

Family 2 is still struggling to establish a budget. In many cases their house payments or rent is much more than they can afford. They don't take the time to evaluate the money that could be saved with little effort. Usually there is no long term savings, let alone short term. They use credit cards as if they were cash and pay hundreds of dollars in unnecessary finance charges and penalties. These people find themselves with financial problems that often leads to bankruptcy. Family 2 either didn't plan or may not know how to handle their finances.

Family 3 has given up on a budget. No matter what they do there isn't enough money to pay for housing and other necessities. They struggle to put food on the table. Most don't qualify for credit cards, which is a good thing. In some cases this situation is self inflicted and some are due to circumstances.

What is the answer to these problems?

Family 1 - Leave these people alone unless you plan to ask their advice.

Family 2 - These are the people that need to seek help and stand a chance of becoming a family 1 family. The possible solutions include a debt management company like Consumer Credit Counseling Service. They need to establish a budget and stick to it. If their housing and other expenses are too high, then they need to cut back, even if they have to move. They also need to cut up the credit cards and think about

consolidating. Depending on how far they are in debt, this could take years.

Family 3 - While their struggle seems useless, there are things that can be done. First, they need to see to it that everything is being done to keep expenses down. The electric bill is a good example. There is federally subsidized housing that only charges a small fee based on your income. Make sure that they are receiving all federal and state benefits that they are entitled. If they are able, they should seek job training or some other means to make their life a little better.

Which family are you? No matter whether you are family 1, 2 or 3, there is hope. The primary thing that must be done is to educate everyone that learning to managing their finances is absolutely necessary for their peace of mind. With the vast amount of information on the internet providing help, this is possible.

If you are a family 2 or 3 family, "The Complete Budget and Bill Organizer" <http://www.homemoneyhelp.com/BBOnline.html> can help.

Frugal Solutions to Everyday Problems at ThriftyFun.com

Looking for ways to save money? ThriftyFun.com publishes articles and tips covering a variety of topics: Crafts, Gardening, Recipes and More. <http://www.thriftyfun.com>



Get Started Managing Your Money

There are literally thousands of articles about how you should or should not manage your money. Myself and other well intentioned money saving wizards bombard you with ideas of all that you should be doing. However, if you are behind two payments on your mortgage or rent, credit card debt up to your ears or there is a tow truck waiting outside to repossess your car, not much of what we say really seems to fit your situation.

This article will attempt to give you some guidelines to help you get started no matter what your situation. The steps are fairly simple. Access the Situation, Damage Control, Find a Way and Get on Track are just 4 steps that you will need to take quickly.

Access the Situation

Sit down with a piece of paper and a pencil and find out where you are now. No I'm not talking about a budget yet. Many people never take the time to get a picture of what they have coming in compared to what

they have going out. On the left side of the paper put down any income you have. Only consider take home money because this is all that matters to you right now. On the right side of the paper write down all of the bills that you have coming out this month. At the bottom of the paper, put down any bills that are past due with the dollar amount needed to bring them up to date. Now total everything. Then subtract your bills from your income. If there is anything left over after bills, deduct what it will cost you for food and other necessities for the month.

Damage Control

If you are behind on your bills or just don't have enough money left after bills to buy what you need, something has to be done. This is where you have to set priorities. The first step is to eliminate anything you don't absolutely need. Some good examples of this are things like call waiting and other extras on your phone bill, selling that second car unless it

is needed to earn income or stop eating out.

Here is a priority list of how you need to spend your money if you are behind:

- 1. Groceries and necessary health items**
- 2. Mortgage or rent**
- 3. Utilities**
- 4. Other bills such as installment loans or credit cards**

Notice that the above list addresses your basic needs, food, water and shelter, first.

Your next step is to call your bill collectors and let them know about your situation. I guarantee hiding from them will only make things worse. Let them know you can't pay them. Most important is to tell them you are working on the situation and will keep them informed. You will be surprised how many will work with you.

If you can't seem to get control of this on your own, consider contacting a free credit counseling service. You can find Consumer Credit Counseling Service at www.credit.org. They can make arrangements for you to pay them a set amount each month to be distributed to your bill collectors.

Find A Way

The fact is that you need to get your finances in order, if for no other reason than your sanity. You can do one of two things to help with the problem. Increase your income or decrease your spending. While there are several ways to increase your income, they don't necessarily help. Let's take the example of getting a second job. You have extra expenses such as transportation, extra taxes, food, etc. that will cut deep into what you make.

Your best bet is to decrease your spending. You can start by visiting my web site, The FREE Budget Stretcher Newsletter at

<http://www.homemoneyhelp.com>. When you subscribe, you will find links to several hundred sites that provide ways to cut your spending.

I have chosen these sites because all of the information is free. I can almost guarantee that these sites will have what you need.

Get on Track

After you have looked into all of the above, it is time for a budget. The last thing you need is a budget that takes most of your time just to manage. I have developed a simple, easy to use budget system that will take very little of your time. It will also help organize your bill paying. You can find The Complete Budget and Bill Organizer at <http://www.homemoneyhelp.com/BBOonline.html>. This organizer is free. Whether you use my budget or someone else's, you must establish a budget and stick to it.

If you are reading this article, chances are you have a computer. Use it to find other ideas to help you manage your money. Try searching key words like: money saving, budget help and credit help.

At Home Parent.com

Visit the Stay-At-Home Parents Page for support, encouragement, articles, links, activities, books, cost-cutting ideas & more! <http://www.AtHomeParent.com>



Are You An Impulse Buyer?

Impulse buying is simply defined as making an unplanned purchase. This can be an extra pack of cookies when grocery shopping or buying a car on a whim. Most of us are guilty of this at one time or another. Even though the term is simple, it probably accounts for the majority of money problems family's have.

Planning a purchase of any kind is absolutely necessary if you intend to use your money wisely. That extra pack of cookies I mentioned isn't going to break your budget, but with the prices of groceries today, it doesn't take too many items to put a dent in your grocery allowance. However, buying a car without prior planning can get very expensive. Besides the obvious things like finding the best purchase price and interest rate, down payment, money for taxes and license, etc., you need time to decide which car is right for your family.

The below list of tips may help prevent impulse buying:

If you see something you like, leave the store without it. Go home and look at your budget. Then if you feel you can afford it, go back. In addition, this will give you time to think about whether you really need

it.

Always go to the grocery store or dollar store with a list. Buy just what is on your list. If you see items you would like to have, make a note to put them on your list for your next trip.

Always consider the entire price of an item before buying. In my state, if you buy a car that costs \$20,000, you have to pay about 7% in sales taxes within 30 days of the purchase. That \$1400 may not be that easy to come up with.

I know that the above ideas takes all the fun out of spending your money. Planning and budgeting are about as dull as watching grass grow. However, a family that budgets their money and plans purchases, will no doubt be able to make more purchases and feel much better about it.

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of cash! www.LivingOnADime.com



Your Consumer Rights

If you have ever fallen behind on your debts you already know that dealing with your creditors can be a hassle. Sometimes it can be downright humiliating. It doesn't have to be that way.

With millions of people experiencing financial problems it is absolutely necessary for everyone to know and understand their rights as a consumer.

Federal law requires that you receive fair and equal treatment from businesses issuing credit. This law applies when they evaluate your applications for credit, insurance, employment, and even leases.

The one area where I receive the most complaints are from individuals that are being harassed by debt collectors. These complaints range from debt collectors contacting their work and family members to being called names. All of these are a direct violation of the Fair Debt Collection Practices Act (FDCPA). This article spells out exactly what your rights are as a consumer.

I have copied some areas of this article directly from the Federal Trade Commission's web site to ensure that the information is explained exactly as the law applies. These areas are identified.

The FDCPA lists the following guidelines that must be followed by all

debt collectors:

(Copied from the Federal Trade Commission web site)

~~Debt collectors may contact you only between 8 a.m. and 9 p.m.

~~Debt collectors may not contact you at work if they know your employer disapproves.

~~Debt collectors may not harass, oppress, or abuse you.

~~Debt collectors may not lie when collecting debts, such as falsely implying that you have committed a crime.

~~Debt collectors must identify themselves to you on the phone.

~~Debt collectors must stop contacting you if you ask them to in writing.

It also prohibits debt collectors from engaging in unfair, deceptive, or abusive practices while collecting these debts.

It is very important to keep a record of any contact you make with your creditors especially when there is a dispute or misunderstanding regarding your account. You should list the name and address of the company, date and time of the call, the name of the person you spoke with and the content of the call. I have developed a form that can be used for this purpose. You can find it at

<http://www.homemoneyhelp.com/ccrs.html>

Another important aspect of your consumer rights is Credit Reporting. Derogatory information in your Credit Report can have serious consequences. It is ultimately your responsibility to ensure that the information in your credit report is accurate and up to date.

There are numerous companies that offer "Free Credit Reports", however, you are obligated to sign up for their "Debt Monitoring Service" which usually costs about \$80. You will receive a free credit report and if you cancel your monitoring service within 30 days it will cost you nothing. Your best bet is to order your credit report directly from a Credit Reporting Agency. It will only cost you about \$9. Below is a list of the three main companies:

**Equifax
PO Box 740241
Atlanta, GA 03074-0241
(800) 685-1111**

**Experian
PO Box 2104
Allen, TX 75013-2104
(888) EXPERIAN (888-397-3742)**

**Trans Union
PO Box 1000
Chester, PA 19022
(800) 916-8800**

I would advise you to visit the below link to find out exactly how to obtain your credit report:

http://www.pueblo.gsa.gov/cic_text/money/fair-credit/fair-crd.htm

Having knowledge of your rights under the Fair Credit Reporting Act (FCRA) can save you a lot of time and trouble when you apply for credit. The following explains these rights.

(Copied from the Federal Trade Commission web site)

Your Credit Report

Your credit payment history is recorded in a file or report. These files or reports are maintained and sold by "consumer reporting agencies" (CRAs). One type of CRA is commonly known as a credit bureau. You have a credit record on file at a credit bureau if you have ever applied for a credit or charge account, a personal loan, insurance, or a job. Your credit record contains information about your income, debts, and credit payment history. It also indicates whether you have been sued, arrested, or have filed for bankruptcy.

The Fair Credit Reporting Act (FCRA) is designed to help ensure that CRAs furnish correct and complete information to businesses to use when evaluating your application.

Your rights under the Fair Credit Reporting Act:

~~You have the right to receive a copy of your credit report. The copy of your report must contain all of the information in your file at the time of your request.

~~You have the right to know the name of anyone who received your credit report in the last ~~year for most purposes or in the last two years for employment purposes.

~~Any company that denies your application must supply the name and address of the CRA they contacted, provided the denial was based on information given by the CRA.

~~You have the right to a free copy of your credit report when your application is denied because of information supplied by the CRA. Your request must be made within 60 days of receiving your denial notice.

~~If you contest the completeness or accuracy of information in your report, you should file a dispute with the CRA and with the company that furnished the information to the CRA. Both the CRA and the furnisher of information are legally obligated to reinvestigate your dispute.

~~You have a right to add a summary explanation to your credit report if your dispute is not resolved to your satisfaction.

If you believe that your rights have been violated under one of these laws you can file a complaint with the Federal Trade Commission online at:

[https://rn.ftc.gov/pls/dod/wsolcq\\$.startup?Z_ORG_CODE=PU01](https://rn.ftc.gov/pls/dod/wsolcq$.startup?Z_ORG_CODE=PU01)

While these laws won't eliminate your obligation to pay your just debts they can prevent debt collectors and others from taking advantage of you.



How Much Do You Spend?

Most of us don't have a clue how much money we spend and what we spend it on. We spend it until it's gone and hopefully we can find some more to spend.

The conventional wisdom is that, if you want to know the details of where your money goes, you keep track of every penny in some sort of ledger. This is by far the most effective way to handle this problem.

By keeping track of your purchases you will be able to make decisions that could reduce your expenses. You can cut out unnecessary expenses and put your money toward more important things.

It is best to keep the ledger with you and write down this information as you make the purchase. Naturally, if you have a family they will also have to do the same thing. Like I said this is a fantastic way to know where your money is going. The problem is that most people don't stick to it for more than a few days.

AN ALTERNATIVE

Keeping track of your money is a means toward a goal. You want to control your spending so that you can buy the things you need and some of the things you want. It's as simple as that.

Since you already know what your regular bills are going to be each month, the only thing you need to keep up with is your Household Expenses. This includes a lot of things like groceries, car gas, clothes, etc. In order to do this you will need to know how much money you have to use for this purpose.

The Budget Worksheet available at Budget Stretcher will allow you to "brainstorm" your expenses to determine what you need to spend your money on each month.

Here is how it works:

First, you sit down and try to think of everything you spend money on and write it down. If you have a family it's best to get them involved in this process. You won't be able to think of everything at first but you will get a good idea.

Next apply an estimated dollar amount to each of these expenses. Here again you are guessing. You have to be as realistic as possible.

Now that you have an estimate of what you spend on your Household Expenses each month you need to see if you have enough money to cover it. To do this you simply total your regular bills and savings and deduct it from your net income.

If you don't have the money to cover your estimated expenses, it's time to start cutting back. Look at each expense and try to find ways to

reduce or eliminate it. For example, if you are visiting the beauty shop twice a month change it to once a month.

There are thousands of ways to cut your expenses. The best place to find ways to do this is to visit my Budget Stretcher Partner sites. You can find a list of my partners on most of the pages of my web site.

If you have a family your next problem is going to be how to sort your money. When you have your list of expenses you will need to assign the responsibility for each of those expenses to a member of the family.

I wrote another article that explains this process in detail and provides specific examples of how to sort your money. You can see this article by clicking on the below link:

<http://www.homemoneyhelp.com/articles/sortmoney.html>

As with anything else you will need to make adjustments. Even if you decide to keep a ledger to track your expenses circumstances change and you will need to adjust these figures as well.

Knowing how much you spend is important, however, it is not as important as having the money to cover your expenses. If you have what it takes to keep track of every penny you spend I would recommend that you do this for a couple of months and use these figures to help you set up your household budget.

If you have tried using a ledger and find that it's just too difficult I would use the method I've just covered.

The main reason budgets don't work is that they are just too hard to keep up with. By setting up your budget to be as simple as possible you are increasing your chances of making it work.



Can I Afford This?

It's time to replace that old car. Your repair bills are starting to add up to more than the payment would be. But how do you know for sure if you can afford another vehicle?

People ask themselves this question regularly, and not just about cars. Unless you have control of your finances there is no way to tell. You have to know how much your income is and how much your bills and expenses are to find out if you have enough left over for any purchase.

The only way to accomplish this is to have a budget in place. Your budget has to be as accurate as possible and include money for your long and short term savings. All of these things must be considered before you can determine if you can afford to buy anything.

The best way to start is to determine how much disposable income you have. You do this by only using your take home pay plus any other income you may have after any deductions.

The next step is to put down on paper all of your reoccurring bills such as your house payment or rent, utilities, phone, internet costs, car payments, insurance, etc. These are fairly simple to determine, however, you will have to estimate bills that do not have a constant payment each month like your electric bill.

Now comes the hard part. You have to find out how much you spend each month on your household expenses. This includes everything from car gas to groceries. The most common method of doing this is to keep track of everything you spend for 30 to 60 days, however, it seems like most people will not stick to this for that long.

I would suggest that you sit down with a piece of paper and brain storm what your expense are. I will tell you now that you won't be able to think of everything so you will have to make adjustments later. It's hard to remember things like Vet bills.

Now that you know what your income, bills and expenses are you have to set up your savings if you don't already have one. This should be split into long and short term savings. This should be considered just as important as your bills.

It is best to save at least 10% of your income with 50% each going to long and short term savings. The short term saving is going to be your buffer to cover unexpected expenses and possibly for things that are only paid every three, six or twelve months.

Your long term savings needs to be invested in some way. It is always best to consult a professional financial adviser before making a decision how to invest

Now to answer the question "Can I Afford This?". If you have enough money left over, after considering all of the above, to afford an extra payment then go for it. Here is a simple formula:

$$\text{Income} - \text{Bills} - \text{Expenses} - \text{Savings} = \text{How much money you have to pay that extra bill}$$

If the item you are considering is important you may want to use some of your short term savings toward things like a down payment. But remember you still have to have enough money each month to cover the regular payment.

What if you don't have enough to cover that extra payment? Then you quite simply Can't Afford It.



Chapter 2

Your Budget

Yes, You Can Budget!

There are several factors that contribute to budgets failing. The most common is that people just don't want to change the way they live and how they handle their money.

We get comfortable with the way we live and making a major lifestyle change is something that scares most of us. But, my friend, this is probably what it will take to get your finances in order and keep them that way.

I can almost guess what you are thinking, "I'm done with this article. This clown is trying to make me change everything and I don't want to". Am I right? This change doesn't have to be devastating. When you change the way you think about your finances this change will be welcome.

The first and most important thing you have to do is to decide what it is you want to do with your money. I'm talking about setting your goals. When you have a goal that is really important to you it is easier to do what's necessary to reach that goal.

"That goal stuff is all fine and good but what if I can't even pay my bills now? What good is a goal to me?"

If you don't have a goal there is little motivation to solve the problem. We are working backwards here. You set your goal first (the solution) and then work on how to get there (the problem). Let me give you an example. You have a goal to be debt free in the next 5 years. The problem is that you don't have enough money now to pay your bills and put food on the table. This seems like an impossible mission. If being debt free is really important to you then you will find a way to make it happen.

Recently I received an email from a lady that wanted information about what she could do to keep her bill collectors from contacting her work and discussing her finances with her friends and family. I won't go into details here but you can read the case study by visiting: <http://www.homemoneyhelp.com/articles/takecontrol.html>

This lady and her husband had car loans totaling over \$1300 per month. They voluntarily had these vehicles repossessed. This action will have a devastating effect on their credit report, however, I don't believe it will be quite as bad as having to file bankruptcy.

This couple made a hard choice in order to reach their goals. While you may not have to have anything repossessed, you are still going to have to make hard choices. My point is that you can do it if you try. This is just one example of how you can budget even if you are behind on your bills.

There are many other things you can do if you are behind. One of the best ways to get started is to contact your bill collectors and see what arrangements can be made. You may be surprised to find that these people are willing to work with you to solve the problem.

How many times have you considered a purchase just to ask yourself "Can I Afford This?". When you have a budget in place this is a question that you won't need to ask. You will have the numbers in front of you. If the payment is too much to fit in your budget then the answer is No.

The time to start a budget is now. It doesn't matter whether you are 18 or 65. Once you set up your budget and have it in place for a couple of months you will start to realize that it isn't difficult.

As with anything else there are basic guidelines that are universally accepted. These vary somewhat depending on who you talk to but the below percentages will get you close to what is accepted.

What I am talking about is the percentage of your income (take home pay) that you should allot for each category of your budget. At Budget Stretcher I have broken this down to just 4 categories to make your budget experience as simple as possible.

Here are the percentages:

Housing - 30% of your take home pay. Housing costs cover your rent or mortgage payment, taxes, etc.

Other Bills - 30% of your take home pay. This is the catch all category that includes your regular bills excluding housing. Your credit cards, utilities, loan payments, car payments, insurance, etc. are all covered in this category.

Household Expenses - 30% of your take home pay. This is what it takes to run your household. This includes groceries, car gas and all the other stuff you have to pay for between paydays.

Savings - 10% of your take home pay. This is possibly the most important of all of the categories. If you don't have a long term and short term savings program it is going to be difficult to solve any money problems you may have.

At least 5% of your take home pay should be used for short term savings. This is very important because it is what is going to cover any unexpected expenses that may pop up. This will prevent the use of credit cards to cover these expenses.

Your short term savings should be kept in a savings account or other savings program that will allow you to lay your hands on it quickly. This

isn't to say that you should use this when money runs short at the end of the month.

You should also put aside at least 5% of your take home pay for your long term savings. One day you will want to buy a house or send the kids to college and this is the pot of money that is going to accomplish that.

Even if you have a 401k or other retirement plan it is still a good idea to put this money away. This money needs to be in an account that will pay you the most interest without a lot of risk.

Since I'm not an investment expert I won't even begin to make a recommendation on where to invest this money. You will need to consult a competent investment broker for this advice.

As you can see by the percentages above your budget is actually as simple as 2+2. If your bills and expenses doesn't fit into the recommended percentages then you need to work on it until it does.

If you are like I was you can probably come up with a thousand reasons why you can't budget your money. Either you have too many bills, you are too far behind on those bills or you just don't want to make the perceived sacrifices necessary to live on a budget.

I'm not going to try to fool you into believing that there won't be sacrifices. I am going to tell you that what ever sacrifices you have to make will be well worth the effort.



Why Budgets Don't Work and How to Fix It

This article is for those families that have sat down at a desk or the kitchen table time after time trying to develop a family budget that they can live with.

Why don't they work?

There are several answers to that question. Most budgets are doomed from day one because they are too complicated, don't have the commitment of all involved or the numbers simply don't add up. The biggest culprit is that most people don't allow for unexpected expenses.

Let's tackle these one at a time:

Too Complicated: When you list every expense you have on your budget you set yourself up for defeat. Some budgets include such things as cleaning supplies, dog food, haircuts and car gas. In order to keep track of all of these you would need a new box of envelopes every month.

Answer: Streamline your budget. By simply including a topic on your budget entitled "Household" where you can include everything you spend money on each month, excluding bills. Groceries will undoubtedly be the largest expense in this category. By taking the extra time to figure what needs to go into your household budget when you set it up, you can save a lot of time each payday.

Commitment:

- 1. Many times the commitment to live by a budget is lacking.**
- 2. People get into spending habits that are hard to break.**
- 3. There is constant friction in the family over money.**
- 4. It is more comfortable to live beyond your means.**

Answer: You have to consider all of the above problems when setting up your budget. The Family Budget is just that, the FAMILY BUDGET. Everyone in the family that is old enough to count should be included. I don't mean to say that children should have a say in where the money goes, but they should be aware of what the spending limits of the family are. If you work closely with your spouse in developing a family budget you both are more likely to stick to it. There is one other detail that will help. By setting aside money for yourself and your spouse, that you don't have to account to the other for, your budget is more likely to succeed.

The Numbers Don't Add Up: You have more budget than you have paycheck. Generally, this is caused by not being realistic in your budget. You try to make your paycheck fit your budget.

Answer: Start by listing your household expenses and bills. Then include 10% of your income for long and short term savings. If this total is more than your paycheck, you have to cut back. Start by looking at your household budget. Are there items that you can do without? If you have money left over after considering all of the above, then increase your savings.

Unexpected Expenses: This can be from your car breaking down, need a new washer or any number of other expenses that you can't predict.

Answer: While long term savings is for things such as a home or car purchase or college for the kids, short term savings is just as vital to your financial security. A short term savings will accomplish two things. It will provide you with the money you need to pay those unexpected expenses and it will cut down on the use of credit cards. The short term savings could save you hundreds of dollars a year.

When you develop your budget, keep the following things in mind:

- 1. Make your budget as simple as possible**
- 2. Get the family involved.**
- 3. Make your budget fit your paycheck, not the other way around.**
- 4. Plan for the unexpected.**
- 5. Visit The Complete Budget and Bill Organizer for more details**



Why Have A Budget Analysis

Let's start by defining a "Budget Analysis". This is simply a breakdown of your budget (income, bills & expenses) showing how much money you have coming in and how much you have going out. It will show how your budget category percentages compare with what is recognized as the ideal percentages. The most important aspect of the Budget Analysis is the recommendations for improvement.

The first part of your analysis will list your income and breakdown your bills and expenses by category. At Budget Stretcher I use only four categories, Housing, Other Bills, Household Expenses, and Savings. The three expense categories allow 30% of your take home for each category with 10% going to savings.

Next, your expenses percentages will be compared to the ideal percentages that will show you what areas of your budget need improvement. The percentages above are simply targets. If you exceed the recommended percentage in one category but you do not exceed 100% of your take home pay for all categories, then you would not normally have a problem.

The recommendations for improvement are based on sound financial practices. There isn't anything complicated about this, it is pretty much $2+2=4$. However, there are some tricks that can be recommended to help make the figures add up a little easier. As an example, if you have say 40% of your income going to the Other Bills category because of credit cards, it may be recommended that you try consolidating your credit cards to lower your Payments. This can be done by either a consolidation loan, home equity loan or by using an existing credit card to pay off all of the others.

I would recommend a Budget Analysis for anyone that is having problems with paying their bills or anyone that consistently pays their bills late. Also, if you have problems organizing your bills or would like to reduce your debt, a budget analysis may be helpful.

The next step is follow-up. No matter how thorough your budget analysis, you are going to have questions along the way. It is important that whoever is doing your budget analysis are available to answer these questions for as long as you need the help.

A Budget Analysis is not the answer to all of your problems. It is going to take time, organization and discipline to get your finances in order but it can point you in the right direction.



Living On What's Left

Are you one of those people that pay your bills no matter what? That is an admirable trait to have when managing your money. You made the bill and you feel you are responsible for paying it. Good for you.

Now let's talk about how much money you have to cover your household expenses after you pay all of those bills. Your household expenses would include your groceries, car gas, school lunches, and all of the other stuff that it takes to run a household. Do you have enough to pay this bill?

All too often, people tend to pay their bills and try to live on what's left. This never works unless you have enough money left to cover these at home expenses. The grocery bill will always run about the same, you will always need about the same money for gas, etc. In other words, you need enough to live on.

I have seen this time and time again. Another bill is made and the money comes out of the household budget because there is no money available in any other category. Then what happens?

Many people resort to using their credit cards to cover their regular expenses. Since there is no other money available to pay their increased credit card payments, that also has to come out of their household expenses. This is how many people find themselves in over their heads.

There is only one way to change this cycle. You have to allow enough money in your budget to cover the things you need. You must do this even at the expense of your other bills. That could put you in a position that you can't make some of your payments, but at least you won't be increasing your debt, except for possibly late fees. If this is your situation you need to seek help to reduce the payments on your other bills.

Naturally, there are many ways to cut your household expenses that will allow you to pay more toward your other bills. You can save a lot of money on groceries by using coupons, buying generic, not using processed foods, etc. The internet is full of ideas and tips to help you save. I would start by visiting The Frugal Shopper at <http://www.thefrugalshopper.com> .

When you develop or revise your budget, always put the emphasis on your household needs. Once you have determined how much you need to get by, then you can see what is left for other bills.



Setting Your Financial Priorities

Whether you know it or not, you are always setting your financial priorities. Some may decide that a new stereo system is more important than this month's electric bill. This may be a little off the wall but it is still setting your priorities.

Anyone wanting to better manage their money would be wise to determine what their financial priorities are and stick to them. Of course, if you see that these priorities will not put food on the table and pay your bills then you will have to rethink your priorities.

Setting your priorities is simple. You just decide what is the most important aspect of your finances and put that item on top. However, if you decide on that stereo over your electric bill, you may find yourself in the dark with no need for a stereo.

There are basic priorities that pertains to everyone. These are simply a matter of survival. Here is a list of the basics:

Water, Food, Shelter

That was a tough one.

What does it take to ensure that our basic needs are met? The main ingredient is a source of income to pay the rent or house payment, pay the utilities, and buy the groceries. This is where you start setting your priorities.

Before you can spend another penny, you have to take care of what you need to survive. Don't put off the rent or house payment, utilities and don't skimp on your groceries and necessary health items. If you do you will start experiencing money problems much sooner than you would if you had delayed paying other bills instead.

What's next? If your source of income happens to come from a job, then I would say your transportation. You have to get back and forth to work so you can afford all of the other stuff. This would include your vehicle payment, gas, insurance and maintenance. If your source of income is not a job then go to the next step.

And Now? Naturally, this would be your other bills. You can even split this category a little further.

First, you have your bills that are secured by property. You should always pay these bills first. Secondly, your unsecured bills which are probably credit cards.

The reason you should always pay your secured bills first is that it is much more likely that they can take the secured property and probably will unless payment is made.

While credit cards companies are notorious for their threats, they very seldom follow through. I'm not saying not to pay them, just that they aren't as high a priority as your secured bills.

Next would be your savings. I really to hate to list savings as your last priority because having a savings can prevent the use of those dreaded credit cards and help in so many ways. If you have the money to cover all of your other priorities then you should always put savings at the top of the list. However, if you don't have enough money to cover your bills and expenses then your savings will have to be the first to go.

Just to recap. The below list is an example of what your financial priorities should look like:

- 1. Groceries and Necessary Health Items**
- 2. Housing (Rent or House Payment)**
- 3. Utilities**
- 4. Transportation**
- 5. Secured Bills**
- 6. Unsecured Bills**
- 7. Savings**

Let's hope that you never get in the position to have to decide which item from the above list will have to wait. But if you do, following the above priorities is absolutely necessary to ensure your survival.



Sorting Your Money

For anyone that is familiar with The Complete Budget and Bill Organizer, you already know that I recommend that you use your checking account to pay bills and cash to cover your household expenses.

With all of the different items that the average individual or family spends money on, it can be difficult to keep it separated. You have to have money for groceries, car gas, school lunches, Groceries, Dining Out and Entertainment just to name a few.

You could buy a box of envelopes each payday and sort the money on payday and stuff the money in an envelope until you need it. Of course, then you would have to have a safe place to keep it.

If you like the envelope method, then by all means use it. However, the entire purpose of The Complete Budget and Bill Organizer is to simplify things. Sitting down at the kitchen table each payday and sorting cash is far from simple.

It would be much better to try storing it in your wallet or purse. You would have the money when and where you need it. There is an element of risk that the money could be lost or stolen. If you don't feel comfortable with having that much cash in your wallet and don't have problems handling your checking account, you could deposit the money for groceries in your account and write a check for your normal grocery shopping. I wouldn't write a check for just a milk and bread run.

For a family, a budget keeper should be assigned to sort the money.

They would be responsible to distribute the money to other members of the family. To do this you will have to clearly define who in the family is responsible for what expenses. Let me give you an example:

A family with a working dad and a stay-at-home mom with three teenage kids may distribute their money like this:

Weekly Household Income after money for bills is deposited in checking: \$500

Mom is assigned as budget keeper and keeps \$355. Out of this money she is responsible for buying the groceries, health items, cleaning supplies, the families clothing, school lunches, pay the paper boy and other expenses around the house.

Mom takes \$50 out of this money for herself that she doesn't have to account to anyone else in the family for.

Mom gives dad \$100 of which he is responsible for paying for his expenses to get back and forth to work including car gas. Dad can use \$50 of his money that he doesn't have to account to anyone else in the family for.

Mom gives each of the three kids an allowance of \$15. This money can be used any way they choose.

By sorting your money this way, each member in the family can keep the money in their wallet and all of the responsibilities are covered. No, you won't know exactly how much you spend each month on groceries, car gas, etc. The main point of a simple budget is to make sure you have the money to pay everything without the hassles like sorting your money into envelopes and accounting for every penny.

Mom, as budget keeper, would also be responsible for keeping the budget, paying the bills and depositing money in their savings. This does seem like a lot of responsibility for just one person in the family but, to ensure that their finances are organized and everything is covered, it is absolutely necessary. It is also important to make sure dad knows how mom is handling things so that he can step in if the need arises.

While developing your budget using the Budget Worksheet you will know what your household expenses are. Simply take that list and assign it to a member of the family along with the money to cover it. If you run into problems and some things aren't being paid, you will probably have to review your budget and reassign these responsibilities.



Budget Leftovers

It is extremely difficult to setup a budget, especially when you are behind on some of your bills. Even if you can make your regular bills and expenses fit neatly into your budget, what can you do if you don't

have the money to catch up?

I have listed several methods and circumstances below that may help manage setting up your budget and begin to pay those overdue bills. Since there are as many different budgets as there are people that try to set them up, this list may not be all inclusive. It may, however, give you some ideas that will fit your individual problem.

Unless you don't have any income at all, there are a couple of things that should never be late. Your rent or house payment and utilities should be paid first, even at the expense of other bills. This is simply a matter of survival.

The first thing you need to do when setting up a budget is to determine how much actual take home income you have. Then determine the amount of your normal bills and expenses. The Complete Budget and Bill Organizer explains this in greater detail and provides forms to put it on paper.

The below methods assume that you have enough money to cover your normal bills and expenses but have some bills that have an amount that is overdue:

When you are setting up your budget and have overdue bills you need to cut your expenses to the bare bones. This doesn't mean going without food. However, there are many ways to cut back on expenses. You can find hundreds of them by visiting my Budget Stretcher Partner sites listed at <http://www.homemoneyhelp.com>.

You should always make the initial contact to the company any time you aren't able to pay a bill on time. Once you have your budget setup, see if there is any money left over to start paying the amount that is behind. If you do have some money left over, when you contact the company, find out if they will accept paying a little extra each month, without penalty, until the overdue amount is paid in full.

Contact a your local Consumer Credit Counseling Service. You can find them in your phone book. They can assist you by contacting your creditors and establishing a payment schedule that will fit your budget.

If your overdue bills are credit cards, consider transferring your balances to either a credit card you already have or can obtain. This will do a couple of things. It will normally lower your monthly payment and it will eliminate your overdue status. Be extremely careful doing this. The credit card companies you paid off will be using every means they have to get you to use their credit cards again. Cut them up and notify the company to close the account.

Look for ways to get extra money just for the purpose of paying your overdue bills. This can be either a temporary part time job or selling something that you can do without.

If you own your home and have equity in your property, you may want to consider a bill consolidation loan. While this seems like an easy out, many people start obtaining more debt after they receive the loan since they have some disposable income. There are pros and cons to bill

consolidation loans and you would be wise to investigate it thoroughly.

If you have exhausted all of the above options, you may have to consider one of the below options. You must remember that filing bankruptcy can stay on your credit history for up to 10 years and can have a devastating effect on your future financial plans.

In extreme circumstances, and always as a last resort, consider filing Chapter 13 bankruptcy protection. This allows an individual to setup a repayment plan of between 3 to 5 years to pay off all or part of their debts. You must have sufficient income to permit a portion of it to be used toward your repayment schedule.

Another option is Chapter 7 bankruptcy which is the most commonly filed chapter since it can completely eliminate all of your debt except the ones you choose to continue paying. There are exceptions to debts that can be discharged and to what property is exempt from being taken by your creditors. You should discuss any bankruptcy actions with a competent bankruptcy attorney. Only individual's may file for chapter 7 or chapter 13 bankruptcy.

Just because you are behind on your bills doesn't mean that your bill collectors can do what ever they want to collect their debt. You have rights under the Fair Debt Collection Practices Act. It would be a good idea to visit The Federal Trade Commission's web site to find out what your legal rights are.



How Did I Get In This Mess?

When I was younger and having all kinds of money problems, I ask myself this question a thousand times. It seemed like one day we were doing fine financially and the next we owed everybody. How can it happen so quick?

This is a problem that a lot of people are experiencing today. It can be one of the most helpless and frustrating situations most of us can find ourselves in. To make matters worse, it seems the harder we try to get a handle on our finances the deeper in debt we become.

There isn't an answer that covers everybody, naturally, but I believe that in most cases we simply weren't paying close enough attention to the details of our finances. We figure that an extra payment here or there won't make a difference, until it's too late.

I know for myself and most of the people I have counseled over the years, that it wasn't until we took a good hard look at how we got ourselves in debt, that we were able to start working on a way out. This isn't for the purpose of placing blame, but is necessary to determine what changes needed to be made and to prevent it from happening again.

I have found that very few people, including myself, have ever been

taught even the basics of proper money management, either at home or at school. This hit home when I had to teach all three of my kids how to fill out and maintain a check book, after they graduated from high school. I assumed that they would learn this in school. I realize now that I should have been more aware of what they were not learning and accepted the responsibility of teaching them the fundamentals of handling their money myself. That was my job.

If you are just starting out in the work force or going to college, it is time for you to learn that you have to work at managing your money, everyday. It is essential that you learn as much as you can about setting up a budget and using every expense cutting method you can think of. Even if you are making good money you need to know exactly what you have coming in and what you have going out. There are a lot of people making \$70,000 or more a year that are having money problems.

There usually isn't just one thing that causes us to accumulate debt. It can be anything from buying more house than we can afford to running our credit card balances to the hilt. It almost always happens a step at a time.

Let me give you an example: You buy a house with payments that are more than you wanted to pay, but it is exactly what you were looking for, so you decide you can cut back in other areas. Now you've used all of your cash for the down payment on the house, but you still need furniture. It's time to break out the credit cards. You don't realize just how much the furniture, curtains, pictures, rugs, etc. will cost. Now your credit cards are reaching their limit. Then the electric bill comes in and it is double what you were expecting. This can all happen within just a couple of months.

The above example may not fit your situation, however, chances are no one purchase caused the problem. This is why it is absolutely necessary to pay close attention to your finances and plan every purchase. The only way to know if you can afford something is to have a budget in place.

For most people, there are too many expenses for the average individual or family to keep track of in their head. You have to take what ever time you need to put this information down on paper after considering all of your possible expenses. You can do this on a piece of notebook paper or find a simple budget form. Which ever way you choose, make sure that you review it before you make any purchases.

As I stated before, it is necessary to know what events led to your money problems so that you will know what actions to avoid in the future. This will be vitally important on the road to your financial recovery.

For an easy to setup and maintain budget, visit:
<http://www.homemoneyhelp.com/BBOonline.html>



Crisis Fund

What would it be like to have a pot of money available when you have an unexpected expense? I used to think that unexpected expenses was something that happened very rarely. But it seems like these days I have as many unexpected expenses as I do regular bills. One of the vehicles is always needing tires or repairs, the washing machine needs replaced or buying a new water heater (like I did just last week). That is where the Crisis Fund comes in.

If you have a budget in place, most of your regular paycheck is already allocated for something. Ideally about 10% should be put aside for savings. It would be a good idea to use about half of your savings for long term savings and half for your crisis fund. Your long term savings would be used for large purchases like a home or money for college for the kids while a crisis fund would be used smaller purchases.

Your long term savings can be invested in many ways to yield the best interest rate you can find since the money is intended to be tied up for years. Your crisis fund needs to be in a savings account or a checking account that earns interest to make the money available on short notice.

You may even want to use your crisis fund for bills or expenses that you know will be due in the future. A few examples of this could be school clothes for the kids, insurance payments that are due every three, six or twelve months or even a balloon payment on your mortgage.

One of the major reasons to have a crisis fund is to prevent the use of credit cards. All of the purchases you would make with a credit card could be made out of your crisis fund. With the average credit card interest being 18% or more, just having the cash available could save you hundreds of dollars a year.

If you don't think you have money for a savings of any kind you might want to think about ways of cutting back on something else to create a crisis fund. If money is extremely tight, you will probably have to put off starting a long term savings.

Even putting \$5 or \$10 a payday away will help when you need it.



How To Stick To Your Budget

I've had a lot of people tell me that setting up their budget was simple but when it came to living by it payday after payday they admitted losing interest in a very short time.

Let's face it. The day to day drudgery of trying to figure out how to best spend your money isn't the most interesting aspect of our lives.

Let me see if I can make the budget process a little more appealing to you. I don't have any magic or secret process to tell you about but I do have a method that will show you why a budget doesn't have to be boring.

I can do this with one word.

GOALS

When we think of goals most of us look far into the future to our retirement. That's the problem. It's hard to imagine when your 20 what you will need when you are 65.

Accomplishing your goals doesn't have to take a lifetime. Even when they do you can set milestones along the way to break it up and get a sense of accomplishment much earlier.

If you have problems staying on a budget try setting some short term goals. We can start with an easy one. Try to save \$100 without missing it.

Unless you have no income at all this is easy. Don't spend any coins for any reason. If you buy something for 25 cents break a dollar. Then all you have to do is put the change out of your pocket or purse in a jar every day.

This sounds simple enough and you've probably heard about saving change before. If you are a skeptic like I was you probably think that this isn't going to lead to any real savings at all.

Let's get back to that \$100 I was talking about. How long do you think it would take you to save enough change to equal \$100. 6 months? 1 year?

The fact is that the average person can save \$100 in less than three months. In some cases even sooner. That's not very long to accomplish a goal.

Now let's look at setting milestones using the same method. Roll your change once a month to see how close you are to your goal. Write down how much you saved that month on a piece of paper and put that and your rolled change back in the jar. Keep doing this until you've reached your \$100 goal.

Now, what do you do with that \$100? You could put it in a savings account and earn a little interest but it still wouldn't be worth much more than \$100 even after a year.

My suggestion would be to pay it on one of your credit cards. That way you could turn that \$100 into much more with the interest you would save.

It may sound like I strayed from the topic of this article by talking about saving your change. Actually a budget is just a system of reaching goals. You do this by working backwards.

You decide what it is you want to do and then make all of your money decisions based on that end.

Setting up and maintaining a budget is going to take organization and discipline. This task will be much easier if you are working toward something you really want.

Chapter 3

Credit Cards

Paying Off Your Credit Cards and Other Bills

If you maintain a balance on your credit cards you are probably paying hundreds of dollars a year in interest. This is money that could be put to better use.

There is a simple method of paying off credit cards that doesn't require too much extra money each month. This method is called payment snowballing. While your biggest gain will be from paying off credit cards, you can also use this method to pay off installment loans, your mortgage, medical and other bills.

By snowballing your payment you start paying off credit cards and adding the money you were paying on the paid off credit card to the next one. This is one of the quickest ways to eliminate your credit card debt.

I have developed a simple form to help with this process. At this point you may want to look at a sample payoff schedule at <http://www.homemoneyhelp.com/sampleccpayoff.html> . You enter the name of the credit card, amount you owe and your actual payment on the credit card payoff form. Please visit <http://www.homemoneyhelp.com/ccpayoff.html> for a printable copy of "Snowballing Your Credit Card Payment Schedule". You may enter your figures on this form before you print it. It is best to list the credit cards in the order you wish to pay them off.

There are two schools of thought about which way is best. Many experts believe that paying the credit cards with the highest interest first is best. You then go to the credit card with the next highest interest and so on. Personally, I believe people need to see results quickly. I recommend paying off the credit card with the lowest balance first and then go to the next lowest balance, etc. Whether you start with the highest interest rate credit card or the one with the lowest balance it

will ultimately achieve the same results.

Your next step is to determine how much you can afford to pay toward eliminating the debt. Since you are already making at least the minimum payment, you can start by adding the minimum payments for all of your credit cards. Then check your budget (See The Complete and Bill Organizer to setup a simple budget. It's FREE.) to see if you can afford to add any money to your minimum payments. At the bottom of the payoff schedule you will find a table to help determine how much you can pay. Once you have determined how much money you have to put toward paying off this debt, list it at the top of the form.

Your next step is to establish your scheduled payments for each credit card. It is best to set a constant payment at or a little more than the minimum payment to all of the credit cards except the one you are currently trying to pay off. Keep paying this constant payment month after month even though your minimum payment will go down. This alone will make your balance go down faster than paying the minimum payment.

Refer to the sample payoff schedule. You will see that the Visa Card will be paid in the 4th month, requiring only a \$15 payment of pay off. These figures are only estimates because they do not include interest.

Notice that also in the 4th month an additional amount is added to the MasterCard. To arrive at this figure, you simply add the \$15 you paid toward your visa to the \$35 you pay on discover and deduct it from your allowed amount. Example: $\$15 + \$35 = \$50$; $\$130 - \$50 = \$80$

One of the key points to make this system work is that you have to make a commitment not to use the credit cards. Each purchase will throw you further behind.



10 Things You Should Know About Credit Cards

Maybe these 10 items may answer some questions you have about using credit cards. Make sure to check out the link in #1.

#1. Don't Use Them.

Credit cards accounted for 1.6 million Americans filing bankruptcy in 2002.

#2. If you use credit cards pay them off each month.

Carrying a balance on your credit cards could add up to hundreds of dollars each year in interest and penalties.

#3. If you can't pay off your credit card balance each month, pay as much as possible.

Every extra dollar you pay over the interest charges goes toward paying off the principle. Minimum payments are 90% interest and 10% principle.

#4. Never obtain a credit card based on an introductory interest rate.

Introductory interest rates are strictly bait to get you hooked. After a short period of time the intro rate increases substantially.

#5. Be careful consolidating your credit card debt.

Whether you use equity in your home or find another credit card to lower your interest rate, there are things you **MUST DO. If you pay off a credit card you are going to receive constant offers, either checks in the mail or special offers, to use that credit card again. Be sure to cut up the credit card you paid off and contact the company to cancel.**

#6. Do not obtain credit card protection.

Many credit card companies offer credit card protection for a fee. This is normally a percentage of the outstanding balance. According to the Federal Trade Commission, (reference: <http://www.ftc.gov/bcp/online/pubs/alerts/lossalrt.htm>) you are only obligated to pay the first \$50 when your credit card is used by someone unauthorized. You could easily pay several times the \$50 for credit card protection in a year.

#7. Don't keep more than two credit cards.

The biggest reason for this two card rule is that it is easier to keep track of possible errors and current interest rates with no more than two cards. Some credit card companies will increase your interest rate without prior notification. You must look at your statements each month and inquire about any discrepancies.

#8. Always mail your credit cards bills at least seven days prior to the due date.

Currently, credit cards companies are allowed to charge a maximum of \$29 for late fees if the bill is not paid on time. With delays in the mail and processing time once the bill reaches the credit card company offices, you need at least 7 days to be sure it is posted on time.

#9. Always protect your credit card numbers from others.

Be sure that you don't allow unauthorized people to see your credit card numbers. It is very easy to use someone else's credit card, as stores are very lax in their security of handling credit cards, seldom checking to see if the signature on the back of the card matches the one on the credit card form. Never give your credit card number over the phone unless you know who you are talking to.

#10. Don't use credit cards for groceries.

Buying things like groceries with a credit card, unless you pay the card

off each month, is a no win situation. Buying recurring items like groceries will only tend to increase your credit card debt each month.

Chapter 4

Money Problems

Spending More Than You Make

When you spend more money than you make each month you are bound to have money problems very quickly. The bad part is that most of us never realize we are spending that much until it's too late.

How many times have you used the credit cards to buy a TV, school clothes and supplies, fixe the car, or any number of things and not realized that you just exceeded your monthly income. You may have even realized it but thought there is always next month.

Credit cards are the biggest culprit but they aren't the only way to spend more than you make. Things like payday loans or car title loans also come to mind. Paying \$15 to use \$100 for a week doesn't seem too bad. However, when you consider that you are paying almost 400% in interest over a years time these loans make interest on credit cards look like a great deal.

Normally, installment loans have a lower interest than either credit cards or payday loans but they can still cause problems if you aren't positive that you can make the payments each month.

I consider a house payment and the purchase of a car the only real legitimate reasons for paying interest. Very few people have the means to make these purchases with cash. If you aren't careful you can still get yourself into trouble by buying or renting more house that you can afford or having car payments that don't fit your budget.

I just recently received an email from a lady stating that her and her husband wanted to buy a new car but really didn't know if they could afford it. This family probably saved themselves a lot of headaches just by asking that question. I wrote back showing her how they could determine if they could afford the car or not.

My answer to her question was to have her develop a budget, listing all of the other bills and expenses they have, and then see what's left over. I also reminded her that she should consider the extra costs like insurance, maintenance, etc.

Over the years I have seen people with as little as \$500 a month income

manage their finances very well while someone else with \$5000 income can't make it last the entire month. It all boils down to planning. If you plan your bills and purchases each month with the goal of not exceeding your income, you can make it on almost any income.



Only You Can Prevent Money Problems

People experience money problems for a variety of reasons. Maybe you lost your job, used your credit cards too much, have a bunch of medical bills, paid too much for your dream home or any number of other reasons.

What ever the reasons for your money problems, most of them could be prevented. I know for a lot of you, I am talking in the past tense. The problems are already here so prevention is irrelevant. This is not the case.

Only when you understand how you could have prevented the problem in the first place will you be able to fix it. We don't need to look at symptoms here, we need to explore root causes. I have developed a theory. Some people aren't willing to sacrifice, no matter what the rewards.

Sacrifice and discipline go hand in hand. It seems that our parents and grandparents understood this better than we do. They had to sacrifice just to put food on the table. They also understood that they had to forego what they wanted to have what they needed.

I believe that most of us have a basic understanding of discipline, however in today's society we don't have to choose between food and a big screen TV. We want it all - we can have it all - NOW. It's too bad that many times this will come back to haunt us.

If you want to prevent your money problems, you have to have the discipline to sacrifice. You need to understand that your needs come first, that you have limited financial resources and that never spending more than you earn each month is essential to your families financial survival.

It is even more important that you learn discipline and sacrifice if you already have money problems. When you develop these skills and hopefully overcome your financial woes, you will have a better chance of preventing it from happening again.



Preparing For The Worst

I would say that most of us have experienced money problems at some point in our lives. This could have been caused by the loss of a job, injury or illness, over spending, and the list goes on and on.

Right now in the US there are hundreds of companies downsizing or going out of business. In some cases this is due to the economy. In others we have seen cases of very poor management and down right fraud. No matter what the reason, people have lost their jobs and their income.

In a lot of cases this can't be prevented. If we can't prevent the hard times, then just what can we do? Prepare! Prepare! Prepare!

I know you have all probably heard that you should have at least six months income set aside in case you lose your income. Yeah, right! With things as expensive as they are today, you are lucky if you have six days income set aside.

If you don't have money saved for when these problems occur, then just what can you do? First and foremost, you need to have a plan in the event this does happen.

Just sitting down with your budget and saying to yourself "What If" will help you know what you need to do to be prepared. Here are a few suggestions that will make it a little easier:

It is always best for you can keep your bills to a minimum at all times and try to save as much as you can.

Even if you are bringing in good money you need to consider the loss of your income before you make any major purchases.

Keep your freezer and food pantry stocked.

Determine what assets you could use in the event you needed money to get by. Start with things like an IRA, 401k or other savings. You can also consider things that you can sell to bring in money or reduce your debt.

If things get real bad, you will need to know where you can get help. This could be from family and friends or government aid. There are a lot of people that have had to resort to this form of help that never believed it could happen to them.

Know your priorities. Food and shelter will be your main concerns if you lose your income. Whatever money you have should go for these expenses first.

Contact all of your bill collectors as soon as the problem arises. Let them know that you have lost your income and are doing everything you can to get back on track. Get the persons name and department you spoke with and tell them you will keep them posted. Trying to hide from these people will only make matters worse.

Let the entire family in on the problem and tell them that there will need to be some adjustments made. Enlist their help with ideas to earn income or cut expenses.

Being prepared for the worst will make you sleep a little better while times are good.



The Most Costly Expense of All

Do you think you have a lot of bills? If so, you are probably right. But have you considered the bill that costs you the most each month?

On average your housing costs probably run about 30% of your take home pay. Your other bills which include utilities, credit cards, etc. also run about 30% of your take home pay. It probably takes another 30% to run your household and if you are lucky you can stash the remaining 10% in a savings account.

What are your percentages? Do you know? That's the problem. Most people run their budget out of their wallet.

There is that hideous word "Budget". Many people compare operating their finances with a budget to having a ball and chain attached to their wallet. They won't be able to get anything they want for the rest of their lives.

Let's see if the following scenario fits you:

You get paid.

You write out your bills.

You give your spouse some money.

You wait for next payday to get some more money so you can do the same thing.

You may not realize it but if you are doing this you are spending a lot more money than you need to.

Most of the people I work with have no idea how much money they make or how much they owe. While money may be important to them it is way to much trouble to learn how to manage it. This is the very reason there were \$1.5 million bankruptcies in this country last year.

I can almost guarantee that if you are trying to run your finances like the scenario above at some point you are going to run into problems. It simply can't work.

The main reason for this is that you never get a broad picture of where you are financially. You pay the bills and hope you have enough money to buy your groceries and put gas in the car until next payday.

Most people can add and subtract. That's all there is to a budget. If you

aren't willing to take the time then living paycheck to paycheck will be with you the rest of your life.

I call this "Financial Complacency" which simply means that you know you need to manage your money better but aren't willing to do what's necessary. Here are a few excuses I hear to justify this:

I don't make enough money.

I owe too much to set up a budget.

I'm not good with numbers.

I just don't have the time to keep up with a budget.

I can't get my spouse to work with me.

Do any of these sound familiar?

Well, that's the problem but what about a solution. The solution is simple no matter what your financial situation is.

First, you must find out where you stand now. That could be as simple as writing down your income and bills and expenses on a piece of notebook paper. Then subtract your expenses from your income. Make sure to include your household expenses (groceries, car gas, etc.) in your expenses.

Now look at the numbers. Do you have anything left over? If so what are you going to do with it? That's the next step. If you don't then you need to consider cutting some of those expenses.

Now you need to decide what you really want your money to do for you. Set your goals! This could be saving for your retirement, buying a home, college for the kids, getting a new car or any number of things. That's why you have to decide for yourself. There are just too many variables for someone else to help you.

My first suggestion is that if you have credit card debt you look for a way to pay them off and stop using them. Realizing that goal could make your other goals more likely to succeed.

Now it's time to set up that dreaded budget. Where are you going to find the time and desire to write everything down that you spend and all the other stuff that goes along with keeping a budget? The answer is that you don't have to!

One of the biggest myths about budgeting is that you need to keep up with it everyday. That's the reason so many people refuse to try.

It does take a little time to get your budget setup. There are a lot of things that need to be considered. But once your finances are down on paper there is no reason to work on it except on payday.

If you believe that managing your money is too difficult or just too much trouble consider the alternative. Not managing your money is probably robbing you of thousands of dollars a year and could lead to financial disaster.



What To Pay When You Can't Pay Everything

With ever increasing consumer debt more of us are finding ourselves robbing Peter to pay Paul each month.

We go through our bills and find that the money just won't stretch far enough to cover all of the bills and expenses. It's hard to decide who you should pay when you have one bill that is stamped with "Final Notice" and you are behind on several of your other bills.

If you don't pay the credit cards you know that you are going to start getting those harassing phone calls. If you don't pay the house payment you are looking at foreclosure. If you don't pay the utilities they will shut them off. How do you decide?

When you get to this point it's time to get down to basic survival and work from there.

I have actually talked to people that stated their credit cards were up to date but their mortgage was two months behind. This is one of the biggest mistakes we can make when we don't have the money to pay everything.

Another mistake I see on a regular basis is that some people pay their bills at the expense of their food budget.

If you have the money to pay some of your bills you have to start with groceries first and necessary health items. You can try to save as much as possible on your food but that money has to be set aside before anything else.

The next bill you must pay is your mortgage or rent. While credit cards companies will drag out their collection process, mortgage companies and landlords will start the process of foreclosure or eviction within just a couple of months.

Your next priority is your utilities. In many cases utility companies will turn off your utilities if the bill isn't paid within a few days of receiving the bill.

Once you are sure you have enough to eat and a roof over your head you can start thinking about your other bills. The secured loans, like your car payment, should come before your unsecured loans, like your credit cards.

The reason for this is simple. Creditors that have secured property will sue or repossess much quicker than the credit card companies.

If you find yourself in this situation it is a sign that you need to do something drastic and fast. By not paying all of your bills each month they are going to add up quickly and you are going to accumulate a lot of late fees.

The best place to start is to find out exactly where you stand and what is causing the problem. This is as simple as listing your income on one side of a piece of paper and your bills on the other. Total each and subtract your bills from your income.

Your next step is to develop a budget. You can find a free and simple budget by visiting The Complete Budget and Bill Organizer at <http://www.homemoneyhelp.com/BBOonline.html>

Whether you use my budget system or another it is very important that you start one as soon as possible. For those of you that believe a budget is to restrictive, just the opposite is true. The only way you can get what you want and know you can afford it is to have a budget in place.

It is important that you pay all of your bills on time each month. When you don't have the money to pay everything it is vital to your survival that you pay the most important bills first.



Money Worries?

If you are worrying about your money problems it's time to STOP IT NOW! Easier said than done, huh.

In my 25 to 30 years working with personal money management problems I have never seen worry help solve the problem. In fact it has just the opposite effect.

Worry clouds your judgment. You have certain actions that you need to take to get your problems solved and you will need a clear head to make the necessary decisions.

In some cases the worry leads to desperation and is used as an excuse not to face the problem.

Let me say this in explicit terms "No one dies of starvation or goes to jail because they can't pay their bills in this country". I understand that there have been people starve to death in the US but that was more than likely an extreme situation. Also, if there is anyone that goes to jail because of their debts you can bet there was fraud involved.

Even if you don't have any income at all there are places to turn. Worrying is not going to make things happen.

The best thing you can do to get started solving your money problems, after you stop worrying about it, is to access your situation. You have to look at it as if you are an outsider looking in.

Find out exactly what the problem is. This is easier than you think. Here are a few of the most common problems that are causing your worries:

Credit Card Debt

**Medical Bills
Impulse Spending
Mortgage Payment or Rent too high
Absence of a Budget
Unorganized Bills and Files
Late Payments & Fees
Overdraft Fees
Not Prioritizing Spending**

If you have your spending set up by category it won't take long to see where the problem is. Here is an example:

Recommended Percentage of your take-home pay for Housing, Other Bills and Household Expenses should be around 30% each with the remaining 10% going toward your long and short term savings. If one category exceeds the 30% by very much that is part of the problem. This is the area where you need to concentrate your efforts.

You can approach this in two different ways. The first method is to cut your spending in the category that you have determined to be the problem. The second is to cut spending or expenses in other categories to make up the difference.

I recommend that you be careful about cutting your Household Expenses too much. While you can cut your grocery bill and some other areas, you will need a certain amount of money to run your household.

No matter what your current money situation you can find help on the internet free. Be careful not to fall into the many scams that are currently all over the web.

As with any other type of problem you are not going to solve your money problems by worrying about them. It takes action. The sooner you get started the better.

Chapter 5

Taxes

Your Social Security

It seems like everyone I talked to has a different opinion on when they would be eligible for Social Security. Some younger folks said that they couldn't retire until they were at least 70. A lot of older folks believe that they can't start drawing their Social Security until they reach 65. They are all partially right.

I'm not going to get into whether or not Social Security will survive the next few years. There are too many factors that could save it or destroy it, and most of them live in Washington, DC. I am simply going to give you the current status of your Social Security eligibility.

It is true that there are different full retirement ages depending on when you were born. However, each person paying into Social Security can start drawing their partial retirement at age 62. The chart below indicates at what age you can retire and receive your full benefits.

Year of Birth

Note: Persons born on January 1 of any year should refer to the previous year.

Full Retirement Age

1937 or earlier - 65

1938 - 65 and 2 months

1939 - 65 and 4 months

1940 - 65 and 6 months

1941 - 65 and 8 months

1942 - 65 and 10 months

1943--1954 - 66

1955 - 66 and 2 months

1956 - 66 and 4 months

1957 - 66 and 6 months

1958 - 66 and 8 months

1959 - 66 and 10 months

1960 and later - 67

Visit <http://www.ssa.gov/retirechartred.htm> to see the complete chart of Social Security Full Retirement and Reductions by Age

By the chart above someone born in 1955 can start receiving the full benefits at age 66 years and 2 months. If they choose to retire between age 62 and 66 years and 2 months this benefit will be reduced based on the number of months they retire early. If they chose to retire after age 66 years and 2 months the benefit will increase.

Each person has to decide at what age they want to start receiving their Social Security based on their individual circumstances. Here is something to consider: Based on my own situation, if I wait until I am 66 years old to draw my full Social Security I will be about 72 years old

before I draw as much money as I would have if I had started drawing my partial Social Security at age 62. It's something to think about.

Besides retirement benefits, Social Security also covers disability and death benefits. This is a fairly complicated program but it might not hurt to learn as much as you can by visiting the Social Security web site. You can also request a Social Security Statement which includes:

A record of your earnings history and an estimate of how much you and your employer paid in Social Security taxes

Estimates of benefits you (and your family) may be eligible for now and in the future.

Social Security was never intended to be your only source of income after you retire. In most cases your monthly check will only be a fraction of what you were earning before retirement. It would be wise to start a savings and investment program as soon as possible to ensure that you have enough money when retirement rolls around. This link may help get you started:

<http://beginnersinvest.about.com/mbody.htm>



Where Does Your Money Go? Taxes

Trying to stay within the theme of Budget Stretcher, I thought a series of articles on knowing where your money is going may help some of you understand just how much you pay on certain expenses.

I've decided to start this series of articles with information about the amount and type of taxes you pay. I won't be able to cover all of the types of taxes that are paid by Americans because that would turn this article into a book. I'm just going to list a few of the most common taxes that most of us have to pay.

How much do you pay in taxes every year? I can bet many of you don't have any idea. You may think you can just look at your tax forms for last year and have the answer. I guarantee that would be just the beginning.

Just take a look at the below list of various taxes and do the math yourself:

Federal Income Taxes - Uncle Sam is currently taking between 15% and 39% of our Adjusted Gross Income to pay for what ever it is that they spend money on in Washington. The main point I want to make here is that many people feel that because they received a refund, they didn't pay any taxes. For some people, this is true. However, the vast majority of people that receive a refund are just getting back the money they already paid in through withholding, minus the taxes they owed. HOW MUCH DID YOU PAY LAST YEAR?

Income Tax Preparation - Yes, I consider the cost of having our taxes

prepared by a professional as a tax. If the federal tax code was published in English, maybe more of us could prepare our own taxes.

Social Security - 15.3% of your income goes directly to the federal government for social security and Medicare and is conveniently deducted from your paycheck. The myth about your employer paying half is just that. If you weren't required to pay social security, that is another 7.65% that your employer could pay you.

Sales Taxes - Unless you live in a state that doesn't have a state sales tax, this costs you around 6% to 7% of every penny you spend. Wouldn't it be nice to buy something for \$99.95, hand the clerk a \$100 bill and get a nickel back.

Property Taxes and Real Estate Taxes - These taxes can run into the thousands of dollars a year. I know, there are some places you aren't required to pay these taxes either, however, you can bet they get this money in other ways. Before you renters start smiling, remember that your landlord has to pay these taxes. Want to guess where he gets the money?

The Other Guys Taxes - What do you mean "The Other Guys Taxes"? He can pay his own. For each item you buy, the manufacturers and distributors have expenses like the cost of production, packaging, shipping, etc. They also have to pay taxes. Who do you think actually winds up paying these expenses? If you buy it, you do. I have seen estimates that between 20% and 25% of the cost of most items is for taxes that they have to pay. To make a profit, all companies must pass all expenses they have along to the consumer.

Gas Tax - With federal gasoline taxes over 18 cents per gallon and state gasoline taxes as high as 35 cents per gallon it isn't hard to see that, with the price of gas currently under a dollar in most places, over half of the cost of your gas could be going for taxes.

Self Employment Taxes - This is simply the way a self employed person pays their Social Security and Medicare. They are required to pay 15.3% of their gross income to cover these expenses. These are the people that really know how much taxes they pay. This is because they are required to write a check for them four times a year and, if they underpaid throughout the year, they may have to write another check on April 15th.

When you look at your budget and wonder where all of your money is going, you may want to consider what you are paying in taxes. There are taxpayers in this country that are paying over 50% of their income in one tax or another.

I'm not trying to make a political statement here. I just believe that everybody should be aware of where their money goes. If you take a few minutes to think about it, I think you will realize that a good percentage goes to the federal, state and local governments.



I Love That Big Tax Refund

A Disclaimer of Sorts: No matter whether you file your own taxes or have a tax professional prepare and submit your taxes, You The Taxpayer are responsible for the completeness and accuracy of the return. Any questions, comments, extra taxes or penalties will be directed to you. Please consider any and all tax advice with this in mind, including this article. I will give you all of the resources you need to check this out for yourself at the end of the article.

No, this is not another article with a little know tax break the IRS is trying to hide. This is a very legitimate way to put extra income in your paycheck.

Many people can't wait to file their tax return in anticipation of having all that money to spend at one time. Where else can the average person be forced to save. In most cases this is the only way they can save.

If the federal government were in banking they would probably be in violation of the law. They receive funds from citizens and are not required to pay any interest on that money. This may sound like I'm down on the government, but I am not, not for that anyway. This is because the IRS has a way for you to get that money in your paycheck throughout the year.

Starting with the 1998 tax year , anyone that owes taxes and has children is eligible to deduct up to\$400 for 1998 and \$500 after the 1998 tax year, for each child. Folks this comes right off of any taxes you owe. This is known as The Child Tax Credit. It is probably the biggest cut in taxes the average citizen has had in years. Just a note: You can only deduct this if you owe taxes and you can only deduct up to the amount of taxes you owe. Example: If you owe \$200 then you can only claim \$200. Also, this does not apply to self-employment and certain other taxes.

Since The Child Tax Credit became law, tax refunds have skyrocketed. The reason for this is that most people that have federal income tax withheld from their paychecks have not changed their W4 form (Employee's Withholding Allowance Certificate) with their employer.

Did you know that in certain instances you can claim 9 exemptions for a family of 5? Yes, this is legit. Here is how it breaks down directly from the W4 personal allowance worksheet:

- A. Enter "1" for yourself if no one else can claim you as a dependent - 1**
- B. Enter "1" if you are married, have only one job, and your spouse does not work - 1**
- C. Enter "1" for your spouse - 1**
- D. Enter number of dependents (other than your spouse or yourself) - 3**
- E. (Does not apply to this example) - N/A**
- F. (Does not apply to this example) - N/A**
- G. Child Tax Credit: If your total income will be between \$23,000 and \$63,000 if married, enter "1" for**

each child - 3
H. Add lines A through G - 9

The above is simply an example and each individual taxpayer should review the form carefully. To check this out for yourself, you need to visit the IRS homepage at <http://www.irs.ustreas.gov>. Then go to the bottom of the page and click on forms & pubs. In the menu click on forms and instructions. That page will have a list of IRS forms. Scroll down until you find Form W4 Employees Withholding Allowance. You will need to have the Adobe Acrobat Reader to view these forms. This is easily downloaded at:
<http://www.adobe.com/products/acrobat/readstep.html>

How much could this mean to a family? Let's take the example of a couple with three kids making \$500 per week and only claiming two exemptions. The Federal Withholding from your paycheck would be about \$40 per week. If that family were to claim 9 exemptions, there would be no federal withholding. Therefore, just by filling out a new W4, you just gave yourself an 8% pay raise. That is over \$2000 more take home pay per year. If you qualify for the Earned Income Credit you may still receive a refund. By the way, you can also receive the Earned Income Credit in your paycheck, but I'll save that for another article.

I can hear a lot of you now. "This guy must be nuts, I'm not giving up that tax refund for him or anyone else. I work hard all year and this is the only time I have a lot of money to spend all at once." I'm sure that most of you won't give up that big tax refund just because you read this article. However, you will come away with the knowledge that this is an option, if you qualify, and a few ideas of how you can you could use that extra money.

There are several things that you could do with that extra money. Let's look at a few of them.

1. If you need extra money just to buy the essentials, take it and use it.
2. Put the money in a savings account
3. If you have a 401k, increase the amount of your contribution
4. If you have investments, put more money into them
5. My favorite is to use that money to start a Christmas Club at your bank. By doing this you not only earn interest on your money, but you will have the money when you really need it, just before Christmas. This could also help cut down on using credit cards to buy Christmas. That alone could save you a lot of money.



A 23% Federal Sales Tax!! But Wait!

We are so used to having our federal income tax, social security and Medicare taxes withheld from our paycheck, most of us don't realize there are efforts to change this dramatically. There is a group going around saying that we should pay 23 cents on every dollar we spend in a federal sales tax. They must be crazy!

Wait a minute. If we are going to pay a sales tax to cover our income and social security tax, we won't have anything except our state and local taxes coming out of our pay. Even that doesn't add up to 23%. What are they talking about?

What if they told you that, not only would you not have federal and social security taxes withheld from your paycheck, you would see the following things happen:

- **Elimination of the Internal Revenue Service, saving an estimated \$420 billion annually**
- **April 15th would be just another day**
- **You would not have tax records to keep BECAUSE YOU WOULD NOT HAVE TO FILE INCOME TAXES**
- **And, no forms, no deadlines, no prepayments, no penalties, no audits, and never again an abusive IRS that can claim your assets without due process!**
- **Even illegal income would be taxed when it is spent**
- **Only new items will be taxed**
- **No American will pay taxes on necessities**
- **Cost of goods and service are estimated to decrease by 20% to 30% because manufactures and other companies will not be required to pay taxes (TAXES WILL ONLY BE PAID ON NEW MERCHANDISE AT THE RETAIL LEVEL)**
- **No tax on ANY investments**
- **Each taxpayer will receive a rebate equal to the taxes paid on necessities such as groceries and medicine, in advance of those purchases**
- **Seniors and low income families would be protected**

This list could go on and on about the advantages of a National Sales Tax. The truth is that our current system of taxation is totally out of control. The 10s of thousands of pages of tax laws have even the best tax minds confused.

Yes, 23% does seem like a lot of sales tax to pay in addition to any state sales tax you might have. You could wind up paying 30% on a car purchase of \$20,000. Lets look at some of the possible savings with a sales tax.

Sales tax on car purchase - \$6000

Final Cost of Car - \$26000

Cost of car might be reduced 20% because the manufacturer doesn't pay any taxes under this plan. What is the cost of the car? \$16000

Sales tax on car purchase - \$4800

Final cost of Car - \$20, 800

But Wait Again! You will be buying this car using your entire paycheck. NO DEDUCTIONS. That's hard to calculate. I can almost guarantee it will be below the initial \$20000 price tag. Besides, \$20,800 is only 4% above the price of the car, far less than most state's sales tax.

If you don't think companies will reduce their prices even though they aren't paying taxes, just imagine an entire nation knowing they are

manufacturing their goods 20% to 30% cheaper and not passing that savings on to them. In addition, sooner or later one of their competitors will reduce their price, and the war is on.

To find out more about the National Sales Tax just visit Americans for Fair Taxation at <http://fairtax.org/default.asp> You can also view a comparison of the different tax systems at <http://www.lafayettesbest.com/category/summary.html>

Chapter 6

Helpful Hints

Our Kids and Their Money

When I was a kid, I can't believe that was almost 50 years ago, my folks used to give me a nickel, dime or sometimes even a quarter to go to the corner store. When I got that money I had to go directly to the store and make sure every penny was spent.

Things didn't change much when I grew into an adult. I got my paycheck and made sure that it was gone just as soon as I could get rid of it. Sometimes I even paid some bills.

It took me a long time to realize that some of your money is meant for tomorrow and what is meant for today has to cover your obligations first.

It would be easy to blame my folks for not teaching me the right way to manage my money. It would be even easier to blame the schools for not having a class for real life finances. The problem is that my folks or the schools didn't pay the price for me not learning these lessons. My wife and family did.

It's time that things change. We have gone generation after generation of having more debt and less knowledge of how to deal with it. We have to educate our kids, starting as soon as they know how to count, about the necessity of saving and controlled spending.

I believe that, if we can afford it, we should consider giving our kids an allowance, not to ensure that they have money, but to pay them for what they do to help. Giving them money and not expecting anything in return is sending the wrong message.

If you can't afford an allowance, encourage them to find ways to earn their own money. Running errands, babysitting, mowing lawns are all things that neighbors and friends would be willing to pay for.

Just as important as encouraging them to earn their own money is to emphasize the importance of putting some of it away for things they want in the future. Believe me, as a Father of 3 and a Grandfather of 6, I know they all have a big ticket item they have either seen on TV or that all their friends have that they just have to have.

Here is a trick I've used is to make a deal with the kids. If they need tennis shoes, I would buy them. If I paid for them they got the \$20 pair. If they wanted the more expensive shoes, they would have to make up the difference. It's amazing how often the \$20 pair would do just fine when they found out the money would have to come out of their own pocket.

What I've been talking about up to now is just spending and saving. There is a whole lot more that our kids need to know than that. They need to learn how to budget their money, effectively manage a checking account, know how to apply for loans and what they can expect to pay for the privilege of using someone else's money, learn what they have to do to make their selves eligible for loans, how to control impulse buying and the list goes on and on.

One other suggestion that I have is to get the kids involved in your finances. No, they shouldn't have any control, but they need to find out just how hard it can be to keep everything going financially. It may even show them why you say no to that \$80 pair of Nikes.

It's not too late for our generation to get control of our money but, for many of us, it has been a struggle from day one. Wouldn't it be great if we could save our kids from going through what we had to. All it takes is knowledge and the willingness to pass it on to our kids and grandkids.

I have put together several links that may help you teach your kids what they will need to know about their money. I hope they help:

The Complete Budget and Bill Organizer

<http://www.homemoneyhelp.com/BBOonline.html>

KidsMoney.org

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

Helping Your Child Understand Money

<http://www.metlife.com/Lifeadvice/Money/Docs/kidintro.html>

Making Allowances

<http://www.makingallowances.com/index-fs.htm>

Kids & Money

<http://familyeducation.com/subchannel/0,2794,65-189,00.html>



Need A Job?

Many of us could really use some extra income. We have enough to pay our bills and put food on the table, but nothing extra. You could always go to work for McDonalds or Wal-Mart, but with all of your responsibilities, is minimum wage worth it?

There is one occupation that can be found in every city and town in the US large enough to have a bank. You may not notice them, but they are there. I'm talking about Couriers.

Many businesses have shipments such as paperwork, checks, etc. that need to get from one place to another quickly. A good example of this is cancelled checks. Most banks need their bank work picked up after business hours and other work returned before they open the next day. UPS and FEDEX can't handle this.

This is where courier companies come in. They provide routes that pickup and deliver 24 hours a day. Some have employees for their routes but most use contract drivers. Contract drivers provide the vehicle and driver to run a scheduled route and cost the company less than employee drivers. A contract driver is also responsible for all gas, maintenance and repairs of their vehicle.

You usually don't receive company benefits like life and health insurance, paid vacation and paid holidays, however, there are several benefits to being a courier. You can normally expect to receive between 35 and 40 cents per mile. This doesn't sound like much but it adds up pretty fast. Even if you only run 100 miles per day, which only takes about 2 to 3 hours, you will have a check between \$175 and \$200 per week. Of course your expenses will have to be deducted from this. For a vehicle that gets 20 mpg, at \$1.50 per gallon, your gas will only run about \$37.50 per week.

The biggest advantage to being a courier is the huge tax deduction. For the tax year 2001, you can deduct 34 1/2 cents per mile for all business miles. If you are making 35 cents per miles, you will pay taxes on almost nothing. You don't even have to itemize your deductions to claim this deduction. The 34 1/2 cents per mile is the standard deduction allowed by the IRS which covers all of your vehicle expenses. You will receive a 1099-misc form giving your total income for the year. You will need to report that income on Schedule C - Profit or Loss From Business. In addition, if you are away from home over 6 hours at a time, you can claim 50% of any meals while on the road. The IRS requires that you keep track of your mileage and meals each day. You can buy a small log book for this or use Budget Stretcher's Vehicle Expense Log <http://www.homemoneyhelp.com/vel.html> and Vehicle Expense Summary <http://www.homemoneyhelp.com/ves.html>.

Usually the only requirements to be a courier is a drivers license, a vehicle and a fairly clean driving record (NO DUI/DWI). Since most couriers deliver/pickup a regular route, most of the time you don't even have to have a good knowledge of the area you will be driving. After two or three days you will know your way around.

To find courier jobs in your area, check the classified ads in your local newspaper under drivers or business opportunities. You can also check with your bank or insurance agent to see if they have a courier company providing service to them. Once you have identified the courier companies that service your area, a simple phone call will let you know if they have a route that suits you.



How to Make Money

For years I believed that if I only had more money all of my problems would be solved. Then I would get a raise or change to a better paying job and my money situation didn't change. I just couldn't understand why.

The fact is that most people have that extra money spent before they get it. How many times have you heard someone say what they are going to do with their tax refund? The same thing goes for a pay raise. Normally, they never even notice any change in their lifestyle after they get the raise.

I saw a survey on a web site a few days ago that showed that only 35% of the people responding to the survey had a budget in place full time. This is because many people are afraid of budgets. It restricts them when they find something they want to buy. If they only knew that a budget is the only means for them to get what they want and be sure they can afford it.

With a carefully developed budget, you not only have money for your bills, but you can plan for the things you want.

There are a lot of ways to find money. By learning how to cut your current spending, you will probably find that between 10% and 25% of your spending is unnecessary.

There are also several money saving web sites that will give you literally hundreds of money saving ideas.

Most of the time it's the unexpected expenses that catch people off guard and create havoc with their finances. Again, with a budget, you can plan for this too.

So if you think more money will solve your problems, just look for it right there in your paycheck.



Your Checking Account

Checking accounts are an absolute necessity these days. You can either have a checking account or run to the bank or other outlet for money orders. Many people pay for almost everything with a check including groceries, gas, clothes and a long list of other things. When you add an ATM card to this picture, your chances for a potential problem is greatly enhanced.

Don't get me wrong. There are many people that can keep their check

book up to date, even deducting all of the ATM advances and automatic withdrawals as they make them. However, too many people that write checks for everything wind up not entering a check when it is written or an ATM advance when it is made. The result is a bounced check fee of up to \$25 for the bank and god only knows what the store where you wrote the check could charge you.

It seems like carrying cash to pay for things isn't the "IN" thing to do. When I'm in the check out line, most people are paying with a credit card, debit card, or check. I realize that carrying cash has it's risks. You could lose it or have it stolen. What are the risks when paying by check? There are absolutely none if you enter each check and properly deduct the amount from your account. However, I have counseled people that have as much as \$100 per month in overdraft fees. This isn't just for one month. This is an average over a six month period. That is a lot of money that these people couldn't afford.

What's the best way to handle my checking account?

If you don't have problems keeping up with your checking account, keep doing what you are doing.

If you occasionally have bounced checks, I recommend that you use your checking account only to pay your monthly bills and use cash for everything else. If you have an ATM card, destroy it.

With that said, I know you will probably not quit writing checks or destroy your ATM card. So let's look at what you need to do to keep up with your checking account.

- **Determine exactly how much money you have in your account even if you have to go to the bank for help.**
- **Enter that information on a new page in your check register.**
- **Enter the date, your check number, payee and amount in your check register when you write the check. Don't worry about the people in line behind you. This will only take a few seconds. If you like, you can deduct the amount of the check when you get home.**
- **Take your check book with you when you use the ATM and enter your withdrawal while you are still at the machine.**
- **Develop a system to deduct automatic withdrawals. It is probably best to deduct these on the first of each month.**
- **Add any deposits as you make them. You need to find out how much and when direct deposits should be entered in your check register.**
- **When you receive your bank statement, reconcile it as soon as possible. If you find any discrepancies check them out immediately. Don't give up until you are sure you have resolved the problem. The balance you show in your check register should match the bank, less any bank charges.**
- **When you reconcile your bank statement be sure to clearly mark the checks that have been returned to you. One of the biggest problems people have with overdrafts is missing a check that is taking a long time clearing the bank. Go back at least a month to make sure all previous check have cleared.**

I really don't mean to insult anyone's intelligence with this article. Having problems with your checking account, as with all other money problems, isn't a matter of intelligence anyway, it's a matter of discipline. It can cost you a lot of money by not applying that discipline to managing your checking account.



Add A Few Dollars To Your Mortgage Payment

Many of us don't believe that a few dollars can make a big difference. In a lot of cases that is true. But when it comes to mortgages or any other type of loan, a few extra dollars can save you Big Bucks.

The chart below gives examples of three different loan terms and what paying between \$75 to \$100 more a month would do to the mortgage. It is based on a \$100,000.00 loan at 7% interest.

Years	Int Rate	Payment	Interest	Total of Payments	Savings
30	7%	\$665.30	\$139,508.00	\$239,508.00	N/A
Round Payment to \$750.00			\$93,994.86	\$193,994.86	\$45,513.14
This loan would be paid off in 259 months instead of 360.					

Years	Int Rate	Payment	Interest	Total of Payments	Savings
20	7%	\$775.30	\$86,072.00	\$186,072.00	N/A
Round Payment to \$850.00			\$69,409.58	\$169,409.58	\$16,662.42
This loan would be paid off in 199 months instead of 240.					

Years	Int Rate	Payment	Interest	Total of Payments	Savings
15	7%	\$898.93	\$61,789.40	\$161,789.40	N/A
Round Payment to \$1000.00			\$50,517.67	\$150,517.67	\$11,271.73
This loan would be paid off in 151 months instead of 180.					

By adding \$84.70 to your 30 year loan you can save \$45,513.14 and pay

the loan off in 21 1/2 years.

By adding \$74.70 to your 20 year loan you can save \$16,662.42 and pay the loan off in 16 1/2 years.

By adding \$101.07 to your 15 year loan you can save \$11,271.73 and pay the loan off in 12 1/2 years.

You can also see by the chart that obtaining a shorter loan term when you buy your house can save a lot of money.

There are a couple of things that you need to check. First is that your loan agreement doesn't allow the loan company to charge penalties for early payment. Secondly, if you itemize your federal income taxes and deduct mortgage interest, paying less interest will mean a lower deduction. I believe it is safe to say that the interest savings will far outweigh the tax savings.

Even if you don't have \$75 to \$100 a month to add to your mortgage payment, even \$25 would save a lot.

If you would like to have your own Loan Calculator, just visit www.pine-grove.com to download their Loan*Calculator! Plus. This is a free version and has everything the average family can use. It is also the Loan Calculator I have used for several months. Highly Recommended.