

What the Average Person Should Do to Manage Their Money More Effectively?

- I. The problem – Money is the #1 problem in relationships today
 - A. Since 2005 our country has been in a negative savings mode nationally. Debts have increased and household budgets are getting stretched to the limit.
 - B. Higher gas and medical costs are now forcing the average person to cut their personal living expenses deeper and deeper.
 - C. The average person at all income levels \$15,000/50,000/100,000 is spending more than they make in take home pay and the solutions are not easy.
- II. The solutions to your money problems usually lie in the need to make better budgeting decisions, by putting your personal budget on paper and using it to control your spending.

STEP 1 - Plan your personal budget and set goals

- A. Identify your fixed monthly expenses
- B. Identify your goals for you discretionary expenses like food, gas, entertainment, etc.
- C. Leave some cushion in your budget for unexpected needs – car repair expenses, home repairs, health problems
- D. Target 10% of your income for savings in your 401(K)/IRA
- E. Build cash reserves equal to 3-6 months of monthly bills

STEP 2 - Measure and manage your personal spending habits – Keep score daily!!!

- A. Analyze your actual spending habits
- B. Keep track of all daily expenses for 3 months and compare to your budget
- C. Treasure each dollar you earn

- D. Identify what expenses can be cut so you spend less than you budget, if possible
1. Buy only what you need, not what you want each day for each purchase. Eliminate emotional spending completely.
 2. Shop wiser by looking for lower prices, buy what you need when it is on sale and use coupons and discount programs offered by merchants in newspapers, magazines or the internet.
 3. Pay all of your fixed expenses first and be disciplined to not use your credit card when you are spending more than what you earn. Change your spending habits by saying "NO" to yourself.
 4. The solution may lie in reducing the cost of your home and car by downsizing ASAP!!!

STEP 3 - If you are not making enough money to meet the lifestyle that you have budgeted for, then the solution may be that you need to make more money.

1. Look for a better paying job. Do not quit your job until you have another job ready to go.
2. Seek more education in an area of work that will result in a better paying job to meet your financial needs in your budget.
3. Get a second job if you need more money now to meet your financial needs in your budget. Are you willing to pay the price of working a second job or do you really need to cut your expenses??

CONCLUSION: The solutions lie in each person finding the changes they need to make in their lives. Making more money and spending less and investing more is easier said than done. The solution usually lies in being disciplined in spending less and living below your means. In doing so you will free up extra money each month to pay off your debts or increase your retirement assets to provide for your long term financial security.

Budget Tips

People need to live below their means

Why

1. Money is #1 problem in relationships causing stress/ divorce/ health problems
2. Higher gas prices – contributing factor
3. Higher health insurance/ health care costs
4. Inflation – higher food/ consumer goods.
5. Typically people spend 65-75% of their income in five major areas: Home, car, credit card/loan payments, insurance, taxes

What to do

Real solution lies in attacking the few decisions which spend most of income

Home/ car

Banks loan up to 28% of your income for house and 40% for all debt

Car/ home payments may be 33% of total income. If you live below your means you should try to target 15% - 20% of your monthly income for your car/ home payments.

	Monthly Budget		
	15%	20%	33%
\$150,000 Income	1875	2500	4125
\$ 75,000 Income	938	1250	2063
\$ 50,000 Income	625	833	1375