

Mastering Your Money

Mastering your money is about being in control of your money, your life and financial health. And the main way to control it is through a budget. Unfortunately there are a lot of emotional issues when people discuss or even think about money, more so for budgeting. They think of it as restrictions—deprivations—that they cannot do the things they want. It's connected with negative words, instead of words like goals (achieving them), being organized and change (which is another word people have issue with).

You need to understand that you are not depriving yourself from what you want. Creating a budget is taking the first step to achieve specific goals. Think of it in this way; a budget is a tool that you use to be in control of where and how you spend your money. So you're not spending your money impulsively or emotionally. A perfect example of this is when people have emotional meltdowns. What do they do? They usually eat, go someplace, and/or spend money. They're usually spending money on things they don't need, or that are bad for them—such as fast food or junk food—comfort foods or distractions that ease one's pain for a very short duration.

Creating a budget will help you get control of impulsive and emotional buys, services, and activities. You can even put a line entry in your budget for these melt downs if you wish. A budget is not about restricting you. It's about knowing how and where you're spending your money, and doing it responsibly; taking all the emotion out of it and spending money just because you have some.

I cannot express enough how a budget will help you see where your money is actually going, taking all the emotion out of it. It will allow you to find areas where you can cut back, or cut out entirely. It will help you to see and differentiate between instant gratification (usually emotional) and an actual goal—such as a new car.

Having a goal, even if it's just to get out of debt, will give you focus. To do this, you need to entirely define what getting out of debt means to you. How would getting out of debt look like for you? Does it mean having extra money every month? Do you want to save up for something? Ask yourself questions—define it.

Once you set a goal or goals, you can look at impulse buys before you purchase them and see if it impedes or will hinder your goal. It will make you question if you really need the item or service, taking all the emotion out of it.

You have to understand the how you are spending your money before you even think about creating a budget. People don't realize what their spending habits are until they actually write down all their expenses—this means every little thing—gas, food, insurance, credit cards, etc. (i.e \$5.00 every day at Starbucks for coffee x how many days/month x 12 months—do the calculation yourself so you see it). Again this is not

about depriving you; it's taking away the emotional aspect of spending money, to see where it actually goes, and if certain line items are really necessary.

Let's go back to the Starbucks example, you could really save yourself a lot of money if you bought a Keurig coffee maker or another coffee maker, buying the brand of coffee you like and making it at home yourself. You save money on buying the actual cup of coffee, not to mention that you save on gas driving there as well as time. And this is just one example of how this can be applied to anything.

The mechanics of a budget look like this. You always need to pay your regular monthly bills. Write them down line item by line item. Start with rent/mortgage, then car payment, utilities, and so on. Then the monthly expenditures you may have like maintenance and upkeep. These are called your incidentals.

And on this budget you list your credit cards, not in order of how much you owe on them, but in how high the interest rate is. You'll also put the minimum payments due for all of your credit cards, then the total amount owed on each card; the total authorized credit on the card, and separately put an approximation of what you can afford to pay down on your cards.

Then put down food, clothing, and entertainment. Remember this is not about restricting yourself; it's about putting down what you actually spend on a monthly basis. Include items such as lunches out and expenses on children (i.e. school supplies, clothing, school lunches, etc.)—everything.

You have to take all of these items into account—activities that you usually do or items that you spend money on—on your budget. Then you see what you actually come up with when compared to your income (more on income will be discussed later). And don't forget about what your savings goals are, because your savings is a tool to get to your goal or get what you want. This is the concept to put together to see what you're actually earning compared to what you are actually spending.

Then go back over your budget and look for things like spending \$5.00/day on coffee or lunches for example, and really think long and hard if it's truly a necessity. If your goal is to put you back in the black, then you really need to look at what you're willing to change to attain it. Again, don't use words like depriving, sacrifice, giving up or restricting yourself, use the word change, its positive reinforcement, not negative.

If you're going out and spending money to get away from work or home for a while, then go out and get away for a while without spending money. You do need to get out every once and a while, but you can do it without hitting your wallet. For example, if you use the excuse to go buy lunch to get away from work, then make your lunch at home and go to a park or someplace and be away. If your need to get out of the house, find some

place in nature that you can go hiking or just picnicking. Look at it as a way of positive change—to save for a goal of yours, such as a car—not depriving yourself. There are many different things you can do to stop spending money and save it instead. Remember to think of it as a way to make it a better experience and lifestyle while putting money away for what you want.

Creating a budget will show you what you have left of your income after all of your monthly expenses. And if you don't have any money left over, you can look at what you can cut out or cut back on until you're living within your means.

One of the things that often comes up when doing a budget is that when writing down everything you WANT to spend money on, you find that your expenses are greater than your income. Now we have been discussing finding things you can cut back on to fit in your budget, but you also have another side of the ledger to look at—income

Here are a few questions to ask yourself about income. How much are you making? Why are you making that much? Are you in your job because that's what you fell into, or is it the career you chose? Are you restricting yourself because you're so hung up in your budget and not having money that you're not looking at the main cause of your income issues? Remember this is not an expense issue, it's an income issue. It's based upon what job you have.

At your job you usually have a predetermined income, or at the very least, a ballpark figure of what you bring in each payday. This is a time to sit down and analyze if there is way that you can improve your skills to increase your income. Or is there a way you can add another job that's not time restrictive so you can work two jobs, in order to increase your income?

There's lots of good ways to do this. One way is to do a home based business—and they are a great tax deduction as well. Sign up for a free copy of *Home Based Business, the Ultimate Tax Deduction* and it will show you that you can cut down what you are already paying in taxes to cover any costs of doing a Home Based Business. You can find a home based business that you're interested in to make a little extra income in addition to having the tax deduction. Remember you need to look at your income side of the budget as well as your expenditure side.

Now let's take a look at your credit cards. As I stated earlier, on your original budget you listed the minimum payments and the balances due. For an in-depth view on the how's and whys of credit cards, see the section on Credit Cards. This will give a better understanding of their usage. Here we will only discuss their relationship to your budget.

To start paying your credit cards down and off, you put them in order of which ones have the highest interest rate and penalties. Keep paying minimum payments on all

your credit cards, but the one with the highest interest rate you throw as much extra cash that you can at it until it's paid off. Then tackle the next one on your budget and so on, to get a handle on your credit cards. You could even see about transferring some of the debt from your highest interest cards to your lower interest cards. They sometimes demand that you close the higher interest card at that time. That might not be a bad idea.

From that point on you only use your highest interest rate card(s) for true emergencies, while living out of your budget. Lastly, you take a look at how much credit you really need, and cancel some of the credit cards. This is really a balancing act. Once you've got your credit cards under control, check out the .pdf in our university on Credit Scores to put you back in control of all your finances.

Now that you have your budget worked out and your spending side of the ledger is less than your income side of the ledger, let's discuss what you do next with all the money you are going to be freeing up. Once you have some extra cash, open a savings account and always deposit your entire paycheck into the savings account every payday.

For the sake of keeping this simple, let's say you make \$1,000.00/month. You then deposit the entire amount into your savings account. And let's say that your monthly expenses—including credit cards—are \$900.00/month. Once you have deposited your check into the savings, on the first of each month, you transfer \$900.00 into your checking and leaving the spare \$100.00 in your savings.

Any extra money that you "find" or earn goes directly into your savings account as well and stays there. This money is never used to just go out and/or purchase goods/services you do not need. This money is used to save for building up a reserve of three months worth of your budget expenses, emergencies, and goals—remember those?

This should lead to an accumulation in your savings account. Continue to do this with any and all income. When you have three months worth of your budget expenditures (remember that $\$900.00 \times 3 = \$2,700.00$) any extra monies over that amount you go and open another savings account and start putting your extra money there. Use this accumulating money to save for goals like a new car, dream vacation, or a boat—something that you want.

So what do these savings accounts do for you? You now have three months worth of your budget expenses in reserve in your first savings account for emergencies only (for example you lose your job unexpectedly). The second savings account will build up funds for whatever you want to save for. You can even open up a third savings account or more to save for specific things like a boat or even a Christmas account.

Learn to divide stuff up so you can see where you're at and how close you are to reaching your goals. Your budget will help get control of your finances and see what unnecessary items you can eliminate from your day to day spending habits; or to help you cut back on things that you don't need right now. With a budget you will be armed and organized to take all the emotion and impulse out of buying things. Lastly, remember to look at both sides of your budget ledger—expenses as well as income—to see what you can do to improve your financial health.

While creating and following a budget, you can also teach your children in learning how to budget and how to handle money themselves. A great example is what my mother did for me. While I was in high school she started to give me a monthly budget of \$50.00. This was to cover all my monthly expenses such as a bus ticket to school, lunches, clothing, and things that I wanted —everything that I had to spend money on.

I had to make choices on doing and buying things as well as to save money to ensure that it lasted until the end of the month. And it was the best thing she could have done for me because I learned at a relatively young age on how to save to get what I wanted and to keep money aside to last until the end of the month. I figured out ways to stretch that \$50.00—one example was buying used clothes that were fashionable and well maintained and making my own clothes because it was a lot cheaper. It was a learning experience on how to budget money. It's a good thing to teach kids; and you can lead by example.