

A Money Makeover That Is For Personal Finance

By Dave Ramsey

It seems like every day I get an e-mail or a call in to the radio show telling me it is impossible to save any money, dump debt or invest using the money you bring home each month. **WRONG!** The problem is that most people don't know where their money is going every month. The money came in and the money went out and only the names were changed to protect the innocent. Changing how you handle money isn't easy – it's hard to do. The problem isn't money, it's the idiot I shave with.

My latest book, “The Total Money Makeover” is full of stories of people from all economic levels who are changing their financial futures using their greatest wealth building tool – their income. What do these people do that the others don't? They name their money each month **BEFORE** they spend it. They **BUDGET**. Ooooooooooh, the dreaded B-word.

If you're going to be “The Millionaire Next Door” you have to put your money to work for *you*, not put *you* to work for your money. Every month you must spend every dollar on paper before the month begins. If you're married, make sure your spouse is on the same page with you.

Start by adding up your monthly income. Then list all of your monthly bills and subtract the total from your income. Be sure to include a monthly payment of funds for your non-monthly items such as car insurance, taxes and Christmas (it happens at the same time every year—plan ahead and pay cash). The amount left over after the bills are paid is your disposable money to use for eliminating that student loan you've had around so long you think it's a pet and that MasterCard bill that has mastered you.

“But Dave, there isn't anything left over!” Well, then you need to look at your bills. Are you making payments on a car that's \$36,000 when your annual household income is \$30,000? Americans spend a ton of money each year on their cars just to impress people they don't know for 30 seconds at a stoplight. You have too much car. Sell the car, sell the car, **SELL THE CAR!** Buy an old, used car that gets you around until you've had time to get out of debt and save money so you can **PAY CASH** for your next \$36,000 car.

After you've sold the car, start selling other stuff. Sell so much **STUFF** that the kids think they're next. Don't get me wrong, I want you to have stuff -- stuff is great. But I don't want your stuff to have you. And if you can't pay for your stuff on the money you bring in, then that's exactly what's happening. Use the money from selling your stuff to pay your bills and start saving.

Gazelle Intensity

Learn to think like a gazelle. Gazelles are gentle creatures hunted by the fastest animal on earth – the cheetah. With the cheetah being so fast, you would think the gazelle would be extinct, but they've learned that the cheetah is only the fastest animal on earth running in a straight line. So when being chased, the gazelle bobs and weaves and runs in circles until the cheetah gets tired and gives up. Think like a gazelle. Do whatever it takes to get to your goal. If you are a gazelle and the marketer and credit card companies are cheetahs, bob and weave and run -- do whatever it takes to get away. When you get that new credit card application in the mail – you know, the one that promises low introductory interest rates and lots of bonuses – scream **CHEETAH!** And destroy it as quickly as you can.

Envelope System

After you've set up your monthly budget, get out your envelopes. Label them for the expenses you pay monthly with cash – entertainment, groceries, eating out, etc. Put the amount of cash in individual envelopes that you budgeted for each item for that month. When the money in the eating out envelope is gone –STOP eating out. It's that simple. This is how you stay within your budget.

Don't be discouraged if your first budget isn't perfect. It typically takes a few months before your budget meets your real spending. Make adjustments each month until you get it right. You can't get out of a hole by digging out the bottom. You have to stop spending more than you make. Then, before you know it, your debt will be gone, your savings in place and money makeover complete. Then you can call in to "The Dave Ramsey Show" and scream, "I'M DEBT FREE!"

About the Author

Dave Ramsey offers life-changing financial advice as host of a nationally syndicated radio program, "The Dave Ramsey Show," which is heard by nearly 4 million listeners each week, on more than 375 radio stations throughout the United States. The author of multiple *New York Times* best-selling books, Ramsey added television host to his title when "The Dave Ramsey Show" on Fox Business Network debuted nationally Oct. 15, 2007. For more information, visit www.daveramsey.com.