

Getting Control of Your Finances

Objective

To help you identify the financial problems that are causing you stress and to develop a plan to address these problems.

You Should Know

Finances can be a difficult problem for many people and can contribute to common mental health problems like depression and anxiety. Did you know that, according to a Federal Reserve report, about half of all American don't have enough money to cover a \$400 emergency? If you're one of those people, this is a good time to evaluate your finances, figure out your goals, and set about achieving those goals—bit by bit.

Money problems can be emotionally overwhelming—it is not uncommon to avoid the subject altogether and “hope” that everything will be OK. Perhaps you're someone who puts your hopes and dreams into buying lottery tickets or other forms of gambling that have a low probability of paying off. Part of being a healthy, mature, responsible adult is facing your financial situation with clarity. Knowing the truth will give you more knowledge and power to make wise decisions going forward, without shame or guilt. And, even if you fear you've dug too deep a hole to get out, think about it this way: It's never too late to start! And remember, many communities have free credit and financial counseling services for those in need. Check out your local listings or ask at the reference desk of your local library.

What to Do

The first step in getting control of your finances is to assess income versus expenses, and tally your savings versus debt. Makes sense, right? You can't put together a jigsaw puzzle unless you have all the pieces facing upward, ready to be clicked together.

Gather all of your paperwork—bills, credit-card statements, bank statements, checkbooks, any other records you have. On the lines below, enter the information as best you can.

1. Income

Include your paycheck, a second job, alimony, child support, miscellaneous cash, etc.

_____	_____
_____	_____
_____	_____

Total Income (calculate weekly or monthly for easier budgeting later): _____

2. Expenses

This can be hard and may take time. Be patient and collect the information as best you can. You might want to keep track of every expenditure over one or two weeks before doing this step. (That daily latte adds up, without your even knowing it!)

Fixed Expenses

Rent _____

Mortgage _____

Car payment _____

Child care costs _____

Car insurance _____

Life insurance _____

Health insurance _____

Other insurance _____

Utilities _____

Cable/Phone/Internet _____

Subscriptions _____

Student loans _____

Other _____

Variable Expenses

Food _____

Gas _____

Credit card payments _____

Public transportation _____

Entertainment _____

Taxes _____

Car maintenance _____

Travel _____

Gifts _____

Pet Care _____

Other _____

3. What is the value of your current savings and investments? List each item below and total.

_____	_____
_____	_____
_____	_____

4. Do you have an emergency fund? If so, how much is in it?

Some experts advise having at least the equivalent of six months' income stashed away in your emergency fund. If you don't, think about how much you would need to put aside each month to begin building that fund. See Creating a Budget, below.

5. Creating a Budget

Once you have a clear idea of how much you are earning and how much you are spending, and what your savings and investments look like, it's time to plan your budget. Sit down with your family and review all of the above information. Discuss what areas you'd like to improve on—that is, spend less and save more.

Then, get the family to commit to keeping track of income and expenses for at least two weeks. You can make a game of it or set up some affordable reward at the end. There are numerous apps that will help you set up a template or you can buy a budget planner at your local office-supply store, or create your own.

6. Needs/Wants/Would Be Nice

Once you have a clear picture, you might find it helpful to divide the information into the following categories. This will help you cut back on things that aren't absolutely essential and set goals for saving money for the "wants." You can get started here and continue on your own.

<u>Needs</u>	<u>Wants</u>	<u>Would Be Nice</u>
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Here are some other tips about how to save money:

- Shop around for a cheaper contract for your cable and cell phone, or cancel cable.
- Transfer high-balance credit cards to lower ones or promotional cards.
- Cancel your gym membership if you're not using it.
- Stop smoking.
- Stop or cut back on drinking alcohol.
- Find cheaper prescription drug plans.
- Stop wasting food.
- Use home-filtered water, not plastic water bottles.
- Cut back on eating out—bring lunch to work, set a limit on how many times or how much you spend on eating out.
- Use coupons.
- Avoid out-of-network ATM fees.
- Buy bulk items.
- Don't play the lottery.
- Refinance your mortgage.
- Find cheaper auto insurance, or negotiate a lower price.
- Cancel unused memberships or subscriptions.
- Take books out from the library instead of buying them.
- Add your own below.

More to Think About

1. Do you need to learn the basics about how money is managed (bank accounts, savings, investments, loans, debt, etc.)? What can you do to be more financially literate (read a book, see a financial advisor, take a class)?

2. Fill in the blank: “If I could change one thing about the way I handle money matters, it would be . . .”

3. What are your hopes and dreams about money? How can you make a plan to work as a couple toward achieving them? Be creative.

How helpful was this exercise? _____

(1 = not very helpful, 5 = moderately helpful, 10 = extremely helpful)

What could you do differently to make progress in this area?
