GuidanceResources®

Financial Wellness Resource Guide

Budgeting for Financial Success

Without a plan for financial success, it is difficult to know which decisions are the right ones to make. Creating and sticking to a budget provides you a clearer financial picture and gives you a better sense of control over your money.

To create a budget that works, follow one simple rule: Don't spend more than you earn. Some kinds of debt, such as a home mortgage loan, are unavoidable. These debts are managed through monthly payments over a set period. What you want to avoid is the kind of debt that keeps you from realizing your long-term financial dreams. For that you need a budget.

Getting Started

To get started on your budget, you will need your pay slips, bank and investment statements, bills and credit card statements, receipts, paper and a pen. Begin by estimating monthly income and expenses to get an accurate sense of how much you are earning and how much you are spending. Here are the steps involved:

- Estimate your take-home pay by looking at the net (after-tax) amount on your pay slips. Bank statements may also be useful to measure such non-wage income as interest, dividends, etc.
- Calculate your expenditures. Include all your typical expenses, such as mortgage payments, car loans, transportation costs, utilities, child and elderly care, food and clothing, education, medical bills, car repairs, retirement savings, religious contributions, entertainment purchases and miscellaneous expenses.
- Subtract all expenditures from revenues. If you have a surplus, aim to save as much of it as possible. If you have a deficit, you need to cut expenditures. Experts recommend setting a goal of saving at least 10 percent of your earnings and having at least three months' income set aside for emergencies.

Tips for Living Within Your Budget

- Focus on savings versus spending. Rethink your priorities.
- Evaluate your expenditures by listing them in order of priority and determine which purchases can be eliminated or reduced. Rethink big-ticket items unless you are absolutely sure they are necessary.
- Document every transaction. Create a system to file and organize your revenues and expenditures. File all receipts and bills as you process them and keep your financial records up to date.
- Computerize your efforts. Consider buying a financial management program to help you balance your accounts.
- Monitor your budget on a monthly or weekly basis to ensure you are on track and to keep you motivated.
- Pay off your credit card balance each month. When using credit cards, make an entry in your financial records for each individual charge the day the charge is made. This will prevent charge card bills from catching you without adequate cash in your bank account to cover them.
- Confide in your partner, and have your partner follow these procedures as well. Once you have created a budget to properly deal with your financial situation, you will enjoy greater peace of mind knowing exactly how you have spent your money.

Budget Worksheet

It is important to monitor your budget on an annual, monthly or per-paycheck basis. Here is a sample of a monthly budget worksheet:

A. Revenues:

Take-home pay $________

Interest $________

Other $________

Total revenues: A = $________

B. Expenditures:

Rent or mortgage (including property taxes) $________

Automobile loan payment $________

Student and other loans $________

Home & auto insurance $________

Home & auto maintenance $________

Transportation costs $________

Health care $________

Utilities (natural gas,electric, water, waste management, phone, cable, Internet) $________

Food $________

Clothing $________

Gifts $________

Retirement savings $________

Other savings $________

Charitable contributions $________

Subscriptions $________

Memberships/clubs $________

Entertainment $________

Vacations $________

Pocket money $________

Other $________

Total expenditures: B = $________

C. Net surplus or deficit (A minus B) $________

Contact us anytime for confidential assistance.

Getting Out of Debt

Getting out of debt can be a long, difficult task. The first step is to get your finances organized.

Make a Plan

Start by developing a budget. This means creating a solid plan that allows you to cover expenses, pay down your debt and save for your future.

To start, evaluate how much money you are earning and how much you are spending. Identify your monthly income and make a list of your fixed expenses, such as your mortgage or rent and car payments. Then write down your variable expenses, such as groceries and entertainment.

The next step is to prioritize your expenses. The goal is to make sure you are living within your means. Identify essential expenses, which need to be taken care of first. They include housing, utilities, groceries and transportation. Then allocate funds for savings and debt payments. After that is done, you can see how much money is left over for discretionary spending, such as on cable, cellphone plans, entertainment, restaurants, personal care, hobbies and gym memberships.

Compare your recent spending with your new budget plan to identify areas of overspending and adjust that spending accordingly.

Start an Emergency Fund

Saving money might sound counterintuitive when you have outstanding debt, but having emergency funds is essential and will make paying down your debt easier. Such funds are an insurance policy for the unexpected, such as car repairs or medical issues, and allow you to focus on getting back on track instead of panicking over the unpredictable. Financial experts recommend that you keep three to six months' worth of expenses in your emergency account.

Contact Creditors

Communicate with your creditors before you fall behind on payments. Creditors are easier to work with when you warn them about your situation before a problem arises. Do not ignore phone calls or correspondence from them. Instead, attempt to work out a modified payment plan or similar options.

The last thing you want is for your account to be turned over to a debt-collection agency. That can lower your credit score and inhibit your ability to borrow in the future. It also can result in legal action against you. The better the relationship you build with your lenders, the more likely they are to work with you if you fall into financial hardship.

Know Your Credit Score

Your credit score represents your reputation as a borrower. A good score is considered 730 or above. Lenders use this score to determine the risk of lending you money or allowing you to make purchases on credit. Generally speaking, a strong credit score equates to more financing options and lower interest rates. The ability to consolidate debt, transfer balances and refinance, as well as your borrowing power, is based on your creditworthiness. If you have good credit, you will have more options to attempt to get out of debt. If you have bad credit, your options may be much more limited.

What to Pay Off First

A lot of variables are involved in figuring out which debt to tackle first. Generally, you want to pay off the debt that is costing you the most first. Consider the following information to help you determine this:

- Payday loans/high interest loans: Typically, these loans are short term and carry extremely high interest rates and severe penalties for missed payments. On average, the annual percentage rate starts at 391%. If you have any of these loans, pay them off first.
- Credit cards or title loans: These debts also can carry high interest rates, and depending on the balances, can take a hefty chunk out of your monthly budget. Make paying off your credit card balances and other high-interest loans a priority. This way, you can dedicate more money toward tackling longer-term debt.

- Car loans: If you are unable to afford your car, you might need to sell it or to trade it in for something fully paid off. Car loans are collateralized, so the car can be repossessed if you do not make payments. This damages your credit score, and even though the car is no longer in your possession, you remain liable for the money you borrowed.
- Student loans: Pay at least the minimum on your student loans each month. If you are unable to, reach out to your lender and try to negotiate a payment arrangement, such as forbearance or deferment. When you are ready to make additional payments on your student loans, start with the highest interest rate first. Keep in mind that paid interest on student loans is tax deductible up to $2,500 per year.
- Mortgage/equity loans: These loans should be paid off last, provided you are making your monthly payments. They typically have the largest balances and tend to carry a lower fixed rate. You can make consistent payments toward these large debts as a long-term strategy and use additional disposable income for debts, savings or other financial goals. Interest on your mortgage also may be tax deductible.

Getting out of debt takes dedication and discipline. It is important to figure out your financial priorities and to start on a plan to being debt free. If you are struggling to create a plan, reach out to a professional credit counseling service.

Tips

- Spend less than you earn. This will allow you to save money, avoid debt and achieve your financial goals.
- Do not use credit cards unless you can pay off the balance each month. Using them to get you to the next paycheck only puts you further into debt.
- Use cash. It is more difficult psychologically to make purchases in cash than with a credit or debit card.
- Get your family involved in budgeting decisions and make sure everyone is on the same page. Support from your loved ones can really make a difference.
- Stay positive and praise your accomplishments.
- Find tools and assistance that work for you. Each individual has a unique connection to finances and not every option works for everyone.
- Be patient. Getting out of debt is a slow, difficult process.
- Leave yourself some room. You do not want to take drastic measures unless absolutely necessary. Completely changing your lifestyle is difficult, so reducing expenses might be more effective than eliminating them all together.
- Consider your long-term goals and financial future. Think about where you want to be five or 10 years from now and focus on that.
- Educate yourself about finances. If you know more, you can make better decisions for yourself and your family.
- Try to pay more than the minimum on loans. This way, you are chipping away at the principle.

Think about every purchase you make, whether it is a cup of coffee or a television. Be aware of where your money is going.

Resources

- Federal Trade Commission: www.consumer.ftc.gov
- MyMoney.gov: www.mymoney.gov
- How Stuff Works–Money: www.money.howstuffworks.com
- Financial Mentor—Budget Calculator: www.financialmentor.com/calculator/budget-calculator
- Spending Guidelines Worksheet: www.rightathomeanswers.org/files/rah/1/file/ExpenseGuidelines.pdf

Managing Credit Card Debt

Millions of consumers are plagued with credit card debt. Unfortunately, there are no quick solutions, and certain steps must be taken to pay off the debt. Because of the variety of credit cards, including traditional, premium, retail, gas and secured, each type has a unique set of terms and conditions associated with it that you need to understand.

Bad habits can hurt you when dealing with credit card debt. These habits include:

- Carrying balances from month to month
- Paying only the minimum payment
- Paying late
- Exceeding the credit line
- Taking cash advances on credit cards.

All of these habits are very costly and can quickly grow your debt instead of reducing it.

Getting Out of Debt as a Priority

Make getting out of debt a priority. Generally, this means paying on time and making more than the minimum payments on all your credit cars. Sometimes, however, paying the minimum on some credit cards can work to your advantage if you are paying significantly higher interest rates on other cards. Keep in mind that paying only minimums, even on small balances, can extend the repayment period to years and cost a great deal in interest.

Consider the following simplified example of credit card interest:

You have a $1,000 balance on your credit card at an 18 percent interest rate. Your minimum payment is 3 percent of that balance, which is $30 per month. Over the course of the year, you will pay $30 per month for 12 months, which equals $360 toward your outstanding debt. However, over the year you will pay 18 percent interest, which on $1,000 amounts to $180. So, in reality, you only paid off $180 ($360 minus $180) from your outstanding debt, leaving your outstanding balance at $820 at the end of the year. At this rate, it will take you approximately 92 months, or just over 7.6 years, to pay off the original balance. In that time, you will pay around $700 in interest.*

*This simplified calculation does not include compound interest for the 18% interest rate.

Negotiate a Lower Interest Rate

Reducing your interest rate is the quickest way to save on your credit card bills. Even a 1 percent reduction could save you hundreds of dollars and significantly reduce the amount of time it takes you to pay down your debt.

Call your creditors and make a request to lower the rate. It is not guaranteed, but it does not hurt to try.

Stop Using Your Credit Cards

You do not have to close out the credit line, but stop using the available credit. You will not be successful in paying down your debt if you continue to spend on your credit cards while trying to pay them off. Store your credit cards in a place where you cannot easily access them. Plan to use cash or debit cards whenever possible. Only consider using credit cards in a dire emergency.

Create and Stick to a Budget

Be realistic about what you can afford. Cutting back on certain expenses and potentially eliminating others can go a long way in helping you pay off your debt quicker. Give yourself some breathing room: It is hard to change your lifestyle dramatically and stick to a debt-repayment plan, but making little adjustments over time can add up to large savings that can keep you on track.

Pick a Payoff Strategy

There are some proven and practical debt-reduction techniques that can assist you in paying down debt. You should choose the method that is right for you based on how you connect with your finances and your debt. For mathematical and analytical individuals who are looking for the most effective way to approach their debt, the avalanche method might work best. Individuals who are not as financially savvy and prefer psychological victories should consider the snowball method.

The Avalanche Method

The avalanche method refers to paying off debt with the highest interest rate first. This method requires a lot of will and discipline, but it is the most financially efficient way to pay down your debt. Using this method, you will save the most on interest and will pay off your debt the quickest.

To begin, you should list all of your credit cards in order of the highest to lowest interest rates. Focus on paying as much as you can on the card with the highest interest rate, regardless of the balance. Pay minimum payments on all the other cards. The key here is to pay more than the minimum payment on the debt you are working to pay off first.

When you are completely done with the first card, you will use the debt payment that you paid for it toward the card with the next highest interest rate. This is in addition to the minimum payments you were already making. As you pay off more debt, you add more money to your monthly payments. Continue this method until all debt is paid off.

Consider the following example:

Credit Card	Balance	Interest Rate	Minimum Payment (2%)	Payments
Store Card	$3,000.00	21%	$60.00	$200.00
Card C	$2,000.00	16%	$40.00	$40.00
Card A	$4,000.00	12%	$80.00	$80.00
Card B	$5,000.00	8%	$100.00	$100.00

Once the first card has been paid off, carry over the monthly payment to the next card:

Credit Card	Balance	Interest Rate	Minimum Payment (2%)	Payments
~~Store Card~~	~~$3,000.00~~	~~21%~~	~~$60.00~~	~~$200.00~~
Card C	$2,000.00	16%	$40.00	$240.00
Card A	$4,000.00	12%	$80.00	$80.00
Card B	$5,000.00	8%	$100.00	$100.00

The Snowball Method

The snowball method refers to paying the smallest balance first. This method helps build confidence with small victories. List all of your credit card debt in order of balance: smallest to largest. You will start by paying off the smallest balance first while paying the minimum payments on all other credit card debts.

Once you pay off the smallest balance debt, move on to the next one. However, roll the payment you would spend paying the first debt and apply it to the second debt's payment. This creates the snowball. As you pay off more debt, you add more money to your monthly payment of the next debt.

Paying off a debt is a great psychological relief and helps you build confidence. These accomplishments make it easier to approach and attack your debt-reduction plan.

Consider the following example:

Credit Card	Balance	Interest Rate	Minimum Payment (2%)	Payments
Card C	$2,000.00	16%	$40.00	$140.00
Store Card	$3,000.00	21%	$60.00	$60.00
Card A	$4,000.00	12%	$80.00	$80.00
Card B	$5,000.00	8%	$100.00	$100.00

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Card A	$4,000.00	12%	$80.00	$80.00
Card B	$5,000.00	8%	$100.00	$100.00

As you continue to pay off the cards, the monthly payment will continue to grow:

Credit Card	Balance	Interest Rate	Minimum Payment (2%)	Payments
~~Card C~~	~~$2,000.00~~	~~16%~~	~~$40.00~~	~~$140.00~~
~~Store Card~~	~~$3,000.00~~	~~21%~~	~~$60.00~~	~~$200.00~~
Card A	$4,000.00	12%	$80.00	$280.00
Card B	$5,000.00	8%	$100.00	$100.00

You can use this online calculator to figure out how much you will pay with either method: **http://unbury.us/**.

Tips for Reducing Debt

- Stop using your credit cards, but do not close them. Closing the credit cards will reduce your credit limit and can negatively affect your credit score.
- Track all of your expenses. Make sure you know where your money is going and identify any cash leakages.
- Think about every dollar you spend. Getting out of debt requires a lot of discipline. Make sure your priorities are set. Try a cash budget. Psychologically, it is much harder to part with cash versus swiping a card to make a purchase.
- Eliminate unnecessary expenses. Remind yourself that this will not be forever, but just until your debt is under control. Cable, restaurants and gym memberships are examples of expenses that can strain your budget. These can be cut for a certain period of time until the debt is paid off.
- Consider getting rid of assets that require payments every month, like a car, luxury items and other items that can be forgone until your financial situation improves.

Resources

- Consumer Financial Protection Bureau: www.consumerfinance.gov/credit-cards/
- Federal Trade Commission: www.consumer.ftc.gov/articles/0150-coping-debt
- USA.gov: www.usa.gov/debt
- MyMoney.gov: www.mymoney.gov

Contact us anytime for confidential assistance.

Stress and Money Matters

Concern over money sits at or near the top of the list of things that stress most of us out. Whether making the mortgage payment, planning for retirement or just covering the monthly bills, people worry constantly about their financial fitness. Even in families with two incomes, there never seems to be enough money or time.

The stress many of us feel about our finances may not be just in our heads. A wide range of anecdotal evidence connects money and health. Chiropractors report a correlation between back pain and financial problems, perhaps as the result of increased muscle tension. Psychologists cite arguments over money as a major factor in divorces.

It is natural to feel anxiety over money matters. A survey of more than 300 human-resource directors found that 32 percent of managers consider personal financial problems the most pressing overlooked workplace issue. With so many possibilities for spending and saving, having a budget and a clear savings and retirement strategy is a good way to reduce some of that stress.

Some companies try to help their employees with programs and seminars on managing money and debt, budgeting and retirement planning. Check if your employer offers such programs. If not, consider seeing a reputable financial planner. The cost of professional help likely will pay itself back, not only in reduced stress but also in improved saving habits. Developing a plan and making regular contributions to your savings plan is the best way to assure financial security.

Putting all your eggs in one basket naturally tends to increase risk and, therefore, worry. Company retirement-fund participants may not realize that a one-security fund offers no diversification and is a very high-risk investment. A diversified portfolio is the best insurance against fluctuations in the market.

With a little knowledge, some confidence in your plan and a commitment to taking positive steps, you can significantly reduce the stress you feel about money matters. Stressing over money will not help your situation and may even make it worse. There are many resources, such as books, financial professionals and your employee-assistance program to help you make informed financial decisions and reduce your stress.

Just as every journey begins with a single step, relieving your stress over money matters relies on following a well-developed plan.

Finances and Fighting: Arguing Over Money

Impulse purchases, shared banking accounts, differing views of what constitutes a sound budget: There is little doubt that money can create problems and arguments in relationships. In fact, money and how it is spent is one of the main reasons couples argue, and an estimated 90 percent of divorces are due, in part, to money issues.

What's the cure? Effective communication, flexibility and finding an agreeable budget can help to reduce arguments related to finances.

Money means different things to different people: Power, security, love and comfort are just a few. From these meanings come conflicting viewpoints. If someone sees money as power, their nature may be to spend it in an attempt to impress others, while someone who views money as security may tend to be more frugal.

It is these differences in opinion that can lead to arguments. Some may feel judged if their spending or saving habits are different from their partners' habits. Understanding and accepting the differences is the first step to resolving money-related arguments.

If you and your partner are having arguments over money issues and want to resolve those issues, keep the following in mind:

- Communicate about finances on a regular basis. Discuss money matters when neither person is upset; a calm conversation offers a better chance of resolving any issues.
- Keep a list of your financial priorities and what is valuable to you. Have your partner do the same.
- Listen to your partner's viewpoints, even if you do not agree with them.
- Consult a professional. This could be a financial consultant or a therapist who specializes in couples therapy. Outside input can be valuable.
- Keep your faith in your relationship. Money issues do not make you incompatible as a couple, you simply need to find the flexibility necessary for agreement.

Questions to Consider

Whether you are the frugal one or the spender, differing viewpoints of how money should be saved and spent can cause friction. The best way to address this issue is to discuss it. There may be valid reasons behind the save-or-spend actions: Perhaps your loved one grew up in a home without a steady income, and saving offers a sense of security. Or maybe your parents were the type to buy what they wanted, when they wanted; you grew up living that lifestyle and may not know of other ways to handle money.

By having an open and honest discussion about the way each of you views money, you can get a better idea of how to create an area of mutual comfort. Try answering the following questions:

- What makes being frugal a priority? Does it offer security, are you saving for something in particular or is there some other reason? Why do you agree or disagree with this type of spending?
- What makes impulse purchases so attractive? Is it instant gratification, wanting to keep up with the neighbors or actual needs? Why do you agree or disagree with this type of spending?
- Is there a way each person can have an allowance? How much would it be and where would the funds come from? Consider two separate checking accounts created solely for fun money for each person.
- Can you compromise on how each person uses money? For instance, have the spender complete a waiting period before making big-ticket purchases and make the saver come up with ideas of fun things to do that may or may not cost money.
- Are there set rules you can both agree on? Maybe the spender is not allowed to sneak in products he or she bought, and the saver can not always make the family do cheap or free activities instead of ones that may be more gratifying yet cost a bit more.

Finding Financial Balance

When a couple has differing viewpoints on financial matters, developing financial habits that are acceptable to both parties is crucial. The goals of these habits will depend on the individuals. Keep the following in mind when developing financial habits you both can agree on:

- Create a budget. The goal is to be able to live a lifestyle that agrees with your wants and needs while still saving a portion of your income. List your debts and assets, track your daily spending for a month and consider any upcoming expenses you may have to allot for. Consult a financial professional for assistance.
- Together, decide what your financial goals are and write them down. Be sure to look at big-ticket items you want to purchase (a sports car or entertainment system), items you need to save for (a new roof or a plumbing upgrade) and the type of lifestyle you want to lead.
- Determine what your savings plan will be. Keep in mind that there are plenty of ways to invest money for savings; a certified financial planner can offer tailored insight based on your situation.
- Determine areas each of you have trouble controlling. Maybe you both enjoy eating out and will find any excuse to do so. Or, one person may have a weakness for buying items from television infomercials while the other enjoys buying high-end electronic gadgets. Determine ways to allow for some of these purchases while setting strict budgets.
- Agree to disagree some of the time. It is the rare couple who sees eye-to-eye on every purchase.
- If you are in financial trouble, either due to debt or limited income, both of you will need to drastically change your current financial habits. Consult a financial professional to discuss the best way to remedy the situation and get back on your feet.
- Do not spend what you do not have. Instead of trying to lead a lifestyle that matches the neighbors but is out of your league, consider what your finances will look like down the road. A big house does not bring happiness if financial stress is constant within that house.
- Keep in mind that charitable giving can be a part of your financial budget. Even a small percentage benefits charities and those individuals who need help.
- Consider hiring a tax preparer to help you get the most from your tax payments or refunds.

- Know where your important financial documents are, and keep each other up to date on any transactions. Communication is key when it comes to avoiding overdrawing a checking account, making big purchases and in case of emergencies.
- Designate who pays what bills. You can divide up the bills, but have one person responsible for the payment of one set of bills, and one person for another set. This reduces the chances of missed payments.

Compulsive Spending

Research shows that one in seven people are hooked on spending and buying merchandise they probably will never use. We all have a tendency to occasionally spend more than we should on things we do not need, but if you have a habit of regularly buying beyond your means, you may have a compulsive-behavior problem that can be treated. Do not be afraid to seek help before you jeopardize your relationships and find yourself in serious debt.

Understanding the Problem

We tend to call people who continually overspend "shopaholics" or "credit card addicts." However, compulsive shopping is not the same as alcoholism or drug addiction; it does not involve any degree of physical dependence or stem from a biological chemical disorder. Instead, it is considered a behavioral problem.

Signs that you may have a compulsive spending problem include:

- Commonly buying items you do not need
- Routinely spending beyond what you can afford
- Routinely using one or more credit cards to pay for purchases and accumulating debt by continuing to not pay off the balance
- Regularly buying things to make you feel better about yourself

Ask yourself these questions to determine whether you may have a compulsive spending problem:

- Are your debts making your home life unhappy?
- Does the pressure of your debts distract you from your work and daily routine?
- Are your debts affecting your reputation?
- Do your debts cause you to think less of yourself?
- Have you ever given false information in order to obtain credit?
- Have you ever made unrealistic promises to your creditors?
- Does the pressure of your debts make you careless with the welfare of your family?
- Do you ever fear that your employer, family or friends will learn the extent of your total indebtedness?
- When faced with a difficult financial situation, do you feel inordinate relief over the prospect of borrowing?
- Does the pressure of your debts cause you to have difficulty sleeping?
- Has the pressure of your debts ever caused you to use alcohol or drugs?
- Have you ever borrowed money without giving adequate consideration to the rate of interest you are required to pay?
- Do you usually expect a negative response when you are subject to a credit investigation?
- Have you ever developed a strict regimen for paying off your debts only to break it under pressure?
- Do you justify your debts by telling yourself that you are superior to other people, and when you get your break you will be out of debt overnight?

If you answered yes to eight or more of these questions, you may have a compulsive-spending problem.

Getting Help

Like a problem gambler, a compulsive spender must accept that he or she has a problem and be willing to make a change for treatment to be successful. Most important, he or she must try to abstain from overspending at any time in the future. However, sometimes willpower is not enough to overcome a compulsive spending problem. If you cannot seem to break the habit yourself, seek professional help. You may be referred to a therapist who can tailor a treatment program to suit your needs.

Treatment may include:

- Individual and group therapy
- Family counseling
- Support groups
- Financial counseling (debt-management and budget-planning services)

Controlling Your Spending Behavior

- Create a budget and savings plan. Set savings goals that will get you enthusiastic about putting money aside instead of spending it.
- Put restraints on your money. Avoid carrying your checkbook and credit, debit and ATM cards with you when you go out. Carry only enough money for routine expenses and emergency purposes.
- Stay away from tempting environments. Try to avoid stores and areas where you have a tendency to buy things compulsively. Ask friends to accompany you when you shop; request they discourage you from overspending or buying things on a whim. If you are vulnerable to home-shopping television channels, mail order catalogs and Internet shopping, avoid them.
- Ask yourself questions before you buy an item. Do you need it? Why now? Can you find the product for less? How much use will you realistically get out of the product?
- Sleep on it. Try to resist the urge to buy the impulse items. Shop around for prices, and, if you can, wait a day before buying to give yourself adequate time to think about the practicality of the purchase.
- Do not let a compulsive-spending problem ruin your life. Take control by seeking professional help and avoiding situations and environments where you may have a desire to overspend.

Teaching Your Child About Budgeting

From giving your toddler a piggy bank to helping your teenager learn to balance his checkbook, there are many things you can do as a parent to teach your children the value of money and how to use it responsibly. Although experts recommend that you begin when your child is very young, it is never too late to start.

Parents have many opportunities to teach simple lessons about money that can last a lifetime. While school can teach a child the math skills necessary to understand dollars and cents, parents can educate their children about budgeting, saving, earning, spending, borrowing, and sharing money and resources. These lessons will help them achieve financial independence once they are old enough to live on their own.

Teaching Tips

- Establish a weekly allowance.
- Be consistent by paying on time after the chores are done satisfactorily.
- Talk to your child about saving and spending in simple language that relates to his experience.
- Introduce budgeting skills.

Create Family Savings Goals

Involve your kids in budgeting discussions. Establish financial goals, for instance a new TV or a summer vacation, and get your children excited about mom and dad saving along with them.

Teach the value of giving and sharing. While it is vital for children to learn how to earn and spend money responsibly, it is just as important to teach them about the joys of giving money and gifts to others, sharing their time and resources and contributing to worthy causes.

Praise good habits. Compliment and applaud your child when she saves or donates money.

Remember that there are many ways to teach children the value of money, but the best way is by setting a good example as a financially responsible role model.

Contact us anytime for confidential assistance.

Tips for Saving Money

Knowing how to secure your financial well-being is one of the most important lessons in life. Here are some basic tips for saving and investing.

Understand Your Financial Goals

What do you want to save and invest for?

- A home
- A car
- Education
- Retirement
- Your children
- Caring for parents
- Medical expenses
- Emergencies

Make your list of goals. List your most important goals first. Decide how many years you have to meet each goal, because when you save or invest you will need to find a savings or investment option that fits your time frame for meeting each goal.

Know Your True Financial Situation

Take an honest look at your finances by creating a net worth statement. Take a piece of blank paper. On one side of the page, list what you own. These are your assets. On the other side, list what you owe other people. These are your liabilities or debts.

Subtract your liabilities from your assets. If your assets are larger than your liabilities, you have a positive net worth. If your liabilities are greater than your assets, you have a negative net worth.

Update your net worth statement every year to keep track of how you are doing. If you have a negative net worth, make a plan to develop a positive net worth.

Be Careful With Credit

Do not use a credit card unless your debt is manageable and you know you will have the money to pay the bill when it arrives.

If you know you will not be able to pay your balance in full, try to figure out how much you can pay each month and how long it will take to pay the balance in full. If you have unpaid balances on several credit cards, you should first pay down the card that charges the highest rate. Pay as much as you can toward that debt each month until your balance is once again zero, while still paying the minimum on your other cards.

Pay Yourself First

Many people get into the habit of saving and investing by following this advice: Always pay yourself first. People find it easier to pay themselves first if they allow their bank to automatically remove money from their wage and deposit it into a savings or investment account.

Take advantage of any employer-sponsored retirement plans available to you. These plans will reduce the taxes you are paying.

Small Savings Add Up

With compound interest, you earn interest on the money you save and on the interest that money earns. Over time, even a small amount saved can add up to big money. If you are willing to watch what you spend and look for little ways to save on a regular schedule, you can make money grow.

If you buy on impulse, make a rule that you will always wait 24 hours to buy anything. You may lose your desire to buy it after a day. And try emptying your pockets and wallet of spare change at the end of each day.

Contact us anytime for confidential assistance.

Understanding Debt

Debt is a problem for a large percentage of the U.S. population. With our evolution into a credit-based economy, making large purchases with cash is outdated, if not impossible. Few people are able to buy a home or car or pay for an education without borrowing money. That means taking on debt.

Not all debt is bad. We can accumulate too much to quickly, however, if we do not use credit wisely. Long-term financing and credit cards give us the immediate gratification of a purchase while putting off payment, often without thought to the costs associated with taking on debt. Rates on consumer debt generally range from 8 to 23 percent, while a typical minimum payment is set at 2 or 3 percent of outstanding balances. That means making a minimum payment on this debt results in the balance increasing, not decreasing.

No one wants to be in debt. The problem is that most of us don't know how to avoid it or where to start when we need to get out of it. The hard truth is that certain circumstances and actions can easily put us into debt, but it takes discipline, commitment, sacrifice, smart decisions and hard work to get out of it.

Good Debt vs. Bad Debt

Good debt builds wealth. It is an investment that will grow over time in value or benefit. College educations and mortgages are examples of good debt because the related assets increase in value over time or provide the means to generate higher long-term income. In addition, these debts typically carry lower interest rates and are sometimes tax deductible.

Bad debt is debt that takes away wealth. These are purchases that do not generate long-term income and quickly lose their value. Credit card debt, personal loans, payday loans and cash advances often fall into this category. Consumers should avoid this type of debt as much as possible because of the high interest rates. If such debt is allowed to accumulate, small purchases made now cost significantly more in the long run.

Living with Debt

Living with debt can cause persistent stress, taking a toll on health and relationships. From a financial standpoint, debt destroys monthly cash flow and erodes financial stability. When we struggle with debt, there is less money left over for improving our lives, creating long-term wealth and purchasing the things that are important to us. Conversely, greater cash flow means a greater difference between income and expenses. The wider this difference is, the more money we have to spend on discretionary purchases, such as entertainment, vacations or electronics, and the more satisfied we are with our quality of life.

How Debt Happens

There are numerous reasons debt accumulates. It can be the result of a medical expense, unemployment, living outside of our means, or just poor money management.

The key is to address the issues that put you into debt in the first place and then use the resulting savings to eliminate debt. It is human nature to be set in our ways. Often, it takes a powerful event or a lot of determination to change those habits.

Getting Out of Debt

The first step to breaking the cycle is to realistically look at our finances and to acknowledge the problem to its full extent. It also is essential to know how much money is owed, who the lender is, the terms, the interest rates and any other details regarding outstanding liabilities. Only then can we start making a detailed, tactical plan to eliminate it.

Resources

- Federal Trade Commission: www.consumer.ftc.gov/articles/0150-coping-debt
- USA.gov: www.usa.gov/debt
- MyMoney.gov: www.mymoney.gov

Contact us anytime for confidential assistance.

Tips for Weathering a Financial Emergency

Sometimes, despite the best-laid plans, a financial crisis can happen. Here are some steps to help you get through and recover from a financial emergency.

Creditors

A first step to take is getting in touch with your creditors to see if alternate payment arrangements are possible. It may be possible to skip a month's payment and add the payment to the back of the loan (such as with a car or mortgage payment). It may also be possible that the creditor will accept partial payments until you can get caught up on the debt.

Budgeting

Prioritize your most important financial obligations such as food, shelter and transportation first, and items such as credit card payments last. You may also want to suspend any automatic bill payments so that you can control the timing of payments until you are in a better financial situation.

Retirement Funds

An often overlooked resource is your employer sponsored retirement funds. While borrowing or withdrawing from this type of account is not optimal, it may provide an important lifeline in case of an emergency. Make sure you understand any tax consequences involved.

Additional Help

Local charities may be of assistance and listings can be found easily online or in the telephone book. If you belong to a church, you may be able to receive assistance directly from them. If your church is unable to help directly, they may also be a helpful resource in referring you to other active charities in your area.

Your local human services department may also be an emergency financial resource to explore and can help you with understanding which types of aid you may be eligible to receive.

Here when you need us.

Call: 844-216-8308
TTY: 800.697.0353
Online: guidanceresources.com
App: GuidanceNow℠
Web ID: Dartmouth

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