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DEBT MANAGEMENT

MAKING EXTRA MONEY

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AVOID YOUR OWN IDENTITY CRISIS

SMALL TRANSACTIONS ADD UP

WHAT YOU 'NEED' IS OFTEN JUST A 'WANT'

IN CLOSING

CHAPTER 1:

CREATING AN EFFECTIVE BUDGET

The best way to acquire financial security is to have a sound budget.

With a realistic budget, you can have more money to plan that vacation or buy that awesome big screen TV with the surround sound system. In order to indulge in these luxuries without utterly *destroying* your bank account, you *need* a budget.

Not to worry, though! It's not as bad as it sounds. It's actually quite simple.

HOW MUCH DO I MAKE?

The backbone of any budget is based on how much you make. Even if your income is lower than you'd like, you can still budget successfully, but it's important to know what you have to work with in order to create a balanced budget.

When budgeting, it's critical that you use your *net income* as opposed to the gross, that is, the amount *after* all deductions and taxes. Doing so will give you a more accurate representation about what you have *today*, factoring in what the government takes as deductions.

For all practical purposes, what is being deducted from your paycheck is money that isn't yet available to spend. Then when you file your tax return, treat the refund like a bonus.

If you have a variable paycheck, using a close estimate should suffice in most situations. A realistic estimate can be gathered by totaling your income from

the past 3-6 months, and then divide by the income you received in that time.

WHAT ARE MY FIXED EXPENSES?

There's no way around it; we all have bills to pay. Some bills vary from month to month, but there are others that are constant. Many loans are structured so you pay the same amount every month. For example, your car or home payments are *fixed* expenses. Rent and cable bills are also usually the same amount every month.

Some examples of common fixed expenses are:

- ✓ Mortgage or rent
- ✓ Car payments
- ✓ Car insurance
- ✓ Property taxes
- ✓ Home insurance
- ✓ Loans and lines of credit

Take some time to make a list of your fixed expenses and total the result.

WHAT ARE MY VARIABLE EXPENSES?

MANAGING YOUR MONEY/FINANCES EFFECTIVELY

- ✓ To determine how much to put into each envelope, look at your monthly budget and then divide the monthly expense by 2 if you get paid twice each month or 4 if you get paid every week. So if you get paid every week and your grocery bill is \$400/month, take \$100 out of each paycheck and put it into the *Groceries* envelope.
- 2. **Use cash for your expenses.** Once your paycheck is divided up, it's very easy to keep track of your spending. That *Groceries* envelope, for example, is your grocery money for the week. ***Spend it wisely.*** Once you spend the money in that envelope, that's it for that week.
- 3. **Effortlessly limit daily spending.** Each day, put the cash from that day's *Spending Money* envelope into your pocket or purse. That's your spending money for the day. ***When it's gone, stop spending!***
 - ✓ Making a separate envelope for each day's spending money helps you stay within your budget without having to keep a mental figure of your balance in your mind at all times.

Besides making it easy to limit your spending to the budgeted amount, the Envelope Method also gives you a better sense of your money.

When you pay cash, you're more likely to see the real impact of your spending, even if it's small expenses. As you'll notice, small expenses *really* add up!

TIPS TO REDUCE YOUR EXPENSES

If you find that you're spending more than you make, you have two options:

1. Make more money.
2. Reduce the amount that you spend.

CHAPTER 5: SHORT TERM SAVINGS

Saving isn't only for the distant future. While that's all well and good, sometimes you'll want to save for a more immediate purpose. Maybe you want to take a family vacation or buy a new computer. Whatever the case may be, purchases like this require some *saving up* ahead of time.

SAVING STRATEGIES FOR SHORT TERM GOALS

These techniques can help you effectively reach your intended goal:

- 1. Plan ahead.** The more prepared you are, the better. If you're planning a major event for your 20th anniversary, for example, you could start saving for it just after your 19th passes by. If you're looking to upgrade your home theater system, look at the price and determine how long it would take you to reasonably acquire that amount of money.
 - ✓ All you need to do is find the price of the item, decide when you want to make the purchase, and then divide the price by the number of weeks until the purchase date. The answer tells you how much to put aside each week.
 - ✓ ***Start planning for your special purchase well ahead of the event*** because the longer time you have to save, the less money you'll need to save during each pay period.
- 2. The power of the change jar.** Did you have a piggy bank (or some variation of it) when you were a child? Piggy banks instill the idea of saving money in you at a young age. Little did you know that the same principle could be applied later on in life! ***Your extra change can be a very powerful savings tool.***

CHAPTER 9: WAYS TO BRING IN EXTRA CASH

Working the standard 9-5 job may get the bills paid, but it rarely provides the financial cushion that we wish it did. Luckily, there are ways to boost your income.

BOOSTING YOUR INCOME

1. **Ask for a raise.** Sometimes the simplest solution is the best one. If you have a good record and show that you're willing to work hard, most bosses will consider the idea of giving you a raise. Rather than make things more complicated than they need be, why not start with your primary source of income and see if they can throw a few extra bucks your way?
2. **Find a bank with better interest rates.** This won't provide immediate relief, but it will add a little to your balance every month. If you're saving for the long haul, this can have quite an impact. Online banks like ING Direct tend to have higher interest rates than those of the "brick and mortar" companies.
 - ✓ If you decide to look for an online bank, be sure to make sure it's FDIC insured so you know that your money is secure and that the bank is reputable.
 - ✓ *If you're happy with your bank, look at other types of accounts.* Money market accounts often offer higher interest rates than savings accounts while also allowing you to write checks. While there's a limit on the number of checks you can write, it's still pretty convenient to have the best of both worlds in one account.