



# FINANCIAL FISCAL Shape



**W**hile the most popular New Year's Resolution for adults is to get in shape and lose weight, getting your family in financial shape can have a huge impact on the peace and harmony within your home.

## SET A BUDGET: TIGHTEN THOSE BELTS!

Sounds almost too simple. This is the single best thing your family can do to get into financial shape. Sit down with copies of your bank statements, credit card statements and ATM receipts and track where your money really goes. It's not always where you think!

"I didn't think we went out to eat that much, because we mostly went to casual or fast food places, and to me that wasn't 'eating out.' Once I realized how much we were spending on those places, we started eating most of our meals at home, and once a month we go to a really extravagant restaurant. We're actually saving money, so I don't feel the least bit guilty about splurging!" says one mom.

In setting a budget and working to get your family in financial shape, work toward the following goals: paying off debt, making sure your family has adequate insurance, and establishing a savings account with at least six months of living expenses.

*TIPS: Don't take on a new financial obligation of purchase until you find something you can eliminate from your current expenses. Also, when reviewing your finances set out to trim a predetermined amount off of your expenses. Whether its \$100 or \$1000, it's easier to do with a set goal in mind.*

## ELIMINATE ALL DEBT: DIVIDE AND CONQUER!

First, stop using credit cards. It's next to impossible to pay off debt while accumulating more, so make a commitment to only buy things you can afford right now.

Next, make a master list of your family's debt. Include mortgage loan information, car loans, liens, and credit cards. List the interest rate, balance, and monthly payment amount next to each loan, then follow a simple

plan to pay them off. There are two ways you can do this easily. The first option is to choose the loan with the highest interest rate, so long as it is a short term loan. Maintain only the minimum payment on all loans except this one, while doubling the minimum payment of the highest interest loan to get it paid off quickly. Then go the second highest interest rate and knock that one out in the same manner, and then the third, and so on.

The second way to pay off debt gives you a little jump start, and allows you to see progress more quickly. While maintaining the minimum payment on all loans, focus your payment efforts on the loan with the lowest balance, and concentrate on paying it off first – try to make at least double the monthly minimum payment if possible. Once this loan is paid off, apply that same payment amount you had been paying on that first loan and apply it to the second lowest balance loan, in addition to the minimum payment amount you had been paying all along. When the second loan is paid off, take the payment amounts you were paying on the first two satisfied loans, and add them to the minimum

payment amount you have been paying on the third loan. Continue in this way until all loans are satisfied.

*TIP: Paying off a fixed rate 30 year standard mortgage early is easy with biweekly payments. Simply split your mortgage amount into two payments paid every other week instead of monthly. This simple tip can have a dramatic impact – a 30 year loan can be paid off in about 23 years. It is important to check with your lender to make sure they accept biweekly mortgage payments first.*

## INSURANCE

In addition to making sure your home is insured correctly, be sure to consider insurance where your home can be paid off immediately if something tragic happens to your spouse. Davis Mullis, a Farmers Insurance Agent suggests the following rule of thumb when evaluating your family's needs. "In my opinion, I would say a family of four should buy TERM life insurance on each adult. Even if one parent does not work, the working parent will need some help with child and home care. Term insurance is usually more affordable than "cash value" or permanent life insurance. Affordable is important because you do not want to have an overpriced policy that you will let lapse when funds are tight."

*TIP: There may be some overlapping policies or savings to be found in your existing insurance policies. Contact an insurance agent to see if there are options that will save you money. Talk to your insurance agent about lowering rates if you have not had an accident or claim in a certain amount of time, or if your insurance can be lowered if you have a security alarm system on your home.*

## FINANCIAL PLANNING

Looking over stocks and mutual funds and deciding where to invest

can be extremely confusing. Thank goodness there are experts who can guide you in these choices. Meet with a Financial Planner to discuss your goals. He or she will ask you the approximate age you wish to retire, assess your 401K options and any employer benefits, then help you calculate the amount you will likely need to invest. Then they will help you come up with a plan to get there. Contact a reputable financial planner to get started today – it is never too early to start.

*TIP: Consider an automatic deduction from your paycheck to your investment account. You will be amazed at how quickly your household can adjust, and your nest egg will build quickly.*

## TEACHING YOUR KIDS ABOUT SAVING

Raising a fiscally wise child is an important responsibility. The lessons learned early will set the course for their own financial choices one day. Consider providing an allowance, and require them to purchase their own toys and entertainment. Until the age of 15, a good rule of thumb is a weekly allowance equal to their age in years. "When we began giving our child an allowance, it actually saved us money. He didn't want the same things when it was his money he was spending," says one mom.

*TIP: One wise dad cut a hole in 3 plastic food containers, marking them as "To Save," "To Tithe," and "To Spend." His kids learned early how to calculate 10% for their church, half of the remaining for savings and the other half to spend on anything they wanted. Every Sunday the kids gathered their own money for the collection plate (which they were proud to do!), and every six months they would take their savings to deposit at the bank.*