How much do you really know about your spouse?

During your courtship, you may have been so enamored by what you loved about each other that you didn’t even think to find out if your spending and saving habits were compatible.

No matter where you are in the marriage continuum, it’s never too late (or early) to openly talk about money. But where do you begin and how do you avoid conflict while talking about such an emotionally charged subject? The answers can be found in the pages of this book.

By reading *Yes, You Can… Achieve Financial Harmony* and putting the ideas into practice, you will take great strides in understanding each other’s differences and in making certain your fairy tale marriage will have a happy ending.
Yes, You Can...
Achieve Financial Harmony
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Yes, You Can...

Achieve Financial Harmony

Created By
Sam Goller
And
Deborah Shouse

Illustrated By
Paul Coker, Jr.
When my wife, Virginia, and I got married we agreed we would never borrow money except to buy a home or to leverage our investments. We never borrowed money even to buy a car. In fact, we never borrowed money to buy anything else that would commit us to spending our future income. This included borrowing from our credit cards. We did use credit cards, of course, but only as a convenience.

Our commitment to financial independence forced us to make choices. We realized we couldn’t have everything in life, so we had to decide what we wanted most.

If we wanted something bad enough, we saved until we had enough money to pay cash for it. That meant we often went without some things.

Was it worth it? Absolutely! Because of our shared determination to live within our earned income, we have achieved financial harmony. We did it. You can, too.

James E. Stowers

Founder, American Century Investments
Co-Founder, Stowers Institute for Medical Research
We wish to thank the following people for their participation in the creation of this book.

As always, the first mention of gratitude goes to Jim Stowers. This book would have never happened had it not been for Jim’s never-ending commitment to share information that helps people improve their financial positions and live more meaningful lives.

We also want to thank Jack Jonathan. Jack’s endless enthusiasm for excellence inspired and pushed us beyond our own expectations.

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We’d also like to extend our appreciation to our reader advisory board. This group of readers diligently read and reread the manuscript. Because of their help and guidance, the depth of information found in this book was enriched. This group includes: Amy and Tom Clapham; Patty and Dale Dickinson; Dorcas and Paul Doering; Rebecca and Mike Frame; Carol and Mike Hilboldt; Madeleine and Steve Hogan; Jennifer and Richard King; Carey and Graham True.

A note of thanks also goes to Sheelagh G. Manheim, PhD. Sheelagh provided guidance and direction to make certain the relationship ideas shared in this book would help couples grow closer.

Two people who helped give life to this book are Paul Coker, Jr. and Frank Addington. Paul’s illustrations bring humor to the many concepts outlined. Frank’s expertise in design and layout make our words on paper enjoyable to read.

Finally, a very special thanks goes to Alexis Preston who edited this book. It is only her modest nature that prevents us from putting her name on the cover, too.

Heartfelt thanks to each of you.

Sam Goller and Deborah Shouse
March, 2006
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In a fairy tale world, the happy couple promises to love, honor and cherish each other for better or worse, for richer or poorer, and that’s where the story usually ends. We never see them discuss how they intend to build toward their future.

In real life, if couples don’t communicate about their values and expectations, they may find themselves faced with disagreements and experience the “worse” and “poorer” mentioned in their vows.

**What Makes a Healthy Marriage?**

In most instances, love and friendship are what draw people into marriage. A healthy marriage isn’t built on passionate love alone. It should include shared interests and a willingness to work toward a common goal.

Throughout your marriage, you will play many roles – friends, lovers, parents and partners. You and your spouse each have your own strengths, and the roles you play will be different depending on your needs and the needs of the relationship.

When two people share experiences, support each other’s needs, enjoy each other and work together toward a common goal, they can cultivate a marriage that will thrive.

**When it Comes to Money…**

No matter how close you are as a couple, one issue that may pull at the fiber of your relationship is money. Let’s face it, mixing romance and finance can be a disheartening experience. That’s why it’s important for you to take the time to discuss and understand each other’s expectations when it comes to money.

“Marriage is not a ritual or an end. It is a long, intricate, intimate dance together.”

Amy Bloom
No matter where you are in the romance continuum (soon to be married, living together, just married or married for a while), knowing where each of you stands and how you think about money is an early step toward creating a strong foundation on which you can steadily build your lives together. When your monetary values and beliefs are aligned, you can focus more on your needs and goals as a couple and worry less about the day-to-day challenges of paying bills and tracking your investments.

Throughout this book you will see quotes and stories about Jim and Virginia Stowers. Why? They are one example of what can happen when two people align their values in perfect harmony. Together, they decided that they would not allow themselves to be controlled by circumstances. They planned, saved, invested and worked in concert to become financially independent. Their goal wasn’t to be among the wealthiest people in the country, it was simply to be able to take care of themselves so they wouldn’t be a financial burden to their family or dependent on the government. Today they are listed as one of the top philanthropists in the country and are on pace to endow more than $2 billion to the Stowers Institute for Medical Research.

*They Did It. You Can, Too.*

One of the most significant decisions you can make is to decide that financial security is your responsibility … nobody else’s. Once you make that decision, the way you think about and use money will change. By working together, any couple can live in financial harmony.

Talking about how you will use your money to support your shared values is an important aspect of how you can come together as partners for life. Although it may not be your most romantic discussion, the rewards of sharing and understanding your financial values will help create an environment where your love can blossom.
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What Do You Love, Honor and Cherish?
Do you really need four pairs of glass slippers?
What Do You Love, Honor and Cherish?

Once Upon a Time... The Rest of the Fairy Tale

We’re all familiar with the fairy tale lives of Cinderella and Snow White. But do you know what happened after they said “I do”? Here’s a look at how each of them may have begun her new life with her handsome prince –

A Slippery Road for Cinderella

“What is this bill for four pairs of glass slippers? Your closet is already full of shoes! Between these shoes and your funding of that pumpkin growing contest, you’re cutting into my royal hunting budget.” The Prince’s handsome face was tense, as he waved the receipt at his wife.

“But Darling,” Cinderella replied, “those glass slippers are a symbol of my rising out of poverty and despair and into love. Every time I buy a pair, I feel a greater appreciation for our wonderful romance and what we share. And they do have that unfortunate tendency to fall off or shatter.”

Off to Work Goes Snow!

He had the most beautiful blue eyes. He was the catch of the kingdom, no doubt about that, Snow White thought. He was smart, rich and interesting, but he turned out to be stubborn as well.

“I have plenty for us both to live on,” he insisted, ignoring Snow White’s excellent profit and loss statement and well drawn business plan. “I don’t want my wife working in some cottage industry with a bunch of miners.”

“But if I don’t work, how will I have any money of my own?” Snow White protested.

“Oh, the royal accountant will see to it that you get an allowance,” the Prince said, adjusting his crown.

The most basic of all human needs is the need to understand and be understood. The best way to understand people is to listen to them.

Ralph Nichol
The problems faced by the young lovers in these examples are not unique. Arguments and disagreements are a regular part of many loving relationships. However, with a little open communication and upfront planning, you don’t need to argue about money.

“Money” problems aren’t always related to how much a couple does, or does not have. In reality, these problems are often related to something else entirely … like what they learned from their families, being scared, hurt, trying to buy happiness or being stingy because they are afraid of not having enough. You might call these underlying themes a person’s “money values.”

_MatriMoney Tip_

**Talk with your partner about money before marriage; don’t expect these issues to “work themselves out.”**

*Loving Moments*

_During our engagement, I felt confident about our compatibility as partners and felt we complemented each other well. I married him thinking that, in the long run, our partnership compatibility would be more important than the “crazy for you” love that I thought I was feeling._

Kimberly

Each of you came into your relationship with unique values and spending habits. During courtship you may have been so enamored by what you loved about your partner that you didn’t even think to find out if their spending habits were compatible with your own.
The Solution

*Talk about money before you get married. Understand your partner’s views about money and their spending patterns. Money means different things to different people.*  
Sarah and Jeff

Talk and listen to each other before you get married.

You are probably thinking, “Oh, that’s easy! We’re best friends. We can talk about anything.” But because money is so emotionally charged, many people find it a very difficult subject to approach.

Just remember, the more time you and your partner spend openly discussing your expectations, not just financial but also spiritual and emotional, the easier it will be to understand each other’s needs. Understanding your partner’s differences is one of the most important steps you can take to ensure that your fairy tale marriage will have a happy ending.

*Talk about money before you get married.*
Where Do I Begin?

My husband and I love each other regardless of the arguing about money. We will always have peaks and valleys caused by our different perspectives on money and life. Heather and Craig

Communicating about money is one of the top challenges for even the most open and articulate of couples.

Don’t panic. This does not have to be a formal, “Honey, sit down, we need to talk” kind of discussion. And there is no need to complete the conversation in only one night. Just think of it as a way of getting to know even more about the one you love.

Talk about the rules or stories you heard about money growing up and how they affect each of your attitudes today. This can be accomplished while riding together in the car, eating at your favorite restaurant, walking in the park or lounging in front of a crackling fire. Whether you’re newly engaged, soon to be married, or already in a committed relationship, relax, open your hearts, listen carefully and ask questions as you each share your childhood memories of your family’s use of money.

Your Money Ancestry

The easiest place to begin is at your beginning. Sharing money memories and stories is a great way to really understand the impact money had on each of your lives. Even though you’ve probably talked informally about the following questions, you’ll learn even more about each other by setting aside time for really focusing on and listening to each other’s answers.

I would welcome the ability to remove emotion from spending. I truly believe my lack of discipline stems from how I was raised. My parents had money but they did not educate me in how to manage money. I’d like to know how to separate my emotion from the stark realities of money. Heather
• What hardships did family members endure?
• What were their financial successes?
• Were they business owners or did they work for others?
• What are the money stories you heard from or about your grandparents?
• Do you remember the stories your parents told you about the cost of living when they were growing up?
• What advice, warnings or rules did you absorb from listening to family stories about money and the money-oriented advice that your parents gave you?
• What did your parents’ actions show you about money?
• Did they discuss money issues around you or alone in hushed tones?
• Did they argue about money?
• Did you inherit any ancestral money habits?
• What was your home life like when you were growing up?
• Did you have a nice place to live, one that you were proud of? If not, why didn’t you feel proud?
• Do you feel as though you got enough “quality time” with your parents? If not, why not? What got in the way of them spending time with you?
• How did other adults influence your financial decisions? Were they a positive or negative influence?

Believe it or not, all of the above answers play a role in how you feel about and use money today.
Your Economic Status Growing Up

When she was growing up, Jillian’s mom drove a BMW and her dad drove a Mercedes. Her clothes came from New York, and her spring vacations were spent in Europe. Her Dad adored her, but only on Sundays, his one day off work. Her mother was too busy to come to Jillian’s school events.

For Jillian, plenty of money meant no time for relationships. Money meant you didn’t have time for love.

Bill’s family lived on the edge of an upper-middle class neighborhood. He went to the best schools, but his family couldn’t afford to match the other students’ wardrobe choices. While his classmates traveled the world, Bill worked during spring break. During the summers, he had jobs babysitting, mowing lawns and being a camp counselor. His friends, when they did work, got internships at big businesses.

For Bill, the lack of money made him feel left out and less than equal. He thought if he had enough money, he would feel he was a part of things, connected and happy.

When Jillian and Bill fell in love, the issue of money quickly came up. Though Jillian never discussed her family’s wealth, Bill soon came into contact with their economic differences during a weekend at her parents’ beach house. Instantly, he felt ashamed and insignificant. He became quiet and withdrawn and Jillian thought he didn’t love her anymore. Once again, for Jillian, her money represented a lack of love. For Bill, her money meant she would never accept him.

Only when they began talking about their real fears and feelings did they start to understand each other.
• What did money mean to you growing up?
• Did you feel like you had “enough” money?
• What effect do you think your economic status had on you, as a child and a teenager?

What Money Means to You – The Feelings Behind the Money Issues

Craig felt really frustrated. Shortly after they had put a little aside in savings, his wife, Heather, spent it on a new outfit for a job interview. She had just bought an outfit a month ago. All day he worried about how he could bring up the conversation without getting angry.

But Heather brought it up for him.

“I really needed that outfit to help me feel good about myself. I felt confident and guess what, I got the job. It’s all about being in the moment and listening to your intuition.”

Craig knew all about this “in the moment” philosophy; it was the major difference between them. Though they’d argued about this many times, Craig still didn’t really understand Heather’s need to live NOW without thinking about future consequences.

Being able to spend money equaled freedom and self-expression to Heather. Having the ability to get what she needed when she needed it was vital to her sense of self-worth.

Having money in savings was vital to Craig’s sense of security and safety. But he didn’t know how to express himself without sounding angry.

• Make a list of all the things money could possibly represent to you.
• Would you be willing to give up something to have more money?
 Listen Thoughtfully

If you have healthy ears, you probably “heard” what your partner was saying. But did you really listen? People can think at 1,000-3,000 words per minute, but they can only listen at 125-250 words per minute, so while your partner is talking, your mind may wander. If your mind is elsewhere, you are not really listening. Also, if you are too emotional about what is being discussed, you may hear what you want to hear, rather than what is being said.

To listen, you must pay attention and then interpret what was heard.

10 Irritating Listening Habits

1. Interrupting.
2. Not looking at the speaker.
3. Rushing the speaker.
4. Not paying attention.
5. Finishing the speaker’s thoughts.
7. Saying, “Yes, but…”
8. Trying to top the speaker’s story.
9. Forgetting what was talked about.
10. Asking too many questions about small details.
To be sure you really understand where each other is coming from, try the following:

**Play What If...**

It’s easier to gauge how a person will react to something they have already experienced than to guess how they might react to a totally new situation. Before you get married, dream up some “what if” questions, discuss them, and write down your answers. These could be fun to look at again on your twenty-fifth anniversary!

Here are some possible questions to get you started:

- What changes will we have to make if we start a family?
- What if one of us wants to go back to school?
- What if one of us is out of work?
- What if one of us wants to start a business?
  - Where will the money come from?
  - How will we support each other – emotionally and financially?
- What if one of us becomes very ill?
- What if the market crashes and our savings are diminished?
- How do you feel about borrowing money?
- How do you feel about credit cards?
- How do you feel about loaning money to a friend or family member?
WHAT DO YOU LOVE, HONOR AND CHERISH?

Reverse Roles

It’s a lot easier to appreciate why another person thinks and feels the way they do if you walk a mile in their shoes. If you find that you and your partner have opposing money habits, say one is a spender and the other is frugal, try switching roles for a time. It won’t change the way you are, but it might help you achieve a new respect for your partner’s reasoning.

Loving Moments

Our marriage has been built on friendship and trust. You should be best friends – before and during your marriage. We treat each other with the same courtesy as we treat our other friends outside of marriage. We accept each other today just as we did when we first met. We make a point not to nag each other to change their way of doing things. A lot of changes have happened naturally as we live together.

Kathy and Keith

Once you’ve explored each other’s money history and beliefs, discuss how those attitudes might affect you as a couple. Be sure to explore what each of you can’t give up, as well as what you would be willing to give up.

After listening carefully to your spouse, you may still not agree with his or her spending habits, but you can now go about finding ways to compromise and complement each other’s strengths and weaknesses. Remember, it may take awhile to break old habits.
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Priorities: Building Your Dreams
Every time they started accumulating a little, she would take a trip back to the sea shore.
Priorities: Building Your Dreams

By the Sea

The prince knew when he married his Little Mermaid that he was getting someone who was used to having everything when she wanted it. But she had assured him that she would be content to live a simpler life, so they could save up for their first castle. They agreed to give up all frivolous expenses, saving every extra penny. However, every time they started accumulating a little, she would take a trip back to the sea shore, eating into their savings. This led to more than one heated argument. He thought she was spending recklessly, but she felt trips to the ocean were a necessity.

What’s Important to You

You are in love, so you probably understand that money is not the basis for happiness. However, it does play an important role in providing for those things you both need and want in building your life together.

In the above example, the mermaid and her prince had a good plan – to save for a home, but they forgot to consider their other needs. Before you can build a financial foundation that supports your wants or dreams, it is important to understand what’s fundamentally important to you and your partner and why. Some of the things might include spending time together, sharing household chores, earning money and working towards mutual long-term dreams and goals.

You are never given a wish without being given the power to make it come true.

From the book "Bridge Across Forever" by Richard Bach
Our financial stability has played a substantial role in the longevity of our marriage. We intentionally planned it by talking and mapping out our strategy. With the financial resources we have, we have felt no pressure around funding our children’s education, supporting unexpected needs, or funding our retirement. Our financial flexibility allows us to do pretty much anything we want to do.

Roann and Adam
Values-Based Approach to Money

Some couples concentrate on earning money and building wealth as a way to show the strength of their partnership. Then, as quickly as they earn it, they spend it on items such as luxury cars, second homes, new electronics and computers. But there is more to a good marriage than just earning and spending money.

Before you prepare a financial plan that supports your relationship, explore your priorities.

Here’s a fun exercise that can help you quickly get to the core of what’s really important in your life. By talking openly and listening intently, you will uncover how you and your partner are probably very much alike – and also, very different when it comes to money and how much is enough. You may also realize you have “enough” right now.

Set aside some time to discuss the following questions. The first set of questions will help you understand your basic needs. The second set will fuel your dreams and address your wants.

First, decide what you want most.
Prioritize your wants, and then create a plan that meets your priorities.

James Stowers

Loving Moments

Money doesn’t mean that much to us. We have each other and our family, that is worth more than anything money can buy. With the love of family, we don’t need much money.

Dale and Chris
PRIORITIES: BUILDING YOUR DREAMS

If you had only enough money to meet your basic needs...

- How would you live a comfortable life?
- How would your current lifestyle change?
- What luxuries could you do without?
- What would you do for entertainment?
- How would you celebrate special occasions?
- Would you reach out into the community to help others? How?
- How would you prioritize your needs and your children’s needs?
- Would you be willing to take additional jobs to improve your earnings?

What luxuries could you do without?
If you suddenly had all the money you could ever want…

• What would you do differently tomorrow?

• Would you continue to work?

• How would you use the money to enrich your life or the lives of others?

• What lessons would you want your children to understand about managing great wealth?

• How would your life be better if you had all that money?

• What could be difficult about having that much money?

Now look at how you answered these questions and find a common ground that allows you to balance both your needs and wants with your spending and savings.

• Assume you had to give back everything you were able to buy or do with the money except for two things – what two items or experiences would you keep? Why?

• How would you prioritize your top five things or experiences? Why did you prioritize them this way?
Attributes We Value

Most of us have an idea as to what makes a good marriage. Some of the things might include spending time together, sharing household chores, earning money and contributing to expenses, and working toward mutual long-term dreams and goals.

With your partner, take a few moments and list the qualities you believe make up the perfect couple, then read your lists to each other. What do you have in common? What are your shared visions and where are you different?

Finally, combine your lists, writing down the shared qualities and adding other qualities that appeal to one or both of you.

Here are the lists compiled by Sandy and George:

Sandy’s list:
1. Love
2. Trust
3. Commitment
4. Playfulness
5. Willingness to grow
6. Shared interests
7. Compassion
8. Good communication

George’s list:
1. Trust each other
2. Love each other
3. Compassion
4. Passion
5. Listen to each other
6. Play with each other
7. Talk with each other
8. Surprise each other with gifts
9. Respect each other’s opinions and beliefs
10. Loyalty

After discussing and combining their lists, Sandy and George wanted to add:

- Patience
- Sense of humor
This list is a starting place for building the goals and values that will form the bottom line of your ideal relationship. Because needs, wants and even values change with experience, it may be helpful to repeat this exercise on a yearly basis. **Use these principles and values to guide your marriage, as well as your financial decisions.**

**Making It Through the Night**

I lay by your side as you breathed in and out.
You talked in your sleep and tossed all about.
Of what were you dreaming, was it friends we have known?
Or was it the children before they were grown?

But I lay there thinking and worrying, too.
If you rode on ahead, just what would I do?
If I were the one to be left all alone,
How would I manage to be on my own?

Our 60-year marriage has had a long run.
I now know the meaning of “two become one.”
I start a sentence, you finish it for me.
I lose my way, you still can see.
But enough of the thinking, why dwell on sorrow?
I must be happy while we still have tomorrow.

**“The more similar people are in their values, backgrounds, and life goals, the more likely they are to have a successful marriage.”**

Rutgers University
National Marriage Project - November, 2004

Mary Grant
Looking Ahead Hand in Hand

We shared our goals and aspirations for the future before we got married. This included career goals, children, money and where we wanted to live. I also shared that I am not a cook so don’t always expect home-cooked meals every day. That was a lifesaver for me!

Mahnaz

After the two of you understand where your financial values are rooted and what you value in a partner, it’s time for each of you to share your hopes and desires for your life together after the wedding. These can be some of the most exciting conversations you will ever have because anything is possible in dreams.

By discussing the following topics you can better understand each other’s expectations and desires.

What is your ideal living situation?
Home and Furnishings

For some, a home is a place with a bedroom and bathroom, a resting place between work and play. For others, home is the security and center of life. Discuss the role your home will play in your lives.

- What is your ideal living situation? An apartment, house or condo?
- Do you prefer to rent, or do you feel strongly about owning your home?
- Where would you most like to live, in the city, suburbs or country?
- Do you want to stay in this region, or do you have a desire to move to another part of the country?
- How will the household and yard chores be taken care of?
- What type of furnishings would make you happy? Does it have to be new or can it be gently used? Traditional or the latest trend?
- Are you willing to sacrifice now for a better or bigger home in the future?
- If you didn’t spend anything on upgrading your surroundings for one month, what would you save? How else would you spend your money?

My brother, Tony, married Ellen just out of high school. Ellen started her own hair salon, and Tony worked in the hardware store. They always focused on earning money. They never went out or squandered. Ten years later, Ellen has a string of hair salons, and Tony owns two hardware stores. They did eventually buy a new sofa and a new car, but they’re still living in their old house and working hard.

Child-Related Expenses

Some couples start saving for children the moment they get married. Other couples get serious when the child is actually born. Where do children fit into your financial picture?
Do you want children? How many? How soon? How do you feel about adoption? What if one of you does not want to have children?

How would you like to raise your children?

When is the ideal time to start saving for children?

What kind of education do you want them to have?

Do you want to fund 100% of your child’s college education?

What kinds of savings plans would you like to have in place for your children?

Will your child have an allowance?

At what point will you decide your child has “enough”?

Income
Unless you are fortunate enough to live off of dividends, interest or money from investments or inheritances, you will probably have to work in order to have a regular income.

Will you both work?

What are your career goals?

Will you continue to work if you have children?

*Before we had children, my wife, Virginia, and I both worked. But we were worried about becoming dependent on a two-income lifestyle, because she wanted to stay home once we had children. So we decided to live only on my earnings, while saving and investing all of Virginia’s salary. This decision proved to be the right one for us. Eventually, when Virginia reduced her hours to part-time so she could spend more time with the kids, we were spared the shock of being forced to drastically reduce our standard of living.*

*James Stowers*
Savings and Retirement

Retirement may mean very different things to different people. While you still have time on your side, asking these questions can make planning for retirement easier.

- How much money do you need to save in order to feel comfortable?
- Do you like saving a set amount every month?
- What percent of your monthly income do you want to save for retirement?
- Do you intend to retire one day? If so, at what age?
- Will you take advantage of a retirement plan at work?
- Do you have a savings or investment plan for retirement outside of work?
- If you decide to spend all your money as you earn it (rather than save and invest), are you willing to work your entire life?

We are very alike in terms of saving and investing…we both agreed that we should take 10% of what we earn and invest it for things like a new home, retirement and our children’s educations. Rob and Michelle

Are you willing to work your entire life?
Checks and Balances

- Are you compatible in your spending and saving habits?
- How many bank accounts will you have?
- Who will be responsible for paying the bills?
- How will you determine how your money is allocated?

I encourage couples to have open communication about finances so they both are in the know. It helps both people feel empowered if they both pay some bills. It shouldn’t be left up to one person. Some people don’t understand their own financial situation simply because they choose not to know. Melinda

The Binds That Tie

Even though you consider yourself an adult, issues related to your parents or siblings may still affect your relationship for years to come.

- How often will you visit?
- How will you spend your holidays?
- Will you limit the amount spent on gifts for extended family members?
- If family members become ill or unemployed, how would you feel about supporting them or having them move in with you?
**Food and Entertainment**

Food and entertainment eat up a lot of discretionary income. How do dining and fun fit into your priorities? Is one of you a carry-out fan and the other a lover of fine service and elegant surroundings?

- If money were no object, how often would you go out to eat?
- What kinds of restaurants do you prefer?
- Do you like to invite other people to join you?
- What do you enjoy about eating out?
- How important is entertainment to you?
- What other kinds of entertainment do you enjoy?
- How often would you like to go out and “play?”

**Travel**

A vacation may seem like a luxury to some, while others may consider it a necessity. Answer the following questions to determine how vacations fit into your values and priorities.

- Do you feel that getting away for vacation is important?
- How often would you like to take a vacation?
- How long should a vacation last?
- What is your ideal vacation destination?
- If you didn’t go on vacation, how else could you have a similar experience?
- Would you consider taking separate vacations so each of you can explore your personal interests?

*If you didn’t go on vacation, how else could you have a similar experience?*
Free Time and Hobbies
Besides the things you do as a couple, you probably have hobbies and activities you enjoy doing by yourself. Here are some questions to help you understand each other's need for “personal time.”

• How important is it to you to have personal time?
• How much time do you need?
• What hobbies and activities do you enjoy doing alone?
• How much do these activities cost?
• How would you feel if your spouse spent more on personal growth/entertainment than you?

Donations
Besides spending, saving and investing money, another option is to donate money to your favorite causes.

To fully understand your reasons for giving, talk about:
• What kinds of causes do you want to support?
• What kinds of charities do you want to know more about?
• What kinds of issues do you think need your support and help?
• Will you give time, money or material goods?

What hobbies do you enjoy?
Religion

- What role will religion play in your lives?
- How committed are you to your religion?
- Do you share the same depth of passion for your religion?
- How involved will you be with your religious community?
- If you and your spouse have different religions, how will the children be raised?
- Will your children go to religious school?

Kiss and Compromise - Dealing With Differences

Everyone said the money part of marriage was hard, but nobody ever really explained why. Mary

After learning more about each other through your talks about your past, exploring your values and sharing your dreams for the future, you may find that you have even more in common than you thought. However, it is also possible that you find you are irresistibly attracted to your polar opposite.

Differences don’t necessarily spell disaster. As the interior designers of reality TV have shown, by using a little creativity, opposites can work together – with fabulous results!

If you found inconsistencies between your values and the way you use or want to use your money, try to find ways to resolve these differences through an approach that is fair to both of you.

The key is to reexamine your underlying needs before trying to come up with a solution. What is at the center of your desire? How can you separate what you want emotionally from what you need financially?
Here is an example of how one couple turned a difficult situation into a win/win solution:

Carly and Adam agreed to discuss any major purchase over $100. They were doing a great job until Adam bought a digital camera he “just had to have” for only $449.

“Isn’t this a major expense?” Carly asked. “Shouldn’t we have discussed this first?”

“But it was on sale,” Adam said. “It’s a $650 camera. I saved more than $150. I thought you’d be happy that I saved that much money.”

But he could see from Carly’s face that she wasn’t happy.

Later that night, Adam was playing with his camera. As he trained the lens on a sad-looking Carly, he realized he should have talked to her before he bought the camera. He put the camera back in the box and told Carly he was willing to take it back.

“Thank you,” Carly said. “I really appreciate that.”

They sat together and talked about why he bought it. Adam had always wanted a digital camera and now that he was earning money and working so hard, he didn’t want to “be like my Dad, and never buy anything for myself.” They also talked about what they could do better in the future. Finally, after much discussion and consideration, they decided to keep the camera.

It’s easy to feel disconnected and argue when you and your spouse’s financial and emotional values don’t match up. Here are some suggestions from other couples as to ways they’ve made their marriage work:

- A daily kiss good-bye may mean you must drop what you’re doing — but the payoff is worth it.
- If you want something to happen in your relationship, or would like something in the relationship to change, say so. Don’t expect your spouse to read your mind.
- Learn to apologize sincerely.
• Understand that nobody is right all the time. Sometimes you will both be partially wrong.
• Don’t expect to start at the same level as your parents are now.
• Be generous with your compliments.
• Learn to disagree without accusing, yelling or shouting at each other.

The Other Thing We Spend

*If I could save time in a bottle
The first thing that I’d like to do
Is to save every day
Till eternity passes away
Just to spend them with you*

Excerpt from Time In a Bottle by Jim Croce

Money isn’t the only thing that should be prioritized. Most people will agree they don’t have enough time. Time is essential to help you grow as an individual, as a couple and financially (as you’ll see in Chapter Eight – Investing Basics and Starting Out).
Here are some of the ways to think about how you use your time:

**Spend time as a couple:** Whether you’re home for an evening or going out for a night of fun, the time you spend together as a couple is meaningful. Even the day-to-day routines like laundry and cleaning house can be special if you think of it that way.

**Spend time with your family:** Whether it’s with your kids or your family of origin, spending time together as a family can have its rewards.

**Spend time with your own friends:** It’s important to spend time apart, and interact with other people. The experiences you share with your friends help you become a more interesting person.

**Spend time with other couples:** Being with other couples gives you a new perspective on marriage. Seeing how other couples live and interact with each other can provide insight into how you can improve your own relationship.

**Spend time with yourself:** Find time to reflect on who you are and look for ways to improve. You may want to consider taking a class at a local school or pursuing your favorite hobby. In a relationship, it’s as important to take care of yourself as it is to care for the other person.
This page intentionally left blank.
And Two Shall Become One ... or More
No longer could she purchase anything without him questioning her about it.
And Two Shall Become One … or More

**A Beastly Situation**

Beauty took one peek at the check register and shuddered. No wonder the Beast was so secretive about money. She sighed, wistfully remembering the days when she maintained her own checking account. She always knew exactly how much she had (which wasn’t much) and she even managed to save 10% of that for emergencies. She tried to save another little bit to help others and then spent the rest on necessities. After all, her father had taught her well.

After the wedding, her princely new husband suggested they open a joint account and he offered to pay the bills. It seemed like a good idea. After all, they were in love and wanted to share in everything. Little did she know that he would turn back into, well, a beast! No longer could she purchase anything without him questioning her about it. She couldn’t even buy him a birthday gift without him knowing how much she paid for it!

Not all that many years ago, it was common practice for a couple to combine everything when they got married. You know, what’s yours is mine and what’s mine is yours.

But many couples today are opting to keep at least some things separate. Why? Sometimes it’s for emotional reasons. Other times, it may be to protect prior wealth (think pre-nuptial agreement). In other cases, such as when the combined cost of individual health insurance is less than a family plan, it just makes sense.

This chapter will help you think about what you would like to combine, and what, if anything, you would like to keep separate.

When you met at the altar, your head was probably spinning and you were dizzy thinking about the blissful future you two would share. You probably weren’t thinking about how each of you is different – especially when it comes to money. Regardless of what was going through your head at that time, now is a good time to consider these differences.

For example:
Before they got married, Teresa and Zach earned almost the same amount. Then six months into their marriage, Teresa got a promotion and raise. Zach lost his job. He decided to start a computer consulting business with a friend. That meant he’d be going for several months with little or no income.

Nancy worked as a hospice nurse and Arnold was in Client Services at a big advertising agency. Arnold earned twice as much as Nancy and also needed to spend more in terms of clothes, food and entertainment.

Troy was an actor with a side job as a waiter. Sara was recognized as one of the best violin teachers in her community. They both made modest incomes – but Troy had to work many more hours to earn as much as Sarah.

Loving Moments

Neither of us ever made much money, and two jobs were a necessity until our children were raised. We always worked where we were happy instead of where we could make more money. It never mattered who made the most money because we always put it in joint accounts.

Kathy and Keith
Figuring out a fair and comfortable way to share responsibilities and expenses can be challenging, especially if each of you has been living alone for some time and doing everything for yourself.

Learning to share and let go of responsibility is one of the compromises you’ll need to make in order to have a healthy relationship. If one spouse ends up doing too much, they may feel as though they are being taken advantage of. Conversely, the other spouse who isn’t doing as much may feel slighted or think their spouse doesn’t trust their ability to do the job.

As you prepare to discuss how the two of you are going to work together, here are some things to consider:

- How do you want to share financial responsibilities?
- Do you want to have all joint accounts, joint and separate accounts or all separate accounts?
- Will you share all expenses, or will some of them be kept separate?
- Will you share all income, or will each of you manage your own income?
- How will you share expenses: equally; taking a percentage based on income; or dividing up and each paying specific expenses?
- How much will you want each month for “personal” spending?
- How much will you want to save and invest?
- Is there a limit to how much you can spend without discussing it with your spouse?
- What are your financial strengths?
AND TWO SHALL BECOME ONE ... OR MORE

- How can you use these strengths to support your relationship?
- How often do you want to discuss your financial situation with your spouse?
- Are you good at tracking details, or are you more of a big picture, goal driven person?

There isn’t a right or wrong way to answer these questions. Each couple is going to find a system that works for them. Regardless of what you decide to do today, be open to the idea that over the course of time your needs and abilities may change and so will your responsibilities.

Loving Moments

My husband has always given me his paychecks, I pay the bills, and nothing we have is his or mine, it is ours. Our marriage is totally “ONE.” We don’t demand anything from each other and completely accept each other for who we are, even when we don’t like it. We don’t try to change each other, maybe improve in areas, but not change.

Julie and Scott

When you get married, you may experience sudden changes in how you spend money.
Adding It Up

For years, you’ve made your own money decisions. Now that you’re married, the decisions you make not only impact your life but that of your spouse, too. Before you read on, think about the sudden changes you’re about to experience:

<table>
<thead>
<tr>
<th>AS A SINGLE PERSON</th>
<th>AS A MARRIED COUPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
</tr>
<tr>
<td>Single income -</td>
<td>Dual income -</td>
</tr>
<tr>
<td>“What’s yours is yours.”</td>
<td>“What’s yours is ours.”</td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
</tr>
<tr>
<td>Filed a single return -</td>
<td>File jointly -</td>
</tr>
<tr>
<td>“I just need to keep track of my stuff.”</td>
<td>“We have to work together to keep track of both of our stuff and file a joint return.”</td>
</tr>
<tr>
<td><strong>Credit Rating</strong></td>
<td></td>
</tr>
<tr>
<td>My score -</td>
<td>Our score -</td>
</tr>
<tr>
<td>“If I miss a payment on a bill, the only person hurt is me.”</td>
<td>“If I miss a payment on a bill, both of our credit scores can suffer.”</td>
</tr>
<tr>
<td><strong>Spending</strong></td>
<td></td>
</tr>
<tr>
<td>I want -</td>
<td>We need -</td>
</tr>
<tr>
<td>“I can buy whatever I want, even if it means I skip a few meals to do it.”</td>
<td>“Is it really fair to buy what I want when it means my spouse/family have to go without?”</td>
</tr>
<tr>
<td><strong>Vacation</strong></td>
<td></td>
</tr>
<tr>
<td>Spring break -</td>
<td>Family visits -</td>
</tr>
<tr>
<td>“I’m gonna have fun, FUN, FUN!”</td>
<td>“We need to plan to visit both sides of the family.”</td>
</tr>
<tr>
<td><strong>Living Arrangements</strong></td>
<td></td>
</tr>
<tr>
<td>Seat up or down -</td>
<td>Seat up or down -</td>
</tr>
<tr>
<td>“It’s my place and I can keep things the way I want.”</td>
<td>“Down!”</td>
</tr>
<tr>
<td><strong>Shopping</strong></td>
<td></td>
</tr>
<tr>
<td>One aisle -</td>
<td>Every aisle -</td>
</tr>
<tr>
<td>“I don’t need much. I’ll just grab a jar of peanut butter.”</td>
<td>“Here’s a shopping list of the things we need.”</td>
</tr>
</tbody>
</table>

This is just a short list of how your life will suddenly change when you get married. As you consider these things, and others, it’s important to realize the value of communication and compromise.
Financial Compatibility

Most people have a list of attributes they want in a partner. However, it’s probably safe to say that money-related compatibility often gets left out of the mix. Imagine these personal ads:

**Wanted: Long-Term Financial Relationship**
SCM (Single Checking Account Man) seeking SCF for financially sound relationship. Must have healthy bank account, a history of no late fees and a highly rated credit record. Will fax copies of my audited financials to the right woman.

**DCW (Dual Checking Account Woman)**
Seeking financially liberated man who is not scared of a financially aware woman. Must be an independent earner, secure in his spending and able to live within a budget. Will exchange account numbers if otherwise compatible.

Are you a single checking account woman married to a double checking account guy? Or perhaps you are a double checking account guy in love with a joint-checking account woman. Maybe you’re a couple who believes that three is a magical number – you share a joint account and also each have your own account.

There are many options for sharing expenses and paying bills. When choosing the system that’s right for you, make sure you each have access to any joint accounts and that you’re both knowledgeable about the monthly bills and other joint expenses. *Otherwise, you’re like Beauty – in a Beastly situation.*

**Let’s Start With the Basics**

How many bank accounts will you and your spouse maintain? Who will pay the bills, and how will the money be allocated? What are your spending patterns, and are you willing to discuss and change them? These are some of the important decisions newlyweds should consider and discuss.
Whether you have joint accounts, separate accounts or a combination of both depends on what each of you brings to the relationship with regard to financial ability, comfort with letting go of responsibility and trust.

Ideally, when two people come together in marriage, the strength of their love for each other overpowers any previous fears or baggage they may bring to the relationship. Unfortunately, that’s not always the case. Even though you may believe everything should be shared, your spouse may need to have some individual control over a certain aspect of your finances in order to feel secure. As long as you both can agree and understand the dynamics of your relationship, you should be able to develop a system that works for your relationship.

Here are some things to consider about the alternatives. Discuss these options until you find a combination that feels right and fair to both of you.

**The Joint Account**

*My husband and I agreed that he should pay the bills because he is more conservative and has the discipline to keep back enough money to cover our expenses.*  
Heather

With a joint account, you and your spouse combine all your financial resources into a single savings and/or checking account. While both of you have equal access to the account, it may end up that only one of you manages the account on a daily basis.

What are the advantages of the single checkbook system?

- **One person manages it all**
  For Karen, the decision to go with joint accounts, which she would manage, was simple. She was good at paying bills and keeping a balanced checkbook. Lance found it frustrating. So she does what she’s excellent at, and they meet regularly to review the books (he can always ask for more information or view the account online).
• **Make life easier**
  For some couples, a single account makes it easier to manage their money. By putting all their money in a single checking/savings account, there are fewer opportunities for mistakes or to lose track of expenses.

  *We both felt we were juggling too many numbers when we had separate accounts. Plus, neither one of us had a handle on our total spending picture.*
  
  *Terri and Claire*

• **Reduce bank fees**
  If your bank charges you a fee for having an account, you may reduce your banking fees by having only one account. You’ll also save money by not having to purchase checks for a second account.

• **Learn to work together**
  There’s no place to hide with a joint account. A joint account forces you and your spouse to work together toward a common financial goal. To make it work smoothly, you need to really listen to and understand your spouse’s financial outlook and spending habits. You’ll discover ways to create a fair system that supports each of your personal spending needs.

**The Dark Side of the Joint**

*I keep track of our checkbook. That means I can see when he debits lunch all the time and doesn’t keep track, or he forgets to tell me. Fortunately, with technology the way it is, I can also go online and balance our checkbook a couple times a week. That way it doesn’t get out of hand, and I always know our balance.*

*Donna*
In order for a joint account to balance, it’s important that both of you share information regarding your spending. If you don’t, you can fall into a financial abyss that can lead to disaster.

- **Missed transactions**
  Using an ATM or debit card and failing to record the transaction can capsize even the most balanced account. Be sure to record every transaction and fee.

- **Today’s mistakes can last a lifetime**
  Because the account is in both of your names, if the person in charge does a sloppy job of keeping up with the bills, both of your credit ratings can suffer.

- **Feeling overwhelmed by the responsibility**
  Couples who live with a joint account should touch base on a regular basis to make certain everything is in order – not only financially, but mentally, too. The person who has the responsibility of the checkbook may feel overwhelmed by the responsibility and appreciate your help.

- **Not feeling enough responsibility**
  Depending on your ability to talk about money, the person who doesn’t manage the account may feel uninformed or not trusted. That’s why it’s important for couples to take time to have “business meetings” to discuss household finance and budget issues.

When my husband and I met, we were both upper-level executives earning good incomes. Several years after we married, we agreed I would quit my job to devote myself to motherhood and philanthropic causes. For the first time in my adult life, I was not earning my own income, and I had someone making comments about how I spent money. That did not suit me. It took a couple years of intense conversations for us to figure out a system that allows us to feel financially equal, despite our income differences. Marjorie

**MatriMoney Tip**

*If you opt for a joint checking account, it is a good idea to take turns paying bills. That way both of you are familiar with your expenses and understand the work involved in keeping the bills paid.*
AND TWO SHALL BECOME ONE ... OR MORE

We began the marriage with separate checking accounts and my separate savings account. We soon realized that there was no benefit to this arrangement, and that it significantly complicated our daily life. Within a year, we blended all our assets and have never looked back. Melissa and Ahmed

Dynamic Duos: Separate Checks, Please

We both had been independent for so long that neither one of us wanted to give up control of our personal finances. So when we were married, we decided that we would maintain our own separate bank accounts and divide up the bills evenly. Since we make approximately the same amount, it works out pretty well. Amy and Matt

Some couples prefer the autonomy that separate accounts can provide. Not only because it gives them a sense of equality, but because it allows them to feel closer as a couple by each one taking on a certain aspect of meeting the relationship’s financial needs.

Here are some advantages of separate accounts:

- **Divide labor and share responsibility**
  Both of you are responsible for some bills and neither one of you is responsible for all the bills. For some, this system reduces stress and evens out the financial work load.

- **Minimize the opportunity for errors**
  Because each of you is responsible for your own accounts, there should only be one person writing checks and entering transactions. This should reduce the opportunity to overspend and simplify balancing the account.
The *downside* to separate accounts:

- **Staying financially involved**
  There shouldn’t be so much autonomy that you’re not aware of how your partner is spending money. Remember, each partner is equally involved in the financial relationship. Both spouses should be aware of which bills are being paid, how much and if a balance is being carried forward month-to-month.

- **Conflict of style**
  While one of you may choose to keep a balanced set of books, the other may be content to assume the bank is right, just checking that balance online or at an ATM. One of you may pay bills at the last minute, the other pays days before they are due. Be aware that just as you are totally different people, the way you think about and manage money is also different. This is where a mutual understanding about your money history and personal values can be valuable. Just because you have different money management styles doesn’t mean you’re not working toward a common goal.

  *I’m more organized, so I’m the one who normally stays on top of when the bills are due. Jeff gets to write the check. I’ll tell him which ones to pay or how much money to contribute to our joint expenses. That works pretty well because then we both know what bills are being paid, when and how much.*

  *Sarah and Jeff*
Three’s Company: Yours, Mine and Ours

“I don’t want anyone telling me what to spend my personal money on,” says Anna. She admits she’s a little inflexible on the subject of money and autonomy. Her husband is equally independent.

They have a joint account for shared household bills and separate checking accounts for personal and individual purchases.

“It’s a little more work and requires more communication, but it’s worth it to have this sense of freedom.”

Even though you may like the idea of sharing the responsibility for paying bills, you may also want to have some financial autonomy. That’s why some couples have their own checking accounts and a joint account for paying family expenses. This way they can share the responsibility while still enjoying some independence.

We have a joint account for all of our bills and household expenses. But we also each have a small personal fund in separate accounts. The other person cannot ask how or when this money is spent. It seems to work fairly well. The biggest problem is that our personal fund never seems to be large enough, but then again, is it ever? Mary

This method of managing money includes some of the advantages and disadvantages previously listed. However, this option includes one unique advantage:

• You both contribute and maintain your own autonomy

By having a joint account and separate accounts you both get the opportunity to freely manage your own money. However, through the joint account, you work together to bring financial balance and emotional harmony to the relationship.
It All Begins With Communication

Regardless of which banking style you choose, the most important thing is to clearly communicate about your finances. ... even if discretionary income is not an issue. The more you discuss how and why you each spend money, the deeper and stronger your relationship will grow. And if you ever need to cut back or save for a large-item purchase, you’ll understand exactly what your spouse feels he or she is giving up and going through.

Earning and Spending Money

Having separate spending money can minimize arguments and keep each partner empowered financially. But how do you agree on a fair amount of spending money? What if one spouse earns more than the other? What expenses are personal and what are shared? How can you honor your spouse’s spending ways, even when you don’t necessarily agree?

These are the kinds of conversations that really widen a relationship. If you’re committed to “the simple life,” listening to your spouse talk about the three televisions he’s going to build into the basement wall so he can watch his sports may seem ludicrous and wasteful to you. He may raise his eyebrows when he hears what you spent on a composting system. Once you understand your priorities as a couple and each of your personal priorities and spending tendencies, you can accept the “oddities” of your spouse’s spending, learn to appreciate your differences and work together toward your common financial goals.

Your personal wants and desires shouldn’t come at the expense (so to speak) of your relationship and your mutual goals. Before you set aside money for personal use, make certain you’re meeting your other financial obligations. If you are carrying a balance on your credit card, why not pay off that debt before you spend another dollar.
on personal wants? Each month, do you pay yourself first? Have you taken into consideration your future needs and what they’ll cost before you meet your immediate ‘must have’ desires?

Prior to getting married, each of you could make financial decisions without worrying about the impact on anyone else but you. Now that you’re a couple, you need to be constantly aware of how your actions impact your spouse.

**The Benefits of Combining Forces: A Beginning List**

Getting married gives you a chance to strengthen and combine your resources. How can you make the most of your union, both financially and emotionally? Here are some things to consider when you start consolidating your assets:

- Think through the types of wedding gifts that would benefit you long-term. Consider registering for gifts that support a good financial future. For example, it’s never too early to be thinking about your long-term needs. So why not open a college savings account for your future kids or open a retirement account and put those on your registration?

- Set up a joint savings account and use this to deposit any cash gifts you receive.

- If you both work, compare your benefit packages and insurance coverage. See who has the best coverage. Is it more beneficial to combine insurance or keep separate policies?

- Create a simple will. Even though the laws of your community may clearly spell out the transfer of property, having a will can expedite the process and may help you avoid legal delays.
• Look at other ways to combine forces and save money without compromising your needs. Are you both members of a health club? If so, is a family membership less expensive? Do you get a discount on towing services or other memberships when there are two of you? How about auto insurance … do you now qualify for a multi-car discount? Have fun going through your memberships, dues and subscriptions, and finding ways to save.

Remember, the reason you are married is because you choose to love, honor and respect each other. Talking about your finances and how you can best combine your assets not only makes good financial sense, it can go a long way toward building an emotional foundation on which the relationship can grow.

Consider registering for gifts that support a good financial future.
AND TWO SHALL BECOME ONE ... OR MORE
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Bed, Budget and Beyond: Where Does Your Money Go?
Track your dollars.
Bed, Budget and Beyond: Where Does Your Money Go?

**Being Short ... of Cash**

“Listen up, guys,” said Snow White. “I really appreciate the hard work you do in the mines, but your spending is dwarfing our income.”

Despite Snow White’s budget, her team of seven was spending like they were made of gold. Snow White unrolled a list of expenditures that included:

- Blanket – Sleepy
- Ginkgo – Dopey
- Chocolate Bars – Grumpy

and more…

Snow White sat everyone down and tried to talk above the sound of Sleepy’s snoring. “If we are ever going to get a house with more bedrooms, we need to spend less than we earn. Then we can save what’s left over for a down payment.”

“But there’s never any money left over at the end of the month,” snarled Grumpy, the eternal pessimist.

“There can be if we create a plan for our spending and stick to it,” replied Ms. White. “That is why I’ve called you together for this meeting. We need to put together a budget.”

Before you can manage your money (spend it in a way that is meaningful and helps you meet your goals), you need to be aware of how and where it goes. Here are the components of a flexible system that can help you monitor, manage and use your money to live your life based on your values:

- Track your dollars
- Discuss your spending issues
- Create a spending plan that is aligned with your values
- Close the gap between income and spending

We sat side by side in the morning light and looked out at the future together.

Brian Andres
Tracking the Runaway Dollar

One hundred dollars was missing and Fred was trying to track it down. As best he could tell, the money left no trail. It didn’t show up in anything tangible, such as new running shoes or clothes. He didn’t use it to pay a bill. He didn’t make a charitable donation.

Fred’s wife Diane was even more curious: how could $100 disappear without a trace?

Whether it’s a quarter someone dropped in a grocery store parking lot or a $10 bill in the pocket of some slacks you haven’t worn for months, everyone loves the surprise of finding a little extra money.

However, most of us don’t like the surprise of “misplacing” money – that $20 we had yesterday which has mysteriously disappeared today.

By keeping a spending journal, you can track your money and stay connected with your priorities and goals. It’s easy and can be a real eye-opener.

Simply keep a daily record of how you spend your money. Include the cost of every item and specifically what it was for. You might be tempted to ignore the little expenses – a pack of gum, a magazine, bottled water – but they all add up, so it’s worth your while to include them.

A week after Fred’s missing $100 incident, his wife presented him with a small notebook.

“We’re each going to write down everything we spend this week,” she said. Fred almost said, “That is a ridiculous idea,” but something in her tone kept him quiet. He stuck the notebook in his pocket and headed off to work.

On his way to work, he phoned his favorite coffee house and ordered a double espresso, a USA Today and a New York Times. His order was ready when he pulled into the drive-through window.

When he got to his office, Fred realized he had already spent more than five dollars. This was his morning routine – he had been doing this long before he got married, before he shared money with another person. Over the course of the week, his coffee and newspaper habit was costing him close to $30.
He took out his notebook and wrote down the exact amount. Now he was curious. He’d just accounted for almost a third of the missing $100. Where else was his money going?

Meanwhile, Diane’s notebook was marvelously clean – until lunchtime. Once a week, she and some friends met for lunch. They’d been doing this since college, as a way to stay connected. $12.59 plus tip later, she was back in the office. It cost Diane two more dollars per day to get through the afternoon because she craved her afternoon diet cola and candy bar… “Got to keep my energy up,” she thought.

On Friday, Diane and Fred compared their notes. Much to their surprise, they each had spent at least $100 on “little things” they hadn’t even thought about.

We try to cut back and be sensible. But, I refuse to eat only ramen noodles. So, I shop wisely at the grocery store and cook dinner at home. We still have good food without going out to eat. Sarah

Regardless of why you spend your money the way you do, you need to work together to understand the reasons behind your spending decisions. In doing so, you can start to track the wandering dollar and use your money to fulfill your goals. By attacking this as a couple, you can strengthen your financial resources at the same time you reinforce your commitment to the relationship.

We found that a lot of his spending is social. My spending comes in spurts – if I have too much free time, I go to the mall. We both spend a lot on travel. Melinda and Billy

When Diane and Fred discussed what they had written in their journals, it was apparent that their extra purchases added up.

Did Fred need to buy an espresso and newspapers every morning? Did he need those two CDs he bought?

Did Diane need that weekly lunch and her daily candy and cola fix? Did she need to purchase home decorating magazines each time she went to the grocery store?
They each agreed they could do without some of the purchases. Fred agreed to wean away from the daily double espresso and alternate between newspapers. Rather than buy her afternoon treats from the vending machine, Diane decided to bring something from home.

One month later, they looked at their spending journals and realized they had extra money in their checking account. They also discovered alternate ways to satisfy their wants. Fred took some of his old CDs that he no longer listened to and traded them for other CDs at a local recycled music store. Diane found several Internet sites that offered home decorating ideas.

In no time at all, they had their finances under control and were quickly building their funds to use as a deposit on a new home.

Taming the Wild Expenses: Developing a Spending Plan

Every month I budget how I am going to spend my money. That way I always make sure the bills are paid before I spend money on nonessential things.

Alex

In order to spend less than you earn, you need to create a spending plan or budget. A good spending plan is simple, flexible and easy to track. It may not be romantic, but it is one way to get closer to living your dreams. Whether it’s on paper, on-line or in your head, a plan helps both of you understand how your finances and values can work together.

The components of a spending plan are simple and consist of two items – Income and Expense.

**How much income do you receive each month?**

*Income* is the money you can expect to come your way each month. It includes money from work, investments and other expected sources.
What expenses do you anticipate each month?  

*Expense* is how you spend your money.

Create a list with all your expense categories. Start with the regular monthly bills, then create categories for all variable expenses, such as car upkeep, groceries, donations and entertainment. To help you get organized, review your check register and credit card statements from the previous year.

The more categories you list, the more likely you are to really understand where your money goes. When you understand how you’re really spending your money, then you can make adjustments so your spending is more aligned with your priorities.

*Loving Moments*

*By living well within our means, we have been able to provide for our children’s college educations, pay off our mortgage seven years in advance of its due, make regular, maximum contributions to our 401(k) plans and make investments in a variety of stocks. Doing this has secured our future.*

Rebecca and Dante

*Did you have any unanticipated expenses?*
Now What?

Use your budget to track your money. At the end of the month, total up each row and column so you can review your expenses. As you review your monthly expenses, answer these questions:

- Are you happy with the way you spent your money?
- If you had the month to live over, would you spend your money the same way?
- Do you feel you got your money’s worth?
- Did you have any unanticipated expenses?
- Did you spend your money on things that weren’t important to you?
- Are there things you did without because you didn’t have enough money?
- Does your spending reflect your priorities? If not, what can you change?
- Do you see any spending areas you can reduce or eliminate?

Only you know the answers that are right for you. A daily latte might not be a necessity, but it might be something you really enjoy and want. Perhaps it’s a way for you to socialize. Or it might simply be a habit, your way of getting through the morning. If it’s important to you, budget for it in the future. If need be, you can cut back on something else.

After reviewing your budget for the month, examine any expenses that didn’t contribute to, or took you away from, your desired goals. Be determined to never repeat your mistakes.

By taking the time now to understand your spending habits, you can eliminate some expenses and perhaps even “find” extra money to invest and save for the things you really want.
The following chart can be used as a guideline to help you develop your budget. It even includes categories for child expenses. If you prefer, you can also download a ready-made spreadsheet from the Resource Library on our Web site at www.stowers-innovations.com.

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### BED, BUDGET AND BEYOND: WHERE DOES YOUR MONEY GO?

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### BED, BUDGET AND BEYOND: WHERE DOES YOUR MONEY GO?

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I tend to spend money on things like books, movies, music, hobbies and eating at nice restaurants. He tends to not spend money and then once in a while he’ll do something impulsive like buy a set of golf clubs or expensive dance lessons. I’m aware of how I spend money and know I can be more disciplined. When I want to, I can save a lot of money in a short period of time. The more we look to the future, the more I realize that we should save and want to save. Natalie

He’ll spend money on something impulsive like expensive dance lessons.
To Spend or Not to Spend

If you are determined to become financially independent, it is really quite simple: Spend less than you earn, or make more than you spend, and wisely invest the difference. This may mean that you’ll have to slightly lower your standard of living. That’s a small price to pay for a lifetime of stress-free living. —James Stowers

We discuss pretty much any purchase over $100. We also discuss food budgets, and any big ticket items we plan to buy. This helps us set good savings goals. —Mary and Jimmy

Even the most disciplined couple can sometimes find that their expenses exceed their income.

With hundreds of ads each day urging us to spend, it’s easy to be dragged into the spending pit.

How do you get out of that pit and close the gap between your income and your expenses? Naturally you have choices:

• Spend less
• Earn more
• Do both

Though this list looks simple, following through can be as difficult as losing those extra pounds you put on every year during the holidays.
Ideally, you and your partner will share the commitment to save and work toward your long-term goals. However, many couples find that they need to have some personal freedom when it comes to spending and making buying decisions. Regardless, it’s important to have an ongoing dialogue regarding your priorities and spending habits.

*Each month, Alan always managed to spend about $150 on personal items, but Courtney only spent about $75.*

“I could have spent the same amount, but I chose to save instead. It started to bother me that our spending was unequal,” Courtney says. “I was putting my money in our mutual savings, while he was building up his fishing rod collection.”

“To keep peace in the household, we created a monthly allowance agreement. Each of us now has a small allowance we can spend every month on whatever we wish, no questions asked,” Courtney explains. “If we want to buy something expensive, we have to save for it out of our allowance.”

*I was saving, he was building up his fishing rod collection.*
The Money Diet

Trimming the fat from your budget can be a painless process if you think of it in terms of a diet. Begin by eliminating those things that put a burden on your financial well being but that don’t add an equal amount of value or benefit to your life.

When you go on a physical diet, some of the first things you eliminate or reduce are the pleasure items such as sweets and high-fat, high-calorie comfort foods. This is also a good place to begin your money diet. What items in your budget aren’t essential for your day-to-day life? Can you reduce the amount you spend on these items? Perhaps you can replace or substitute these things with alternatives that don’t weigh down your budget.

**Loving Moments**

*To help make ends meet, we planned family activities at home. Sometimes, we’d sit around the kitchen table and take turns writing poems. Each of us would write one line and then pass it on to the next person. It was a lot of fun and something we did together – as a family.*

Chris and Dale

*How can you trim the fat from your budget?*
**Checklist for Savings**

Here are some more ways you can trim your budget. To get the full benefit of these savings, consider investing the money you save in a way that supports your long-term financial goals.

- Adopt a cash-only policy – mentally, it’s harder to spend cash than it is to use a credit card.
- Cancel your cable or satellite TV subscription.
- Eliminate the “premium” movie channels.
- Cancel magazine subscriptions.
- Have only one telephone line.
- Use a free dial-up Internet service provider instead of paying a subscription fee.
- Find a lower cost long-distance provider (free long distance is included with many cell phone rate plans) or consider using a calling card. It may take a little longer to place your call because you have to dial more numbers, but the savings can be significant.
- Limit the amount you spend on gifts.
- Find a way to turn a hobby into money (for example – sewing, photography or painting).
- Get books from the library rather than buying them from a bookstore.
- Sell your second car and live with only one, or use the money to buy a lower priced used car and invest the difference.
- Use public transportation or share-a-ride. The cost of operating a vehicle continues to rise. Over time this can translate to a real savings.

**MatriMoney Tip**

A good time to review your financial goals is at tax time. This way, you’re sure to review them at least once a year and make certain you are still spending money in ways that are meaningful.
Always, ALWAYS pay your bills before they are due to avoid late charges and interest fees.

Depending on the season, adjust your thermostat up or down so you use less energy. You can also use a programmable thermostat to adjust the temperature automatically throughout the day.

Only do laundry when you have a full load instead of doing several small loads.

Wait until the dishwasher is full before you run it.

Buy shampoo and other liquid soaps by the gallon. Then, pour it into smaller bottles.

Maintain your car so it’s running at peak performance.

Turn off lights, TVs, radios and other electronics if you’re not using them.

Cancel your health club membership if you’re not using it.

Eat more meals at home.

Cancel your cell phone subscription.

Have a garage sale or auction items online.

Use a water-saver showerhead.

Clip coupons, but only for things that you normally buy.

Use energy-efficient light bulbs.

Find a way to turn a hobby into money.
To Make Things Interesting…

Here are a few suggestions to help keep you on track and have a little fun in the process:

Create Your Own Red Flag:

Write down your financial priorities on several pieces of bright red paper. Keep one in your car, a small one in your wallet and another at home. Every time either of you gets a burning desire to buy something outside of your budget, wave the red flag. Then read the red flag and see if how you want to spend your money at the moment contributes to your goals.

Penny Pinching Power

In many relationships, one spouse has more willpower than the other. Let the more frugal of you take over the spending plan for a month.

We hardly ever pay full price for food. We look for weekly sales at the local grocery stores. It’s almost a game for us as we put the groceries in the cupboards when we get home. We feel rich when we check out the register slip to see how much we have saved. Years ago, we collected coupons from the paper and from magazines, but we had the wrong idea. We thought that if we had a coupon, we surely would be losing something if we didn’t buy the product. Since then we have realized that it is no bargain to buy things we don’t need just so we can use the coupon! Chris and Dale
Give Up Gracefully

What can you stand to give up? Are you casually spending money? If you’re eating out often, try hosting potluck dinners with friends instead. Look for other expenses that are eating away at your budget and ask yourselves – *Do these expenses support our long-term financial goals?*

*Our biggest downfall is dining out. We realized before we got married how much we were spending on food and entertainment. So, we decided to discipline ourselves a bit more. Now we watch our spending and cut back when needed. It takes determination, but we’re making it work.*  

Stephanie

The Gift of Organization

Keep a gift list of everyone for whom you buy during the year. Include birthdays, anniversaries and holidays such as Mother’s Day, Father’s Day, Easter and Valentine’s Day. Buy things as you see them on sale. Just remember to list them and put all gifts in one central location so you can find them when the day comes. Imagine how good it will feel when that special occasion rolls around, you’re done with your shopping and have money left over to invest!

**MatriMoney Tip**

*Keep your budget in balance by:*

- *Paying your bills on time and avoiding late charges.*
- *Following your own money trail. Develop a system, either on paper or using a computer, that lets you see where your money is going.*
- *Reviewing expenses and analyzing how you spent your money each month.*
Our first fight occurred during our first trip to the grocery store together right after the honeymoon – yes, the honeymoon was over. We carefully calculated every item being placed in our grocery basket so as to not go over our budget. All was fine until we got to the grape jelly. We couldn’t be like normal couples and fight over something of significant value, like a car or house, we fought over grape jelly. I love jelly and felt we should purchase the biggest jar. Donna does not like jelly at all. We stood in the aisle for what seemed like an hour and argued. I won and we bought the biggest jar. A year later, Donna brought my jar of jelly to me – short of a couple of tablespoons, it was still full.

Steve

Our first fight was in the grocery store.
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‘Til Debt Do Us Part
‘TIL DEBT DO US PART

They were in debt beyond despair.
‘Til Debt Do Us Part

The High Cost of Being Handsome

At first, it seemed romantic. Sit by a pond, strike up a conversation with a frog (of all things) and then go ahead and kiss that frog. In her quest for “happily ever after” she was willing to try anything. POOF. Suddenly she had a handsome prince on her hands. His total assets: one lily pad and one “handsome prince” outfit – nicely scented of mildew.

Just imagine the expense of outfitting such a man. They charged forth and bought him a stallion, a suit of armor and some royal clothing. And of course, a man of his stature needed several men-in-waiting and other support staff. By the time the royal wedding came around, they were in debt beyond despair.

Debtor’s Chains: How We Get Into Debt

If we could change anything about our situation, it would be to ELIMINATE OUR DEBT. Amy and Matt

If you have credit card debt, you are not alone. One Gallup Poll estimated the average American has $3,000 of credit card debt. One in 20 Americans owes $8,000 in credit card debt. If that sounds like you, can you afford to continue falling deeper into credit card debt?

There are so many ways to get into debt: school loans, car loans, job loss, medical expenses and pure overspending. There are also many options for getting out of debt. This chapter helps you gain control of your spending habits and shows you the benefit of eliminating debt.

If you go through life thinking that money is a disposable and infinitely replaceable resource, then you are destined to fall short of financial independence.

James Stowers
When he first proposed marriage, I told him that I couldn’t possibly consider marrying someone with credit card debt (no, I am not kidding). A few months later, he advised me that his credit cards had been paid off.

Denise and Tom

Taking Charge of Your Attitude

Do either of you have a spending pattern that invites debt? Do you pay only the minimum amount or carry a balance forward each month? If so, you may be using your credit card(s) to fund a lifestyle you can’t afford.

Now would be a good time to sit down together and talk about what fuels your spending. Is it a desire for security? Comfort? Independence? Self-worth?

Take some time to discuss how you think about credit cards and being in debt. Below are some questions for each of you to consider:

- Are you currently carrying any debt of which your spouse is not aware?
- Has your credit card spending changed since your marriage? If so, how?
- In what situations do you use a credit card?
  - Is there a situation when you wouldn’t use a credit card?
- Do you have credit card spending limits or agreements?
- What is your attitude about debt? (Does it worry you, or does it feel normal?)
- What are three things each of you can do this month to help reduce your debt?

I won’t marry someone with credit card debt.
Be kind to each other. If you have mounting debt, work together to solve your problems. If the issues are too complex, try a financial advisor or Debtors Anonymous. One of the first steps to achieving financial independence is to solve any debt issues … specifically debt that costs you money.

We both hate being in debt and have agreed that the only reasons we will have loans is for school, auto and home loans. We both use credit cards but we pay the entire amount due every month. Natalie and Sean

Ten Proven Ideas to Eliminate Credit Card Debt

The seduction happened so easily. At first, it seemed harmless, nothing more than a casual friendship. It started with hors d’oeuvres at a fancy restaurant.

“I shouldn’t,” he murmured. “I’m saving myself.”

“No one will mind,” she said.

“What a card you are,” he laughed.

The progression was subtle, but steady.

“I’m way out of my element,” he said, after an extravagant dinner at an upscale restaurant.

“Give yourself credit,” she teased. “You’ll get used to it. It’s easy.”

He took her advice. He gave himself credit – lots of it. It was heady. He felt like a rich and powerful man. When the bill came at the end of the month, and he realized how much he had spent, he knew he had made a mistake. And he realized he would have to pay for it – at 18% per month.

Who would have ever imagined the power you could wield or the havoc you could wreak with a slim rectangle of plastic? Who would have guessed the terrible grip that innocent looking plastic card could get on your life and your mind?

Breaking that grip, overpowering that self-righteous, seductive credit card and emerging from debt to solvency, is a powerful experience. When you are free from debt, you feel lighter, more hopeful and more able to live out your dreams. According to the Cambridge Consumer Credit Index, many Americans ranked getting out of debt as their top personal priority ... tied with losing weight.

MatriMoney Tip

Not all debt is bad. Some debt, like a home mortgage, can actually work in your favor. This is especially true if the value of your home is growing at a rate faster than the value of a dollar is dropping. If you have a 30-year fixed mortgage at 6.5% and your property value is increasing at 7%, you’re ahead of the game.
So how do you break the credit card habit and free yourself from the depths of the abyss? Here are ten ways to avoid the credit card trap and make your debt-free dreams come true.

**Tip 1. Leave Home Without Them**

Do you really need to take your credit card with you every time you leave the house or go shopping? What would happen if you were to adopt a “cash only” policy? Leaving your credit cards at home is a great first step to getting rid of credit card debt. Without them you no longer have an instant way to borrow money against your future income.

When you pay with just cash, you are more likely to be selective as to what you buy and how much you’ll pay. You also eliminate the urge for spontaneous purchases because you might not have enough cash. Without a credit card, you need to plan and save for larger ticket items. Taking time to save also gives you an opportunity to ask yourself these types of questions:

- Do I need this item? How will it benefit me and the household?
- Are there alternative ways to get this item or the benefits it offers, such as borrowing, leasing or substituting?
  - What other costs come with this item? (such as insurance, maintenance, upkeep, fuel, etc.)
  - Is the quality of this product equal to the amount of money it costs?
  - What else could I buy with this money?

*Make your debt-free dreams come true.*
Tip 2. Understand the Difference Between Needs and Wants

Depending on the degree of your desire, your “wants” may seem like “needs.” If you find yourself in this situation, then revisit your goals and priorities and see if you are staying true to your values and priorities. If this particular purchase doesn’t bring you closer to your goals, then why not walk away?

If you feel as though you absolutely have to purchase an item, be creative about finding new, less expensive ways of getting what you want. For example:

- Have a desire for a new outfit? Shop at a discount store, or better yet a recycled clothes store and find something that’s been gently worn.
- Know that a few sessions with a personal trainer will transform your life? See if you can find a trainer who will barter with you. Or gather a few friends with the same training needs and share the costs. Or find a buff friend who finds pleasure in motivating you to achieve the same goal.
- Feel like you will scream if you have to keep that ugly old sofa handed down from a second cousin? Try garage sales and estate sales for something used. Or ask friends if they know of people who are moving or have furniture to give away or sell cheap.

Tip 3. Limit What You Buy

*Every time you use your credit card or borrow money, you are committing part of your future earnings. If you spend more than you earn, you are “mortgaging” your future.* James Stowers

When it comes to debt, one of the best things you can do for yourself is to establish boundaries and not exhaust your resources by spending wildly.
A quick and easy way to control your credit card usage is to study the bill. You may discover that your credit card habits are taking you further from your goal of financial freedom.

When you review your credit card statement look for:
- Purchases under $20
- Impulse items, such as candy, gum, magazines, soft drinks
- Fast food or restaurant meals
- Movie and video game rentals

If you pay off your credit card monthly, these items shouldn’t present a problem. But if you are only paying the minimum or carrying a balance forward each month, these items can really add up. And when you add 18% interest to a pack of gum, you may become too upset to chew.

Think through your purchases. When you put something on a credit card, you are really borrowing money. Ask yourself, is this worth borrowing money for? Do I need this right now? Is it worth the extra interest I might have to pay? Are there other ways to acquire this purchase without going into credit card debt?

When you want to charge a big purchase item, think about its total cost. If you charge an expensive item and make payments on it for a year, you may be paying as much as an additional 18% interest (or more) of the purchase price. Factor that into your purchasing decisions.

I learned my lesson the hard way. In the past, I used my credit cards to purchase clothing and any “extras” that didn’t fit into our current budget. I also got into credit problems in college. I ended up with debt that kept getting bigger and bigger. I never maxed out or defaulted, but I had late payments that I thought I would never be able to pay off. I have become conservative in the last year or so. When we got married, we consolidated my debt with a minor one of my husband’s. Heather
Tip 4. Negotiate a Lower Interest Rate

There are a couple of ways to get a lower interest rate. One is to take advantage of one of the many tantalizing offers you get in the mail from credit card companies. You know, the ones where you’re invited to transfer your balance from an existing card to a new one at a lower interest rate for a set period of time.

But there’s another way, and it may be much simpler. Simply phone your credit card customer service department and ask if they can offer a lower interest rate. Make them aware of the competing offers you’re receiving from other companies and see if they will match those low-interest rates in the spirit of keeping your business.

In a recent survey by the Massachusetts Public Interest Research Group, more than 55% of the customers who called asking for a lower rate got one. Some got as much as a 5 point break. Imagine going from paying 18% interest to 13% interest.

If you have decided to change to a credit card that pays a lower rate, be sure to read the fine print. Some low-interest offers last only a couple months, then balloon to higher rates. Even if you get a lower rate, continue making payments based on the higher interest rate. That way, you’ll pay off your debt faster.

Tip 5. Finding Extra Money

You may already have a system for saving money on your expenses. If you’re carrying credit card debt, why not put some of those money saving methods to work so you can pay off the balance?

Here are some easy ways to find extra money that you can use to pay off your credit card bill quicker:

- Use coupons, or a rewards program, to save money at the grocery store.
- Purchase items that offer cash-back rebates. Be sure to mail in the rebate form so you actually get the cash back.
- Cut out one “extra expense” each week. This could be some kind of entertainment expense or meal out.

When your next credit card statement comes in, add up all the money you saved and include that extra amount in your next payment.
Tip 6. Borrow Money and Pay Off Your Balance

If you pay off your credit card with a debt consolidation loan, you may be tempted to go shopping to celebrate. Fight that impulse! Just because your credit card balance is zero, you’re still not debt-free. You still have to pay off the bank loan. Why not consider paying this off quickly by making extra payments or by making payments equal to the interest rate you were paying on your credit card?

James Stowers

With a “debt consolidation” loan you offer your house or car as collateral to the bank. If you qualify, the bank will give you a short-term loan you can use to pay off your credit card debt.

Because the interest rate you’re paying the bank is probably considerably lower than what you’ve been paying the credit card company, take the extra money you’ve been paying in credit card interest and add that to the payments you’re making to the bank for your loan. That way, you can pay it off faster.

Now, make a promise to yourself that you will not get into credit card debt again.

Tip 7. Let Me Count the Hours: Seeing Time as Money

Before you buy something with your credit card, think about what it costs in terms of hours, not dollars. If you want to go out to a nice dinner, think about how many hours of work the meal will cost you. Is it worth it? Are there better ways to spend the money you earn … especially when you think about the time and energy it takes to earn it?

Let’s say you find an item that you really want and it costs $250. If you earn $15/hour at your job, you would have to work more than 16 hours to purchase that item. That’s more than two 8-hour days. Is the item you want worth two days of work?
Tip 8. Window Shop for Fun and Save

Since you are practicing the art of consumer resistance, have fun with it. Go shopping and take no money or credit cards.

Pick out an item you want. Think about it as you walk through the store, noticing other things you’d like as well. Do you still want the first item, or is something else more interesting now? Often times, you can find several things you want to have within the same store. While you’re “shopping”, prioritize your wants and pay attention to how things move up and down your list.

This is a great way to notice your shifting priorities. It’s also a great way to better understand your personal values when it comes to material items.

Go shopping and take no money or credit cards.
Tip 9. Beat the Clock

Do you know that some credit cards require your payment to be in by a certain time on a certain day? If you’re late, they can then charge you a late fee. Some fees can be as high as $35. To avoid the fee, you must pay your bill before it’s due.

Next time you get your credit card statement, read the fine print on the back. This will tell you when your payment needs to be received. It will also spell out how soon after you use your credit card you are charged interest. Some cards have extremely short turnaround times. If you are uncertain as to when these dates are, call the credit card company. Typically, the grace period ranges from seven to 21 days.

There are other advantages to paying on time besides avoiding late fees and interest charges. Here are some of them:

• Keep your credit history clean. Constant late payments will show up on your credit report and make it more difficult for you to borrow money. This can be a major stumbling block if you decide to buy a house and need to take out a mortgage.

• Limit rate increases. Many credit card companies will raise your interest rate if you have a history of late payments. By paying on time, you reduce the chance of that happening.

We hope to buy a house soon. I just wish I had known how our debts would affect our ability to get a loan and buy the home we want. Mary
Tip 10. Pay Yourself First

To help ensure your financial security and achieve your long-term financial goals, such as buying a home or early retirement, it helps to have a plan.

The foundation of that plan should begin with a commitment to yourself. That means, before you pay your monthly bills, before you set aside money for vacation or a new car, before you go out to eat or to a movie, your first commitment each month should be to yourself.

In addition to helping you reach your goals, this has an added benefit. By building your cash reserves, you put yourself in a position to adopt a cash-only policy. When you use cash instead of a credit card, you are less likely to overspend and fall into the credit card trap.

*We prefer to use only one credit card. That way we know how much we’re spending as a couple.* Melinda and Billy
‘TIL DEBT DO US PART

The Cost of Paying the Minimum

Each month, millions of people pay only the minimum balance due on their credit cards. In doing so, they are giving the credit card companies huge amounts of money – above and beyond the actual charged amount.

By paying only the minimum balance, you can end up paying thousands of dollars in interest. That’s money you could be using to pay yourself first and investing to help you improve your financial position.

How expensive is it to make only the minimum monthly payments?

Probably more than you realize.

Assuming you have no new charges on your card and you pay only the minimum amount, it could take you 150 months (12.5 years!) to bring a $5,000 balance to zero. During that time, you’ll pay the credit card company $2,916 in interest. Bottom line – your $5,000 purchase actually cost you $7,916!

<table>
<thead>
<tr>
<th>Balance</th>
<th>$5,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Payment</td>
<td>4%</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>18%</td>
</tr>
<tr>
<td>Months to Bring Balance to $0</td>
<td>150</td>
</tr>
<tr>
<td>Interest Paid</td>
<td>$2,916</td>
</tr>
<tr>
<td>TOTAL PAYMENTS</td>
<td>$7,916</td>
</tr>
</tbody>
</table>

Wouldn’t you rather have the money you paid in interest to invest for yourself? That same $2,916 invested equally over time in a mutual fund earning 8% annual interest for 12.5 years would be worth $4,729! Find a fund earning 11% and you would have $5,846!
Roanne came from a family of savers, but my family relied on credit cards. I was concerned about whether we could have a successful marriage with such different backgrounds. My father was a beef boner, and with the demise of the slaughterhouses and the advent of the boxed meat industry, my dad had to rely on small meat markets to provide him with his livelihood. That also meant that my dad’s work was not steady, which prevented my parents from saving enough money to pay their bills. It was at this point that I recognized the risk of relying on credit. I promised myself that I would not put myself into the situation that had burdened my parents, and that I would use credit cards only as interest-free loans fully repaid before the due date with no interest charges. I can honestly say that I have been able to keep that promise.

Adam

Give Yourself Credit

There’s more to eliminating credit card debt than just better management of your finances. Whether you know it or not, someone is keeping score on how you handle your money. And your score can have a tremendous impact on your financial future. Currently, there are three major credit bureaus that keep track of how well you manage your finances and control debt.

They are: Equifax - www.equifax.com - 800-685-1111
Experian - www.experian.com - 888-397-3742
Trans Union - www.transunion.com - 800-916-8800

MatriMoney Tip

If you have more than one credit card with debt, pay off the highest interest rate card first. When you start paying off the next card, use the extra money you have from paying off the first card and apply that to the payment you’re now making. It’s a quicker way to reduce your debt.
More than likely, these companies are contacted whenever you apply for a credit card, loan, insurance, graduate school, employment or housing. A low credit score can have a widespread impact on your life. Your score can determine whether you qualify for a loan or insurance. It can also impact your ability to get certain jobs or rent housing.

What’s Your Score?

Once a year, make it a habit to get in touch with each of the credit bureaus and review a copy of your credit report. They are currently required to provide this to you free of charge. Often times, they will contain different information. If there are any discrepancies or inaccuracies, you should work quickly to dispute them and set the record straight. In order to see your credit score, you may be required to pay a small fee.

Here are a few things you should look for when you review your credit report:

• Are there any credit card or loan balances listed as unpaid that have been paid?
• Do you have any credit cards in your name that you don’t use or that have been closed?
• Are there any notations of late payments?

All of these items will have a negative impact on your credit score. If you find an error on your credit report and you can document it, it is worth the effort to file a dispute and have your report corrected. To file a dispute, contact the credit bureau whose information is in question. All three of the bureaus listed allow you to file your dispute through their Web sites.
Put Your Credit Card to Work

Unless you prioritize your spending, you can easily over-extend yourself financially and fall into the credit card trap. Is it worth your financial freedom in the future to live a debt-filled lifestyle today? James Stowers

Credit cards certainly have a place in today’s economy. In addition to being very convenient, there are times when you may prefer to use your credit card instead of cash. Provided you pay off the balance in full, when it’s due, here are some ways credit cards can be an asset:

• Appropriate use of a credit card is a great way to establish your credit rating.
• Some credit cards offer to pay you cash back or frequent flier miles. Be sure you fully understand the terms of the card before you sign up. Some of these cards include annual fees or may have a higher interest rate.
• A properly managed credit card may be your only option to fund your way out of an emergency.

Considering the number of credit card offers we all get in the mail, it’s easy to be tempted to collect them like trading cards. This can have a negative impact in a couple of ways:

• The more cards you have, the easier it is to get deeper into debt.
• Even though you don’t use a card, it can still impact your credit rating. Whether you use it or not, it shows up as a liability and can hurt your credit rating.
Before you jump into a fabulous too-good-to-be-true credit card offer, analyze what you are really getting and make sure it’s worth it to you. Look at:

- The annual fee
- The types of rewards – do they fit into your current lifestyle
- Restrictions on any rewards, such as flyer miles, discounts or rebates. Some cards will limit when or how the rewards can be used. Be sure to read the fine print.

The Internet is a great source to find more information about credit cards. A quick search using the terms “credit card debt” will return thousands of resources to help you further understand how credit cards work.

Live well under your means, and don’t get into debt. I’d advise each partner to take responsibility for their part of the finances and to always know what the other is doing with money. Trust is ideal, but you have to know what is going on and have an opinion. Natalie

Live well under your means.
A Positive Charge

While most of the focus of this chapter has been on the downside of credit card debt, it’s worth emphasizing that credit cards can be beneficial when properly used. It’s not the credit card that gets you in trouble. You get burned when you use it to accumulate debt.

So what are the positives to using a credit card?
In addition to being extremely convenient, using your credit card does have some distinct advantages over cash. These include:

- **Security**: It is far safer to carry and use a credit card than it is to carry large sums of cash.

- **Protection**: If you lose cash, you may have a difficult time recovering it or preventing someone else from spending it. With a credit card, you simply call the company that issued you the card and tell them it’s lost. They will stop all activity on the card and issue you a new one.

- **Liability**: If someone uses your card without your authority, your liability is more than likely limited by the credit card company. This isn’t true if someone spends your cash without your knowledge.

- **Tracking**: Purchases made with a credit card can be automatically tracked by the credit card company. At the end of the year, you can request a statement showing all your expenses during the past 12 months. Often times, these will be divided by categories.

- **Emergencies**: Credit cards give you an option when you have to deal with financial emergencies. You can use your line of credit to help you out of difficult situations.
‘TIL DEBT DO US PART

- **Rewards**: Many credit cards offer you rewards like cash-back, airline mileage or free gifts.

- **Extended Warranties**: Check with your credit card company to see if purchases you make with the card qualify for automatic extended warranties or protection against “lemons.” Some cards will even fight to get you a replacement or refund if the item you purchased turns out to be faulty.

- **Builds Credit**: With proper use of your credit cards, you can build a good credit rating. This will help if you should ever need to take out a loan. A poor credit rating, which can result from mismanaging your credit cards, will work against you.

  Once you are out of debt, pay attention to how you use your credit cards. Make a habit of leaving them at home.

  As a couple, think about the impact your credit card habits have on your long-term financial success. Make discussing your credit card usage part of your monthly budget review.

  **Think about the impact your credit card habits have on your long-term financial success.**
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Dealing With Financial Emergencies Before They Happen
How far can you go to anticipate your future needs?
Dealing With Financial Emergencies
Before They Happen

Desperate Times

Jack did his best to find ongoing work. Unfortunately, in spite of his best efforts, he couldn’t find a job to support him and his widowed mother. So every morning he milked their only asset (a lone cow) for all she was worth. He then walked to the market to sell the milk. One day, the cow came up dry!

Jack had no idea how he could put food on the table and keep a roof over their heads. He was desperate.

Jack’s only option was to sell the cow. But on the way to the market, he met a man with an intriguing offer. He offered to trade Jack a bag of magic beans for the cow. Surely magic beans would be better than a dry cow! So he decided to make the trade and take a big chance.

He hurried home and planted the beans. The next morning, he awoke to find a towering bean stalk.

Out of curiosity he climbed the stalk. Once at the top, he found a castle. Breaking into the castle, he discovered that the giant who lived there had a magic hen and a sack of gold. So this was to be the pay-off, he thought.

He quickly grabbed both, slid down the stalk and proceeded to chop the stalk down, killing the giant in the process.

In real life, Jack would be wanted for breaking and entering, theft and murder. Of course, this is a fairy tale and everyone lived happily ever after … well, everyone but the giant.

So how far are you willing to go into the depths of compromising your integrity to survive a financial emergency?

The future ain’t what it used to be.

Yogi Berra
Most people would agree, a lean cow or a handful of magic beans are not the ideal commodities in a cash crunch. How do you protect yourself from such outrageous misfortunes? Whether your emergency reserves consist of one lean credit card with a miniscule credit limit left, or one 10-year old car that you hope to sell, it’s wise to evaluate your emergency fund and make sure it will see you through.

This chapter helps you financially prepare for the unexpected. That way, if an emergency does arise, you won’t have to take emergency actions.

**Defining a Financial Emergency**

Think about your own life and all the things that can go wrong. Perhaps the dog eats one of your brand new expensive running shoes. Or, for the second time in a month, you find a puddle of water in the den and you realize either you get the roof fixed, or you’ll need a small boat to get across the den. Perhaps your freezer forgets it’s a freezer and everything you have in “cold-storage,” which you bought in bulk so you could save lots of money, is ruined. Don’t forget the big stuff, like medical conditions you never knew existed and job loss.

Depending on the stability of your bank account, all these things could be considered a financial emergency. Anytime you have an unexpected, unanticipated expense – you may have to find a creative way to manage the crisis and make ends meet.

*Think about all the things that can go wrong.*
Loving Moments

Both places of employment went out of business within two weeks of each other. That meant both of us were out of work at the same time. And we were in our 50’s which made it harder to find work. With the failure of the two businesses, we lost our retirement plans and future financial security. We both went to work at minimum-paying jobs in the evening, so that we could look for work during the day. We had to deplete our savings in order to pay our bills, but thanks to our determination and emergency reserves, we came through it proud of ourselves for getting back on our feet. We were both able to secure jobs with 401(k) plans and start over again.

Kathy and Keith

It’s an Emergency and You Can’t Dial 911

If you don’t provide for your emergencies, who will?

James Stowers

These days you can expect that the “unexpected” will happen.
You walk into work and find your whole division has been downsized.
Your sister is jobless, homeless and in the middle of a divorce and she, along with her two kids and three dogs, is coming to live with you.
You break your ankle during a 10K run. The break turns into a raging infection, which forces you into the hospital and off work for several months.
Your car has a 60,000 mile warranty and at 60,001 miles the water pump quits working.

These are just a few of the unexpected things that can assault us. It’s hard enough dealing with normal, daily, emotional stress. Worrying over whether you can make it through the next month heightens the tension considerably. That’s where your emergency financial reserve comes in.

My parents provided a great model of frugality, saving regularly and not wasting anything. They were also methodical planners who were always ready for contingencies, so those values and expectations were firmly ingrained in me at a young age. Adam readily embraced those philosophies as well. A willingness to sacrifice in the short-term for longer-term comfort helped us establish a financial cushion, and that cushion contributed in a huge way to helping us weather any life crisis that we experienced. When we were surprised with the freezing of our assets in a failed S&L and job losses, our prior planning and our ability to focus on the long-term enabled us to overcome the setbacks and keep moving forward.

Roanne and Adam
Create Your Emergency Fund

What would you do if a financial emergency struck? How much money should you have? Where would you get the money to live?

During the early years of our marriage, we figured that if monthly expenses were $2,000 a month, six months emergency reserve would be $12,000. That’s a lot of money to be invested at a low interest rate. We felt we could not afford to do this.

Instead, we hurriedly accumulated the $12,000 in a growth mutual fund as the foundation of our long-term plan. Then we kept saving for the future. By doing this, we always had money we could use as collateral from which to borrow money for emergencies and we kept our long-term plan growing.

We were still able to do everything we truly wanted to do during our life and educated all of our kids. Now we can do what we want, when we want.

James Stowers

Creating an emergency fund requires discipline. One of the biggest challenges you may face is your own desire to spend the money once you accumulate it. Here’s a three-step plan to help you focus on your needs and build reserves.

1. **Determine How Much You Need**

Decide how much you want in your emergency fund. A good rule-of-thumb is to have three to six months of living expenses in reserve. Even if you have less, a small reserve is better than nothing. And, it can increase your peace of mind while it provides you some financial flexibility.

Even a small reserve can increase your peace of mind.
DEALING WITH FINANCIAL EMERGENCIES BEFORE THEY HAPPEN

Your first step in developing an emergency fund is determining your typical monthly expenses. If you become unemployed, consider how long it might take for you to find an equivalent job. Analyze your severance package, if you have one. What type of severance pay can you expect? How long does your health insurance coverage last and what will it cost for you to replace it? What other benefits are you currently getting that you could lose if you lost your job?

Here are some expenses to consider when determining the size of your emergency fund.

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>federal and state income taxes, real estate taxes, personal property taxes</td>
</tr>
<tr>
<td>Real Estate</td>
<td>mortgage or rent payments, insurance, maintenance, second home costs</td>
</tr>
<tr>
<td>Utilities</td>
<td>electric, gas, water, trash, phone, cable/satellite/Internet</td>
</tr>
<tr>
<td>Vehicles</td>
<td>loan or lease payments, insurance, personal property taxes, license, maintenance, fuel</td>
</tr>
<tr>
<td>Health Care</td>
<td>medical insurance, out-of-pocket costs, prescriptions, glasses or contacts</td>
</tr>
<tr>
<td>Personal Care</td>
<td>toiletries, cosmetics, hair care</td>
</tr>
<tr>
<td>Food</td>
<td>groceries</td>
</tr>
<tr>
<td>Clothing</td>
<td>new clothes, laundry soap, dry cleaning, tailoring</td>
</tr>
<tr>
<td>Vacations</td>
<td>travel, lodging, food, entertainment, souvenirs</td>
</tr>
<tr>
<td>Entertainment</td>
<td>restaurants, tickets, movie rentals, books, CDs, pay TV</td>
</tr>
<tr>
<td>Savings/Contributions</td>
<td>education or retirement savings, contributions to charities</td>
</tr>
<tr>
<td>Memberships</td>
<td>health club, social club, professional organization</td>
</tr>
<tr>
<td>Student Loans</td>
<td>loan payments for tuition and related educational costs</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>gifts, magazines, newspapers</td>
</tr>
<tr>
<td>Household Items</td>
<td>cleaning supplies, laundry supplies, toilet paper, trash bags</td>
</tr>
</tbody>
</table>
List your fixed expenses, such as your mortgage or rent, car payment, utilities and other regular payments. Then list your variable expenses such as entertainment, personal care, vacations and other costs that you don’t pay on a regular schedule.

As you review your expenses, notice variable expenses, such as entertainment, that you could reduce in an emergency situation. What about club memberships and magazine subscriptions? Eliminating things you’ve gotten used to may be difficult to do, but when you’re using your emergency funds to pay for them, it may be necessary.

Your emergency fund should be large enough to prevent you from selling some of your investments – possibly during unfavorable market conditions – to cover your current needs. It should also be big enough so you avoid racking up credit card debt to pay for daily necessities.

2. **Figure Out How to Consistently Save**

   Decide how you will go about saving this back-up money. A payroll deduction is a great way to save for emergencies. Even $25 a paycheck adds up.

   Some experts recommend trying to cut household expenses by 10%. Review your budget and look for areas where you can trim expenses. Deposit the savings in an interest-bearing savings account.

   Once your emergency account reaches the desired balance, monitor it and make adjustments based on your current financial needs. From time to time, you may need to add to the account so you can maintain your current lifestyle.

3. **Find a Safe Place to Put Your Savings**

   Where you keep your emergency fund is important. You don’t want to find yourself in a situation where you need it today, only to learn that you have to wait a certain amount of time before you can convert it to cash.
DEALING WITH FINANCIAL EMERGENCIES BEFORE THEY HAPPEN

For emergency purposes, you want an account that is –

- Readily available
- Safe, with the return of your money guaranteed
- Income-producing

Consider an interest-bearing checking or savings account through a bank, credit union or savings and loan. You might also consider a money market account. Some couples divide their reserves. They keep the first three months liquid and they go to short-term CDs for the second three months. That way, they earn slightly higher interest and can borrow against the CD if necessary.

Two months before we got married, Chad lost his job. We were literally seven weeks away from the wedding. We had two choices: panic or adjust. Obviously, we adjusted and looked at it as an opportunity. We made last minute cuts on the wedding and honeymoon. Chad decided he’d go back to school for his masters and wait tables. I stayed on at the radio station in sales and picked up hours at a health club as a personal trainer. My income was 100% commission so we had to plan accordingly. We knew we’d have to make cuts in our monthly budget, but we also knew we were contributing to our future.

Months later, his old company called and asked him to come back in a bigger role. Everything worked out. We learned a lot from that experience and are better for it. This experience was probably the best thing that could have happened for our relationship because is forced us to work together. We discovered a new depth to our relationship and how we can just roll with the punches. Stephanie and Chad
Building Your Own Golden Nest Eggs

They were young, healthy, smart and well-employed. They considered themselves invincible. They couldn’t imagine that they’d ever have to deal with an “emergency.”

In the middle of remodeling their new home, Lisa’s mother became ill. This required Lisa to take time off work. Then Troy’s job got downsized. Suddenly, they did not have enough money to pay their bills. They went through the money they got as wedding gifts, then had to borrow from his parents.

Seven months later, Troy had a new job with “potential” but a slightly lower salary. Lisa was back to work full-time.

Moral? Emergencies happen when you least expect them. That’s why it’s so important to be prepared.

Given their recent brush with the dark side of finance, Lisa and Troy decided to dedicate 10% of their monthly salaries to building a six-month reserve.

Without an emergency fund, you might have to dip into or borrow against your retirement funds or other investments. In addition to deleting your future funds, you might also have to pay penalties for early withdrawal. You may need to take out a second mortgage or home equity loan. You may be forced into credit card debt. Creating emergency savings takes discipline, but the peace of mind and flexibility you gain make it worth the effort.

Even if you feel as though you’re living from paycheck-to-paycheck, you should still make an effort to set aside some money each month. Here are some creative ways other couples have found money to create and build their emergency reserve:

• Open a new account. Start your emergency fund in a separate bank account. That way you don’t end up mixing your regular savings and checking funds with your emergency dollars. It may prove too much of a temptation to spend the money if you combine it with your other funds.
• Use payroll deductions to save. If you need to, take a break from your retirement investing and dedicate a percentage of earnings to your emergency fund. Once your fund has reached a safe level, then switch those dollars back to your retirement. Taking money out of a tax-deferred account can be costly once you add in all the fees and penalties. By saving through payroll deduction, you can save consistently and reduce the temptation to spend the money before you set it aside.

• Put all “found” money in your emergency account. This includes bonuses, money received as a gift, tax refunds and raises. You’ve lived without these extra dollars up to this point. So, why not put this money to work for you, and let it help grow your emergency reserve?

Put all “found” money in your emergency account.
Staying physically fit is one of the things that is important to us and that we do together. It’s also helped us stay financially fit. We’ve never had a major illness or had to take medicine on a long-term basis.

Chris and Dale

Other First-Aid for Emergencies

Not everyone can save for three to six months worth of expenses. If this is not realistic for you, look for other solutions. Can you borrow against a CD, investments, or use your home as collateral? Can you establish a home equity line of credit for emergencies? Can you negotiate a new interest-free payment schedule with any of your creditors? Can you borrow money from relatives?

The Strength From Within

An emergency fund helps you survive in times of financial uncertainty. But managing troubling times isn’t just a financial issue. It also requires a strong commitment to each other and a willingness to work together toward a common goal – financial independence.

One of the best ways to prepare for an emergency is to plan ahead. But how do you plan for the unexpected? Begin by sharing and understanding each other’s feelings towards the following situations. Ask yourselves, “Is this a reason for us to use our emergency fund?”

• Job loss
• Illness or disability
• Car repair

Loving Moments

MatriMoney Tip

Think about how much time and money you spend doing preventive maintenance on your car. Aren’t you worth at least the same amount of investment? One way to avoid medical emergencies is by taking care of yourself with a healthy diet, exercise and regular visits to your doctors. In the long run, preventive maintenance is almost always less expensive.
DEALING WITH FINANCIAL EMERGENCIES BEFORE THEY HAPPEN

- Non-emergency home repair or remodeling
- Travel for pleasure
- New car purchase
- Holiday gifts
- Family members or friends needing help
- Business or investment opportunity
- Continuing education for yourself

By taking time now to understand each other and anticipate your future financial needs, you can take great strides in emergency-proofing your life.

When Others Count on You

One truth many couples may face is the aging of their parents. At the time of your marriage, you may envision a future in which your parents are healthy and self-sufficient throughout their golden years. In reality, as your parents get older your role may be expanded to include that of caregiver. Even though you can’t anticipate your parents’ exact needs, you can discuss how, or if, you intend to help them.

Some of the issues you may struggle with include transportation, hospitalization, nursing care and end-of-life legal matters.

One of the first steps you can take to prepare for these issues is an honest and candid discussion with your parents so you can understand their wishes. This may not be the most pleasant of topics, but it is one that may save you and them a considerable amount of money and heartache.

“We’ve never had a major illness or had to take medicine.”
To begin this dialogue, let your parents know that, should they need it, you want to help them in the future. Some of the questions you could ask include:

- Where are their financial records and documents located?
- What are the names and contact information of their doctors, legal advisors and financial advisors?
- Who has powers of attorney for their assets and health care?
- Do they have an estate plan and what does it include?
- What plans have they made for their long-term health care?

This conversation has the potential to be very emotional. However, it has benefits beyond just helping your parents meet the challenges of age … it will ultimately help you prepare for your own future. The issues you’re facing today with your parents will become the same issues you may one day face with your own children.
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7

Going for Broke
You may have to surrender your assets.
Going for Broke

One of the goals of this book is to help you avoid Chapter 7, also known as liquidation bankruptcy. So, we will spend very little time in this area and move quickly to Chapter Eight – Investing Basics.

However, before we do, let’s take a moment to understand what it means to “file for bankruptcy.” Chapter 7 bankruptcy is often used as a way for many people to escape the responsibility of paying back their debt. In many cases, it is the only option for people who have leveraged their credit beyond their means or, by no fault of their own, fallen onto hard times and unable to pay their bills.

When you file for bankruptcy, you are asking a federal court to help you eliminate your debt or repay the debt under the protection of the court. While this may seem like an easy way to get out of debt, it can have a long-term effect on your ability to borrow money in the future and may also impact your employability.

Chapter 7 bankruptcy is called liquidation because the courts may order that you surrender some of your assets, such as personal property you own, to help pay back the debt you owe. Bankruptcy doesn’t free you from all debt. Certain types of debt, such as child support, alimony and some taxes will not be forgiven and you will still be required to make payments.

Recent changes in bankruptcy laws now make it harder for people to break away from their debt. Some of the changes include requiring the person filing to participate in mandatory credit counseling and may prohibit individuals with higher than average income from filing Chapter 7 at all.
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Investing Basics and Starting Out
The desire to make a lot of money still intrigues many people.
Making Something Out of Little or Nothing

Some people might view Rumpelstiltskin as an investment counselor who went astray. When the miller’s beautiful daughter was put in the awkward position of having to transform an ordinary asset (straw) into a precious commodity (gold), Rumpelstiltskin helped her, for a slight commission (her pearl necklace). The next time she needed help, Rumpelstiltskin asked for his own precious commodity – her first-born son. Of course, the fairy tale has a happy ending, but such high-risk investments often do not.

While the chances of finding an investment advisor who can turn grains into gold are rare, the desire to make a lot of money still intrigues many people. This chapter will explain some of the essential facts about money and introduce you to some of the simpler ways to invest – especially short term.

Before you begin, one of the most important things for you to understand is the shrinking value of a dollar.

Why Do Things Cost So Much?!?

We’ve all heard stories of how in the early 20th century, you could have eaten dinner for four in a fancy restaurant, left a generous tip, and received change – all from a single dollar bill. These days, a dollar might buy you a cup of coffee. Why? What happened to the buying power of the dollar?

On average, the dollar has continuously lost value since 1900. In fact, if you held on to a dollar from 1900, its buying power today would be worth less than five cents.
To keep your money from losing value, you need to put your funds in a savings or investment vehicle that earns an annual rate of return greater than the rate of the shrinking dollar. If you keep your money in a so-called “safe place,” like stashed away in a cookie jar, its buying power will diminish over time. Another way to look at it is, if you leave $10 in your wallet, a week, a month or a year from now, that $10 may only buy $9 worth of goods or services.

Buying Time: The Young Newlywed’s Advantage

For many people, it’s much easier to spend money than to save it. Yet to have the life and the future you dream of, you need to get into the habit of saving more than you spend. If you are a young newlywed, you are in the ideal time of life to benefit from compounding – making money with money.

Here’s an example of compounding: A single seed of wheat can yield a farmer more than 100 seeds. If the farmer plants and cares for the 100 seeds, they can produce at least 10,000 more seeds of wheat.

Look at your savings as “seed” money. This money, properly cared for over time, will grow and multiply.

The amount of money you can accumulate through compounding depends on two critical factors: time and the annual rate of return. Time is the most fundamental – the longer you let your money work, the greater your chances are for long-term financial success. By putting your money into investments that achieve a higher rate of return, the less money you must set aside.
To illustrate the magic of compounding, take a look at the following chart:

### Compound Results of a One-Time Investment of $100

<table>
<thead>
<tr>
<th></th>
<th>10 Years</th>
<th>20 Years</th>
<th>30 Years</th>
<th>40 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 6% interest</td>
<td>$182</td>
<td>$ 331</td>
<td>$ 602</td>
<td>$1,096</td>
</tr>
<tr>
<td>At 8% interest</td>
<td>$222</td>
<td>$ 493</td>
<td>$1,094</td>
<td>$ 2,427</td>
</tr>
<tr>
<td>At 10% interest</td>
<td>$271</td>
<td>$ 733</td>
<td>$1,984</td>
<td>$ 5,370</td>
</tr>
<tr>
<td>At 12% interest</td>
<td>$330</td>
<td>$1,089</td>
<td>$3,595</td>
<td>$11,865</td>
</tr>
</tbody>
</table>

This chart shows you how a one-time investment of $100 would grow over time at various interest rates. As you can see, at an average annual interest rate of 12%, $100 would grow to $11,865 in 40 years.

The following chart shows what happens when you make a one-time investment of $100 and then make a commitment to add $10 each month.

### Compound Results of a One-Time Investment of $100 + $10 Monthly

<table>
<thead>
<tr>
<th></th>
<th>10 Years</th>
<th>20 Years</th>
<th>30 Years</th>
<th>40 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 6% interest</td>
<td>$1,821</td>
<td>$ 4,951</td>
<td>$10,647</td>
<td>$ 21,011</td>
</tr>
<tr>
<td>At 8% interest</td>
<td>$2,051</td>
<td>$ 6,383</td>
<td>$15,997</td>
<td>$ 37,337</td>
</tr>
<tr>
<td>At 10% interest</td>
<td>$2,319</td>
<td>$ 8,327</td>
<td>$24,589</td>
<td>$ 68,611</td>
</tr>
<tr>
<td>At 12% interest</td>
<td>$2,630</td>
<td>$10,982</td>
<td>$38,545</td>
<td>$129,513</td>
</tr>
</tbody>
</table>

Earning 12% interest, at the end of 40 years, you would have $129,513. Your total investment would be only $4,900 ($100 initial investment + $4,800 ($10/month for 480 months)).

Money, properly cared for over time, will grow and multiply.
The Four Keys to Accumulating Wealth

He takes money out every week for his pension and I take 15% out pre-tax for my 401(k).

We both have savings accounts that we brought into the marriage – and we have money automatically deducted from our paychecks. Melinda

1. Start investing as early as possible. It takes significantly less money to accomplish what you want and you have more time working for you.

2. Save on a regular basis. It is an easy way to accumulate wealth.

3. Begin investing with the largest possible sum. You will have more money working for you over a longer period of time.

4. Reach for the highest rate of return that’s safe for you. Each additional percent is important. The higher the rate, the less money it takes to accomplish what you want.

James Stowers, from Yes, You Can...Achieve Financial Independence

Start investing as early as possible.
Put it in the Bank

One of the advantages of a regular savings account is that it helps you distinguish your spending money from that which you want to set aside for the future. A savings account also has these advantages:

• Your money can earn modest interest.
• It’s guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $100,000.

However, safety can have its price – the interest rate you earn may not keep up with the rate at which the dollar is shrinking. In other words, the dollar may shrink at 5% per year, while your savings account only earns 2% a year. So, essentially, you end up losing 3% of value – or buying power – each year.

Choosing a Bank

Before selecting a bank, find out:

1. Is there a minimum amount required to open a savings account? Depending on the bank, this can range from as little as $1.00 to more than $1,000. Choose a bank you can afford.

2. Is there a monthly fee if you don’t maintain a certain balance?

3. Is the account federally insured? (e.g., The Federal Deposit Insurance Corporation – FDIC – insures a person’s total deposits up to $100,000)

4. What are the best interest rates? Are the rates compounded, meaning is interest paid on both the principal and accumulated interest?

MatriMoney Tip

The Rule of 72:
To find out when your investment will double in value, simply divide the number 72 by the rate of return your investment receives. For example, if an investment is receiving an 8% return, it will double in value in 9 years (72 ÷ 8 = 9). The higher the rate of return, the quicker the investment will double.
Upping the Interest Level: Money Markets, CDs and other Savings Instruments

Although a savings account is an easy, safe place to keep your money, it may not be the best place to keep your money long-term, especially if you want to avoid the impact of the loss in value of the dollar.

Other options that may offer higher interest rates include:

- Certificates of Deposit (CDs)
- Money Market accounts
- Bonds

Taking Note of CDs

When you “buy” a CD, you’re actually loaning money to the bank for a set period of time. In return, the bank agrees to pay you a fixed interest amount. At the end of the loan period, the bank returns your money to you. Most CDs require a minimum deposit and minimum time period.

Many banks will reward you with a higher interest rate if you agree to loan your money for a longer period of time. Because interest rates vary, shop around to find the best deal.
Shopping for Money Markets

If you want a higher interest rate than a savings account but don’t want to tie your money to the time commitment of a CD, a money market account could be your next step. Money markets are like a savings account, but they may:

• Pay a slightly higher interest rate. The amount can vary depending on your balance and the financial market conditions.
• Limit the number of withdrawals you can make during a month.
• Offer limited check-writing abilities.
• Require a minimum investment in the account, with the possibility of service fees if funds dip below that amount.

Buying Into Bonds

With a bond, you are “loaning” your money to a company or entity with the promise of getting it back, with interest, after a set period of time.

Bonds are issued when the government or a corporation wants to raise money. For example, the government might issue bonds to help refinance existing debts, redo a highway or pursue special projects. A corporation might issue bonds to help raise money to buy another company, to expand their current operation or to get money to buy equipment.

Bonds are closely tied to the value of a dollar. That means when interest rates go up, bonds typically decrease in value. When interest rates go down, bonds can become more valuable because the interest you earn is higher than the interest you might receive from other investments.
INVESTING BASICS AND STARTING OUT

Bonds vary according to:

- **Safety** – Bonds rated AAA (as rated by the Standard & Poor’s rating system) are at the high end of the rating scale. The rating measures the bond seller’s ability to repay the loan. Keep in mind, if the seller has financial problems, it may not be able to pay interest or return your original investment.

- **Type of institution issuing the bond** – Ranging from private companies to government entities.

- **Length of time** – Short-term bonds mature within five years, while long-term bonds mature in more than ten.

Savings accounts, Certificates of Deposit (CDs) and bonds are actually loans you give to a bank or institution. In return, the bank pays you a fixed sum of money (interest). At the end of the loan period, the full amount you lent is returned to you.

Lender investments are relatively safe places to keep money ... for short periods of time. However, because they are tied to a dollar they may not appreciate much. That means after 10 years or so, you may actually be losing money.

So, what type of investment can help you grow financially over the long-term? “Owner” investments, such as property, common stocks and mutual funds are more likely to appreciate and keep up with inflation.

Before you continue, why not study the chart on the following page? This will show you the various attributes of lender and owner investments. When you’re done, move on to Chapter 9 – Investing for Growth.
Attributes of Various Saving and Investment Options

Use the table below to compare the attributes of various savings and investment options. This chart is divided into two categories, Lender Investments and Owner Investments.

<table>
<thead>
<tr>
<th></th>
<th>LENDER INVESTMENTS</th>
<th>OWNER INVESTMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Savings Account</td>
<td>CDs</td>
</tr>
<tr>
<td>Is there a minimum amount of money required to get started?</td>
<td>Maybe</td>
<td>Yes</td>
</tr>
<tr>
<td>Can you get your initial money back?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Is your money easy to withdraw?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Is it burglar proof?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Can your money grow faster than the shrinking value of a dollar?</td>
<td>Short-Term*</td>
<td>Maybe</td>
</tr>
<tr>
<td></td>
<td>Long-Term*</td>
<td>No</td>
</tr>
<tr>
<td>Can your money benefit from compounding?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Is your money professionally managed?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Will you get regular progress reports?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

* Short-term investments are less than five years. Long-term investments are those greater than five years.
+ Historically, these investments have grown faster than the shrinking value of a dollar. However, past performance is not an indication of future results.
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Investing for Growth
With that, the wolf and Little Red Riding Hood’s assets disappeared forever.
Investing for Growth

A Lesson Learned the Hard Way

Once upon a time in a small country town, there lived a little girl. Her name was Little Red Riding Hood. She was loved very much by her mother and her grandmother who both spoiled her to no end. They took care of her every need – including handling all her finances when she grew older.

Even after she found the man of her dreams, her maternal kin handled Red’s books and investments.

One day Little Red Riding Hood decided to travel by herself to visit her grandmother. Walking through the forest with a basket of cakes she came upon a wolf who was sitting at a picnic table. The wolf looked at the young bride and asked her where she was going.

“I’m off to visit my grandmother,” she said. “She’s frail and wants to be sure I understand how to manage my inheritance.”

“That’s interesting,” mused the wolf. “If I may, I’d like to help you. Please, sit down and let me show you how you can quickly achieve financial harmony.”

The wolf seemed very kind and sincerely interested in helping her become aware of how to save and invest. Not fully understanding the consequences of her decision, Little Red Riding Hood signed some documents that turned all her assets over to the wolf.

The wolf quickly ate the cakes and then stole away into the thick brush. And with that, the wolf and Little Red Riding Hood’s assets – including the cakes – disappeared forever.

There is no such thing as a perfectly safe investment, free from all risk.
Can You Afford Not to Invest?

When you invest your money, you are investing in your own economic freedom. A person who earns $100,000 a year and has no investments can have less freedom, long-term, than a person who earns $50,000 a year and has income-producing assets paying $10,000 a year.

There are no shortcuts to financial independence. If you want to accumulate wealth, you can. But it requires time, discipline and determination.

Can you afford not to invest in your future? If you are young, you may want to live a full life in a hurry. You might want all the trappings of the good life before you have really established yourself financially. Delaying what you want now in order to achieve financial independence in the future may not seem like much fun, but think about these questions:

- Do you want to try to control your own destiny rather than be controlled by circumstances?
- Can you commit yourself to putting order into your life so that you can accomplish your goals?
- If you have to be poor, would you rather be poor now or at retirement?

So what do you need to know before you start investing? The first thing you should know is that if you don’t understand what you’re doing, try to learn as much as you can. You can do this by seeking the advice of a financial advisor or by reading as much as you can to learn about investing and the various investment options.

The following information is merely an introduction to investing. It will give you the basics you need to fully understand more complex issues you may face in the future.
Balancing Risk and Rate of Return

There are two big differences between lender and owner investments: risk and rate of return. As an owner, you assume a greater degree of risk than a lender does. Because you are willing to take a greater risk, you also have the opportunity to realize a greater rate of return.

As an owner, you receive all the profits. There is no ceiling on the financial gains you may enjoy (compared with the fixed interest offered by savings accounts, CDs, money market accounts and bonds). But the biggest advantage is that owner investments are typically free from the shrinking value of a dollar.

Along with the advantages of ownership comes risk. The risks of owner investments include:

- Owners absorb any losses incurred by the investment.
- There are no guarantees of a return on the investment.
- Profits are generally unpredictable.
- There is no guarantee of the value you will receive for the property if you choose to sell.

Investments can earn money the following ways:

- **Appreciation** – Increased value of the investment.
- **Dividends** – Income received as an owner of a business.
- **Capital Gains** – Profits received from the sale of assets.

Whether you are a lender or an owner, you assume some risk. Successful investors do not avoid risks, but simply try to hold them within reasonable limits.
I do not think Social Security can take care of us, so we have diligently saved and taken advantage of retirement investments. Donna and Steve

The Stock Market

Ownership of a publicly-owned corporation is divided into “shares” of what is called common stock. Each share represents a fraction of the total ownership. The term “common” is by no means negative; all owners of a corporation are common stockholders.

Not every corporation is willing to share its ownership. Some companies are privately held and don’t sell shares. The easiest way to distinguish between private and public companies is to look at the stock tables in the newspaper. Only publicly-traded companies are included in the stock tables.

If you were to trade your dollars for common stocks, you would have the most to gain from a successful business and the most to lose from one that is unsuccessful without any revenues. Common stocks in successful companies may come closer to offering all the advantages of an ideal investment than any other financial medium.

A good place to start understanding how common stocks work is the daily newspaper. Look for articles in the financial section and main news about public companies.
Stock Picks

Even if you’re working with an advisor, you need to understand the characteristics, the short-term risks and the long-term opportunities of owning common stocks. If you don’t know the facts, you may have as much chance of succeeding in the stock market as you do in a casino. Only when you understand the market can you develop confidence in what you believe and why you believe it.

Review the chart at the end of Chapter Eight to understand how common stocks compare to other investments. Keep in mind, our chart is not all-inclusive. Making smart investment decisions requires an extensive amount of research and the resources to analyze the data. That’s why so many people are now turning to professionals to help them manage their investments.

Seek the help of a financial advisor.
The Dow Jones Industrial Average

To help you grasp the stock market’s ups and downs, it’s helpful to understand the Dow Jones Industrial Average (often referred to as “the Dow”). The Dow is the oldest and most widely quoted stock market gauge. Experts believe it represents the overall market at any moment in time. The Dow is made up of a selected group of 30 stocks. These stocks are chosen by the editors of The Wall Street Journal.

The graph on the next page shows the history of the Dow (accurate data is available for as far back as 1897).

Here are some things to consider as you review this graph:

• **Fluctuations** – The value of the Dow goes up and down like a roller coaster. Most of the changes are minimal, but occasionally (like in the 1980s and early 2000s) they are dramatic.

• **Long-Term Upward Trend** – The long-term trend of the Dow has been up since 1897.

• **Spurts** (Uneven Trends) – The upward trends are uneven. Many of the major moves are in spurts, few of which were predicted.

• **Always Rising to New Highs** – Since 1897, the Dow has always risen to new highs over time.

Look for information about the Dow in the business sections of most major newspapers and on the Internet (look at cnnmoney.com or usatoday.com). If you haven’t invested in stocks before, tracking the Dow can help you believe in the potential of the stock market, as well as bring a continued understanding of how it operates.

*Market fluctuations may be dramatic.*
The Value of $1 Invested in the Dow From 1897 Through 2003, Compared to the Diminishing Value of a 1900 Dollar
(With All Dividends Reinvested and Compounded)

Source: Data provided by Bureau of the Census and Bureau of Labor Statistics.
Mutual Funds Offer a Diverse Investment

*I believe the soundest and safest place for me to invest my own money is in mutual funds that are searching for, and investing in, companies that are successful with earnings and revenues that are growing at an accelerated rate.*

James Stowers

Mutual fund investing allows you to put your investment choices into the hands of professional managers. A mutual fund is a collection of stocks or stocks and bonds put together for a specific goal, such as growth or income. When you buy mutual funds, you are actually purchasing small amounts of many different stocks and/or bonds. Compared to other investments, mutual funds offer many benefits. These include:

- **Professional Management** – Mutual fund managers are full-time professionals dedicated to managing the money invested in their funds. They bring with them a specialized team of researchers, analysts and technological tools to make certain that the money invested, no matter what the amount, is given full-time attention. They invest, reinvest and seek the best opportunities for the money they manage.

- **Diversification** – Unlike buying shares of individual stocks, mutual funds spread investments over a number of different companies, and sometimes industries. Diversification is beneficial since some companies may lose value while others prosper. This means the losses of one company can be offset by the gains of another.

*The value of the Dow goes up and down like a roller coaster.*
• **Opportunity for Growth** – While there is no guarantee, common stock mutual funds historically have offered an opportunity for growth, particularly over the long-term.

• **Available in Convenient Amounts** – Some mutual funds offer investment plans that allow investors to begin with a modest amount and add additional amounts on a regular basis.

• **Liquidity** – Depending on the strategy of the fund, you can withdraw part or all of your investment at any time. Some funds may require that you wait a period of time before you get your money to discourage you from “playing the market” and over-reacting to market fluctuations.

• **Current Information** – Information about your mutual fund investment is readily available. Simply call the mutual fund company or visit their Web site to track your account’s progress.

**How to Choose a Fund**

There are literally thousands of different mutual funds. In theory, all mutual funds have access to the entire common stock and fixed income market, but not all are solid performers over time. How they differ depends on the combination of investment objectives, performance, ethics, qualifications of the managers, dedication and available support systems.

You need to understand and believe in the investment philosophy, objectives and policies of any mutual fund you invest in. Here are some questions to ask yourself:

• Is the philosophy logical? Does it make sense?

• How does the fund intend to implement its investment philosophy?

• Does it follow its discipline consistently year after year, or does it change its approach frequently?

Professional management uses the latest tools to make investments decisions.
Most importantly, examine the investment results of the fund.

- What is the record of the investment manager?
- Has the fund been successful over time?
- Are the results consistent?
- How do the results compare with those funds of similar objectives?

Of course, the fact that a fund or an investment performed well in the past does not necessarily mean it will in the future.

Regular investing over time can enhance your potential for making a reasonable profit over time. When share prices vary, regular investments may reduce the average cost of a share and, therefore, your investments may ultimately outperform a one-time investment.

It is important you understand the investment philosophy of the mutual fund you intend to invest in.

Loving Moments

We have strived to become financially stable but not in some areas that most people do. We have never owned a home because of my husband being self-employed. We are creative in how we share our money. For years we made homemade food and fed the homeless in downtown Denver once a month. We also went to Mexico to a very poor Indian Reservation, Battered Women’s Shelters and Teen Detention centers, as well as taken in five different teens to mentor them and help them change their lives.

Money is important, but it is a worldly item that we can’t take with us. We believe that when we help others who are less fortunate, we are blessed in many, many ways.

Julie and Scott
How and Why to Choose a Financial Advisor

I wish I understood more about investing. I know I have to save but don’t really know all the ins and outs of things. Stephanie

If you choose to invest and you don’t fully understand what you are doing, it may be in your best interest to work with a trusted source for financial information, such as a financial advisor. A financial advisor can help you choose investments that embrace your philosophy and support your long-term goals. The advisor can also help you diversify your portfolio and stay connected with marketplace information.

Even if you have studied the market, a financial advisor may have resources and information that can help you make stronger and wiser investments. Because sharing your financial situation is quite personal, you want someone you feel comfortable with and have confidence in. That’s why you should take your time to “shop around” for a financial advisor with whom you are comfortable.

Friends connected us with a financial advisor. Our first experience of putting everything on paper and creating a “plan” did not work because it was all focused on retirement – and we were knee-deep in debt at the time. The most recent “meeting” was with an advisor who focused on getting us out of debt within ten years. This meeting has motivated us to pay off a good chunk of our current debt in the last year. Heather

Here are some tips for selecting a planner who is right for you:

• **References:** Reach out for referrals. Ask people in similar circumstances who they’ve used and what they liked about him or her.

• **Research:** Check the background of your potential advisor, making sure he or she has a clean record. You can search on the Certified Financial Planner Board of Standards’ website (www.cfp.net) to learn about the advisor’s background and to make sure there are no complaints on record.

MatriMoney Tip

Your investment needs and goals are unique. Steer clear of fad investments. Today’s hot stock can quickly become tomorrow’s burst bubble.
INVESTING FOR GROWTH

• **Interview:** Get together and talk about your investment goals. You want someone who listens to you and advises you according to your needs, values and financial situation. Be wary of salesmanship.

• **Know what the costs are:** Find out the fee type and structure. Some advisors earn a commission on sales; others charge a set annual fee, generally a percentage of your invested assets.

• **Stay informed:** Ask your advisor to update you at least every quarter. Even though you are relying on your advisor to guide you, your own knowledge and intuition are important. Make sure you understand and feel comfortable with your investments.

**Avoiding Common Investment Mistakes**

*I’ve been investing since I got out of college, but Chad’s just now starting to put money away. We differ in this because I think retirement savings is a must, while that’s one of the first things he’s willing to cut back on if money is tight. Stephanie and Chad*

Even the savviest investors make mistakes. You can avoid some of the more common mistakes by understanding the following things:

• Pay attention to the risks, as well as the potential returns.

• Know the expense involved in moving monies in and out of your investments.
• Be patient – pulling out of an investment too soon can be costly.
• Stay involved with your investments. Pay attention to what is happening in the market and how current economic conditions may affect your investments today and in the future.
• Listen to your intuition. If you don’t agree with your advisor, do more research and probe further into the issue.

**Time Is On Your Side**

*The best time to plant an oak tree was 20 years ago.*
*The second best time is today.*

James Stowers

Patience is key when investing. If you get an early start, it generally takes less money to reach your financial goals (whether it be a college education, early retirement or financial independence) because your money will be at work for a longer period of time.

Time also allows you to overcome errors in judgment along the way. When it comes time to retire, the impact of a financial mistake made at age 20 will be less dramatic than one made at age 65.
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A Moving Experience: Buying a Home
If only the three pigs had talked about home ownership and all that it meant.
**A Moving Experience: Buying a Home**

**His Home is a Pig Sty**

If only the three pigs had talked about home ownership and all that it meant. If only they had a strategy and planned before they individually used up their precious assets. You’d think that after all their time growing up together, they could work as one and create an ownership plan on which they could build. But, alas, it wasn’t that way.

A strong-winded wolf had come along and toppled two of the brothers’ homes. They were now forced to huddle together in the all-brick wolf-proof shelter of the house owned by the third and wisest brother. His home stood strong against the elements of time and nature. It was a modest home, built for one and now it was bursting at the seams.

How did he get to be so fortunate to have such a strong foundation on which to build? While his brothers were wasting their resources on a lavish lifestyle, this little piggy ate no roast beef and was determined to save as much as he could. His perseverance paid off … not only for him, but now for his pig-headed brothers, too.

**Can You Afford Not to Invest?**

While there are many advantages to home ownership, it also comes with a number of responsibilities and obligations. So before you leap into home ownership, here are some questions to consider:

- Are you planning to stay in one place for the next three to five years?
- Do your jobs seem secure?
- Can you pay for your house and still save for your other financial goals?
• Are you prepared for the additional expenses, including moving, remodeling, maintenance and appliances?
• If there was a sudden change in either person’s job status, would you still be able to make the mortgage payments?

**Advantages of Home Ownership**

Owning a home can give you a great sense of accomplishment and pride. As a couple, you can use this experience to build your love nest and create a secure place in which you can raise a family. Some of the advantages of owning a home include:

- Many people find emotional security and comfort in owning their living space.
- You control the property and your living space.
- In most instances, the property taxes and interest you pay on your loan are tax-deductible.
- As an “owner investment,” your home may appreciate in value with you realizing all the financial benefits.

As they prepared for their wedding, Adair and Nick, two actors living in the competitive and expensive world of New York City, analyzed their options for getting ahead. They decided that one way to achieve future financial growth would be to buy an apartment.

“Buying an apartment is the money issue we’re talking about right now. I still have a large amount of my college savings left. We’ve discussed either putting that into the apartment or leaving it in savings. We are both concerned about saving for retirement, our children’s college and other future expenses. We also agree that buying, instead of renting an apartment in New York, is one of the smartest things we can do with our money right now.” Adair

**MatriMoney Tip**

*For your first home, many experts recommend working with a realtor. If you choose to purchase without one, make sure you understand the housing market and real estate law.*
For Ellen and Greg, buying a home was a practical decision. Interest rates were low; they both had good incomes and worked at secure jobs. Ellen was surprised at how much she emotionally appreciated owning her own property.

“I love being able to paint the walls and decorate. I love deciding how the yard will look. I have a strong feeling of security I didn’t have when we were renting,” she says.

**Disadvantages of Home Ownership**

Of course, there’s always another side to every story and home ownership is no exception. Owning a home is a big responsibility. If you fall behind in maintaining your investment, the tables can turn and it can quickly own you … consuming not only your financial resources but all your time and emotional well-being.

Some of the disadvantages of home ownership include:

- **Financial obligations.** You have a financial and legal obligation to the lending institution. This includes providing adequate insurance and repaying the loan. The consequences of not following through on these obligations can be devastating.

- **Maintenance expenses and time.** If something breaks, it’s your problem to fix it, not the landlord’s nor the rental company’s.

- **Utilities expense.** Some apartment complexes offer free utilities such as cable TV, trash pick-up, water and heat. With a home, there is no such thing as “free.”

- **Homes Association dues and regulations.** Even though you own your home, you may still be restricted in what you can do to it by your Homes Association. You may also be required to pay an ongoing fee for the services the association provides.
Michael’s newly purchased Santa Barbara home gave him and his bride a sense of comfort and belonging. They were both high income earners and selected a home that reflected their lifestyle. When Michael’s company suddenly closed and he found himself unemployed, he was concerned but not panicked. Six months later, when he still hadn’t found a job and her job was downsized, the panic hit.

“We had savings,” Michael says. “But we never factored in both of us losing our jobs. By the time we were both gainfully employed, our savings were depleted. It took a tremendous financial and emotional toll, but we’re grateful we got through the crisis.”

They learned a valuable lesson about planning for emergencies and living within their means. Because of that, they put their home on the market and one year later, moved into more modest accommodations.

Home Runs: Covering all the Bases

Location was very important to us. We wanted to be close to work and to graduate school. We found a house in the ideal location. It was a fixer-upper at a good price. After we moved in, we realized we had forgotten two important factors: street noise and parking. We live on a busy street, and the street parking is complex. At certain hours you can’t park on this side of the street, and at other hours, you can’t park on the other side. We’ve already gotten one ticket for parking right in front of our own home! Sarah and Jeff

Would you consider moving into more modest accommodations?
Buying a home isn’t like renting an apartment. It may take you many months and require a number of trips through open houses and model homes before you find the right one. Be sure the home you choose is the right one! Unlike an apartment, in which you can break a lease with limited financial impact, making a mistake with a home purchase can leave you trapped or deep in debt.

Karen and Lance were ready to buy a home. They wanted to settle down into a living space they could make their own. They both had good jobs and were established in their careers. They were ready to start a family. A home seemed the obvious next step.

They made a list of what they wanted; it included:

• Location
• Number of bedrooms and bathrooms
• Kitchen requirements
• Garage and basement needs
• Age of home

MatriMoney Tip

Be cautious about buying one of the biggest or most expensive homes in the neighborhood. The values of the surrounding homes can impact your resale value, so your home may not increase in value at the same rate as the other homes.
Then they began their search. They started by looking on-line for homes that met their criteria. Then they worked with a realtor who helped them explore various neighborhoods and find just the right house. Their diligence paid off. After just a few months, they found the perfect starter home.

When we started looking for our first home, we thought we were ready to buy a large, older, fixer-upper. After looking at those types of houses, we realized that we didn’t have enough money saved to make repairs, and we weren’t prepared for all the work involved. Our real estate agent was very patient in educating us about the market. So we backed off completely and continued to save our money. A year later, we went back to the same agent and worked with her to find a more modest home that wasn’t as old and didn’t need as much work. We were glad that we took the time we needed to make a good decision.

Carol and Mike
As with just about anything, the more you plan and prioritize, the greater your chances are to succeed. Here are some things to consider as you begin your search:

- **Know yourself.** Discuss the features you want in a home. Identify four “must haves” and four “nice to haves.” Don’t try to buy your ultimate dream home the first time.

- **Know each other.** Make sure you each have a voice in selecting your home.

- **Know the neighborhoods.** Explore the possibilities. Learn about the features of different areas and their price ranges. Is it important to have schools nearby?

- **Choose someone to work with.** Interview more than one agent. Select someone with references (ideally, the references are people who have worked with the agent) and good listening skills. Choose someone who answers all your questions and with whom you both feel comfortable.

- **Look to the future.** Think about resale as you’re looking – are you the only person in the world who could love this house? What makes this house livable? What makes it appealing and gives it resale value? What detracts from its resale value?

- **Know your financial limits.** Ask your agent about reputable lenders. Meet with their representatives and go through the prequalifying process before you write a contract. That way you will know exactly how much you can afford.
Billy bought the house a year before we got engaged. We looked at the house, picked it out and fixed it up together. It was his house, but we shared in its decorating. I picked out all the colors. That way, when I did move in, I felt like I was moving into my house. Melinda

When you find a house that meets your criteria, it’s worth the time and expense to dig deeper into the house. Make your purchase contingent on the house passing several tests.

- **Hire your own inspector.** Inspectors are professionally trained to look for signs of past troubles and future headaches. They know how to find problems that are not obvious but would be expensive when discovered later.

When you do find problems that require repair and renovation, get two or three bids. Better yet, tell the seller of the home that you want to have those items fixed before you sign the final contract.

- **Ask questions.** Are there Homeowner’s Associations and dues? Can you get a copy of any covenants and restrictions on the house? What else do you need to know? In some neighborhoods, you are restricted to certain types of roofs, exterior finishes and paint colors. Some even prevent you from parking certain types of vehicles in your driveway. So, if you have a special interest, be sure to take the time before you close the deal to explore what you can and can’t do.

- **Three’s an Inspection Team.** When you find your home, visit it several times. You’ll notice different features with each visit. Have your family and friends check it out, too. Get their feedback and listen to what they are telling you. You may be so wrapped up in the excitement of buying a home that you might overlook some flaws.
We had my dad come look at our house before we bought it. He spent most of his time in the basement looking for termite damage and structural problems. It showed me that I had been considering only the superficial aspects. Carol

**The Price You Pay**

*I want to be able to support my house on one income.* Natalie

The first step in buying a home is determining how much money you can afford to borrow. Take a look at how much of your income is already committed to paying off your debts. If the percentages don’t add up, brainstorm other ways to close the gap between spending and income. Do you need to go on a debt diet? To find out, compare your situation against these benchmarks:

- Your consumer debt should be 5% or less of your take-home pay (this includes credit cards, auto loans, and recreational vehicle loans).
- Your total debt should be no more than 35% of your gross income (this includes mortgage, consumer debt, student loans, and anything else).

Also, factor in any big purchases that might be ahead. Will you need a new car in the next three years? Are there any other major expenses you need to save or plan for? Do you have enough in savings to make your mortgage payments if you lose your job?

If you don’t compare favorably to these benchmarks, why not delay your home purchase until you can get your finances under control? Once you do that, decide which mortgage lender offers you the best deal and go through the pre-qualification process.
There are **advantages to pre-qualifying** before you start searching for your dream home:

- You learn how much you can borrow. Generally speaking, your principal and interest payment should not exceed 28% of your income.
- The mortgage lender will uncover any credit problems you may have. By pre-qualifying for the loan, you should have time to fix any problems before you actually need to take out the loan.
- If you have the financing in place, you may gain some leverage with the seller. Most sellers prefer to negotiate with people who are more likely to afford the home than someone who doesn’t know how much home they can afford.
- You will get an estimated closing statement. This will show you all your costs in advance. Expect to pay appraisals, surveys, mechanical inspections, termite inspections and notary fees. Ask questions about any proposed fees you do not understand.

When considering what you can afford, factor in:

- Monthly payment – this is a combination of principal, interest and escrow.
  - Principal is the actual amount you are borrowing.
  - Interest is the amount the bank charges for loaning you the money.
  - Escrow is the amount you pay in advance to cover the costs of taxes, insurance and any other expenses required by the lender.

- Estimated remodeling or repair costs.
- Estimated maintenance costs.
- Appliance purchase, repair and replacement costs.

**Will the home require any repairs?**
We knew how much rent we were currently paying, and we knew how much additional we could afford each month. We referenced a website with a mortgage calculator to determine what we could afford, given current interest rates. We purposely kept our price range below what we could ultimately afford. We didn’t want to become “house poor” especially given the economic climate, job market and our desire to start a family. Karen and Lance

**Finding the Mortgage That’s Right for You**

Timing is everything. The length of time you plan to stay in the house can influence the terms and type of loan you choose.

**Adjustable-Rate Mortgage**

With an adjustable-rate mortgage (ARM), you have a lower front-end payment. The disadvantage is, when the rate adjusts, you may end up paying considerably more for the rate break you got in the early years. That means in future years your mortgage payments could take a substantial hike. The good news is that an ARM can also go down. The direction it goes will depend on many factors and is usually tied to some kind of index (such as the “prime interest rate”). The frequency that rates are adjusted will vary by loan and lending institution. Some may adjust annually, while others adjust every three to five years.

Because the amount of interest you pay fluctuates, explore putting a cap on the amount of the increase. There are two types of caps.

- **Periodic Caps**: This is the highest amount the interest rate will increase during any one adjustment.
- **Overall Caps**: This is the highest amount the interest rate will increase during the life of the loan.

If you don’t like uncertainty, this may not be the loan for you.

**MatriMoney Tip**

Some lenders will combine the closing costs with your mortgage payment. That means you’ll be paying those closing costs (plus interest) for the life of the loan. Do you want to pay these one-time charges this way or can you afford to pay them separately?
Fixed-Rate Mortgage

A fixed-rate mortgage (FRM) makes it easier to plan your budget because you know exactly how much your mortgage payment will be – year after year. FRMs come in a variety of terms ranging from five to thirty years. Which is best for you will depend on many factors including the cost of the home and the amount of your down payment. Some experts recommend setting your loan term for the shortest period possible. Even though a longer-term loan may cost you less each month, in the long run you end up paying considerably more because of the extended interest payments.

If you choose to go for a longer-term loan, make sure there’s no penalty for paying it off early. Try to increase your payments along the way, so you build equity more quickly.

When you meet with your loan officer, here are some questions to discuss:

• What type of mortgage works best for you?
• Which offers the most flexibility within your comfort range?
• How easily can you refinance if the interest rates change?
• What about points (a percentage of the loan amount – usually charged by the lending institution as a fee for providing the loan)?
• What other closing costs are included and are they incorporated into the loan?
• What other options are available to help provide you with the lowest possible term and interest rate?

Remember, the lowest rate is not necessarily the lowest cost. Some lenders will bury a lot of fees upfront so they can offer a lower rate.
Shortly after we were married, we bought the home that we raised our family in. It cost us $12,900. That’s a lot considering Dale’s income at the time was only $60 a week. But it allowed us to be close to the school we wanted the kids to attend. I was in charge of making the house payment. Whenever we saved up some extra money, I took it to the mortgage company. Dale didn’t know I was doing this. One day, I invited him to go with me to make the mortgage payment. Boy was he surprised when he found out that our house was paid for! We paid the loan off early and saved a lot of money that way.

Chris and Dale

Lovelier, the Second Time Around

Once you’re settled in your new home, keep an eye on interest rates. By refinancing your home, you may cut years off of your current payment schedule.

Try your existing lender first. By refinancing with your current mortgage holder, you may not be required to do some of the steps, such as appraisal and survey. That means you could save time and money. Research the interest rates to make sure your lender stays competitive.

When you refinance from a 30-year loan to a 15-year loan, the difference can show in the first several payments. You quickly build equity. If rates continue to drop, you can refinance for 10 years. Imagine the joy you’ll feel knowing you finally own your home. Then you can use the money you’ve been paying toward the mortgage to invest so you can do the things you want to do.

Money Matters

Over the course of a 30-year mortgage, you may end up paying more in interest than the purchase price of the house.
In the late 1990s and early 2000s, we refinanced our home twice. We went from a 30-year term to a 15-year term and ended up paying only $25 more a month. David and Melody

Sure-Fire Insurance

If you are currently renting, hopefully you have some kind of renter’s insurance. This will cover some of your losses in case your personal items are stolen or lost because of a fire or other disaster.

When you buy a home, the mortgage company will probably insist that you have homeowners insurance. Homeowner’s insurance not only protects your possessions but also covers liability and the dwelling.

Research the various insurance companies the same way you did the lenders. Ask your friends for their experiences and if they’ve ever had to file a claim. If you purchase homeowners insurance, personal property and auto under the same insurer, you will probably get some discounts.

When you purchase a home, the lender may offer you some kind of appliance insurance or warranty. Study this carefully and compare the cost of warranty to the repair or replacement costs. Ask, “How likely is the appliance to have a problem?”

At every step of the home-buying process, I asked questions. I usually tried to get answers in writing. I wanted to make sure that I had the flexibility to pay the mortgage off early. I questioned every fee and made sure I understood exactly why I was paying it before I agreed to it. Natalie

Homeowner’s insurance should be a top priority.
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Life Ends, But Love Goes On
Do you have any life insurance, my love?”
Life Ends, But Love Goes On

You Can’t Leave Me Like This!

After the hair-raising, then hair-lowering time spent up in that tower, Rapunzel and the handsome prince spent many years living happily ever after. They built their life together, doing their best to raise their children. The oldest, a daughter, just announced her engagement. Their middle child, a son in his early teens, was already talking about what carriage he should command and had aspirations of going to the finest university. The youngest, a daughter just entering her teen years, had crooked teeth that the royal orthodontist insisted must be fixed.

Life was good, until one day, the prince developed a royal pain that the court’s wisest doctors could not ease.

“If I die, you will inherit all this,” the prince told Rapunzel, sweeping his hand to indicate the castle and all its surrounding lands.

Rapunzel felt her stomach clench. The castle desperately needed repairs. The rooms were so drafty that the cost of last winter’s firewood nearly depleted the royal coffers. The lands were overgrown with regal weeds and it would take a king’s ransom to drain and refill the moat. Still, true love (and the now dwindled marriage dowry) had seen them through so much.

She looked fondly into her prince’s eyes and leaned over to whisper lovingly into his ear, “Do you have any life insurance, my love?”

Can You Afford Not to Invest?

Imagine a gift that no one wants to talk about. Imagine an investment that you hope you never benefit from. Life insurance is definitely not one of the great romantic gifts. But it is a gift of thoughtfulness, security, planning, generosity and concern.
That’s Life?

Perhaps you’ve experienced this scenario: You’re interested in buying life insurance, but you don’t know exactly what kind you want, or if you even need it. You call a friend who’s a life insurance agent and ask for advice.

He begins to throw around phrases like “whole life,” “universal life” and “variable life.” Then he starts talking about cross-purchasing, premiums, convertible terms and lapse termination. Your eyes glaze over. The only thing you know for certain after you talk is that you have a headache. You still don’t know what to do about life insurance.

Life insurance can be one of the more confusing family financial issues. Yet life insurance is also the ultimate emergency reserve fund. If something should happen to you or your spouse, the right life insurance policy can make a significant difference to the surviving spouse and children.

Come to Terms with Life Insurance

*Insurance doesn’t need to be expensive if you buy the right kind.*

*James Stowers*

Life insurance is something every couple should consider … no matter what your age. Even if you are a healthy person, born of a long line of healthy people, accidents happen.

Here’s the good news: Sometimes the best insurance can be the least expensive. There are two main types of life insurance:

- **Term Life Insurance**, which has no inherent cash value; and
- **Cash Value Life Insurance**, which builds up a cash value.

One of the least expensive options is Pure Permanent Annual Renewable Term. Pure Permanent Annual Renewable Term life insurance gives you only life insurance protection. It has no cash value. The “permanent” part means the insurance is
guaranteed to be renewable for life. You only pay the increased mortality cost to the insurance company. That means the older you get, the more expensive the insurance will cost.

Another policy option you might be presented with is Level Term. It is similar to Annual Renewable Term in that it provides coverage only and has no cash value. One of the differences is that the premium does not increase. While this may seem like an advantage, it has one distinct disadvantage – you are locked in to a time commitment ranging from five to 30 years. So if your financial situation changes and you become “self-insured,” you still have a long-term commitment to buy something that you may not need.

We recently switched to a term policy. At first, we got a variable whole life policy as a way to build retirement savings. We didn’t really understand what we were doing. But after a few years, we discovered that was not the way for us to go! Heather

Accidents happen.
Becoming Self-Insured

As you and your children get older, your survivors’ security needs should diminish. Once your kids are out of college and on their own, you don’t need as much life insurance. At some point, you may not even need life insurance because your accumulated assets are greater than your calculated life insurance needs. At this point (“A” in the graph below), you’re “self-insured.”
How Much is Enough?

How do you want your family to live?

If you were to suddenly die, how would you want your family to continue living? Would you want them to continue living in the same home? Would you expect your spouse to continue guiding your children toward your mutual goals and dreams? Consider all the things you would want your family to be able to do, even if you weren’t in the picture. Then, think about how much money they would need to live the way you’d like them to.

How much income does your family need each month?

Use the budget outline in Chapter Four to help you determine your monthly expenses (keep in mind, some of those costs might be reduced if you aren’t there). Assuming your family continues to live in the same house and their monthly living costs remain essentially the same, write down how much they’ll need each month. Next, factor in your monthly contributions to your college savings plan, your emergency fund and any investments you want to continue. Finally, determine if health insurance comes from your work. If it does, then factor in an additional monthly cost for health insurance.

Total the numbers. This is the amount of money your family will need each month to continue their current lifestyle and plans. If you are married with a working spouse, then subtract the amount of income your spouse earns each month from the total. This new number is the amount of money your life insurance policy should provide on a monthly basis.
Another way to determine the amount of insurance you need is to look at the amount of gross income you earn and multiply it from five to 10 times. For example, if your gross income is $35,000 – then you may want to get a policy that pays a benefit of $175,000 to $350,000.

Combined with the surviving spouse’s income, this amount should be enough to:

- Feed, dress and educate your kids
- Pay off any debts that your spouse wouldn’t be able to pay off on his or her own
- Cover the estimated funeral costs and any other costs associated with dying

By doing these calculations and selecting the amount of term life insurance you need, you give your family the financial security they need to continue to live without assuming a financial burden. Because it’s the least expensive, term life also helps you save money, which you can invest in your goals and dreams.

I wanted to have enough insurance so that if we both died we would be able to put our children through college and not be a financial burden on their guardians. Karen and Lance

Disability Insurance – Better Safe Than Sorry
What if you become disabled? Is it worth it to buy disability insurance? This insurance typically covers up to 60% to 70% of your regular salary. Here are some questions to ask about disability insurance:

- Is the plan portable? If the plan comes through your employer, you want to make sure you can take it with you if you change jobs.
- Does the policy have a guaranteed renewal? You don’t want to requalify each year.
- Does the plan include emotional or mental disorders? If you’re in a high-stress job, you may want coverage that includes these conditions.
• What counts as a disability? Does your policy cover you if you can’t work at
your current job, or does it help only if you can’t work at any job? An “own-
occupation” policy covers you for your specific job.
• How long will the policy protect me? The ideal policy pays you benefits until
the decision to no longer work is yours.

Each of our employers pays for one times our annual pay in term life and
term AD&D (accidental death and dismemberment) insurance. Our employers
also offer supplemental term life and term AD&D. We can elect up to five times
our salary. We each have an additional two times our salary in term life and
three times our salary in AD&D. I set it up that way because we believe if one
of us died today, it would most likely be in an accident, not natural causes.
AD&D insurance is significantly cheaper than life insurance. Karen

Make Your Wishes Known

It’s never too early to plan for the future. As unpleasant as it may seem to think
about, this includes a future that may not include one or both of you. That’s why, as a
couple, it is important that you take the time to plan for a smooth transfer of your
estate to the surviving spouse or the next generation.

You’ve worked hard to accumulate your assets, so it makes sense to create an
estate plan to help preserve them. If you own assets such as a car, home, mutual fund
or retirement plan, you need an estate plan – it’s not just for the wealthy. Simply
defined, an estate plan is a combination of legal documents and ownership titles
that help you protect your assets during your lifetime and after your death.

An estate plan can provide peace of mind for you and can give your loved ones
clear direction about your wishes.
With an Estate Plan, You Can:

- Provide for loved ones after your death
- Prepare for the unexpected during your lifetime
- Help ensure the ongoing management of your financial affairs and medical care
- Control the distribution of your assets
- Minimize the impact of estate tax on large estates
- Preserve more of your assets for beneficiaries

Establishing an Estate Plan

You don’t have to be wealthy to have an estate plan; you just have to own assets. With help from experts, such as an estate planning attorney, you can decide how your assets will be distributed after your death.

Having a plan can help you avoid or reduce the estate tax and can increase the assets you give to your loved ones. During your lifetime, you also can plan ahead and appoint people to manage your estate should you become unable to do so because of illness or injury.

Without an estate plan, your wishes for the distribution of your assets may not be carried out, and you could end up with unintended beneficiaries. If you don’t use a will or other method to transfer assets to beneficiaries after your death, a probate judge will decide who receives your assets. If no one claims your assets, they could end up in the state’s possession.

What to Include

Consider making the following documents part of your estate plan:

- **Will**: Creating a will is a good place to begin when developing an estate plan. A will describes how you want the assets that are titled in your name distributed after you die.
• **Trust**: Creating a trust offers many benefits and gives you control over the management and distribution of your assets during your lifetime and after your death.

• **Powers of Attorney**: These documents help you maintain control by naming individuals to oversee your financial assets and medical care should you be unable to make and communicate your own decisions.

### Create Goals That Mirror Your Life

Setting estate planning goals that match your current life status is an important part of your plan. For example, if you’re married with children, you may have a goal to pay for your children’s educations. If you’re married without children, you may be focused on retirement goals and providing for your spouse in the future. If you’re single, you may want to make sure your wishes for your belongings are clearly specified in your plan.

The following are examples of estate planning goals:

- Paying for your children’s educations
- Giving monetary gifts to beneficiaries
- Paying for a relative’s medical bills
- Providing monthly income for a surviving spouse after your death
- Appointing a guardian for your minor children
- Appointing someone to manage your finances should you be unable to do so
- Transferring assets to grandchildren

### Asset Distribution Based on Your Goals

Depending on your goals, you may want to make a one-time distribution – such as a monetary gift of a portion of your assets – to a friend or relative after your...
death. Or you may want to arrange for the continuous management and distribution of assets over a long period. For example, you might want a trustee to oversee the lifetime distribution of assets to a minor child until the child becomes an adult and inherits the balance. Work with your advisors to ensure your assets are distributed in a way that meets your goals.

**Estate Planning Checklist**

The following checklist can help you figure out some of the tasks you may need to complete before you meet with an attorney to establish an estate plan. Even if you have an estate plan, you may need to revise it if you have not completed the items on this checklist.

In most cases, legal documents will need to be created to protect your assets and your wishes. For example, if you name guardians to take care of your minor children, you will have to officially name them in a will.

**Initial Planning: Calculating Net Worth**

- Itemize all your assets and their values so you know what you have.
- List all your debt amounts, such as mortgage and credit card debt.
- Calculate your net worth (assets minus debts) and add the estimated death proceeds from life insurance to determine how much of your estate could be taxable.

**Putting Things in Place: The Will**

- Create a will and list the individual assets you would like to have distributed to the individuals you have named in your will.
- Describe your funeral wishes in a separate document from your will and give those instructions to a trusted friend or family member.
- Name a person (executor/personal representative) to settle your estate.
Planning For the Unexpected: Naming People to Take Charge

- Choose a guardian to care for your minor children should both you and your spouse die.
- Name individuals who could manage your medical and financial affairs should you become incapacitated due to an accident, injury or serious illness.
- Name beneficiaries who will receive proceeds from your life insurance policies and retirement plans after your death.
- Consider adding documents to your plan, such as a trust, for control over the management and distribution of your assets during your lifetime or after your death.

Assessing Estate Tax: Taking Advantage of Exemptions

Some of the things you may want to discuss with your advisors include:

- Transferring assets tax-free to your spouse using the unlimited marital deduction.
- Protecting your assets from estate tax using your applicable exempt amounts.
- Reducing your estate’s value by applying the gift tax exclusion and making annual tax-free gifts.

Remember to review this checklist and your estate plan periodically – especially if you have a major life change, such as:

- Birth of a child
- Adoption
- Divorce
- Death of a spouse
- Death of a child
- Relocating to another state
- Changes in federal and state law

Who will manage your affairs if you are unable?
LIFE ENDS, BUT LOVE GOES ON
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The Priceless Joy of Having Kids - Without Going Broke
She thought it would be easy…
The Priceless Joy of Having Kids –
Without Going Broke

More Than She Bargained For

She thought it would be easy. After all, she’d spent all those months taking care of seven moody dwarfs. Raising one delightful child should be a snap compared to that. But as Snow White and the Prince prepared for the royal birth, she realized there was more to having a child than she had anticipated.

For starters, the bassinette couldn’t be in some large drafty room, filled with tapestries and glaring portraits of once and future kings. No, her child needed a warm, cozy, cheery room. And toys – the royal carpenter had been ordered to create some suitable, educational toys. Then there was the matter of securing the gold for the doctor, midwife and the nurse … Snow White could see the Prince would need to annex another kingdom just to afford this one royal heir.

Feeding an Army

The old woman in the shoe didn’t have time to plan for all her children. Word got around about what a great mom she was, and suddenly, children were everywhere. In fact, she had so many children, she didn’t know what to do! From heel to toe, the shoe was bulging with kids. Feeding so many was difficult, especially when the cupboards were bare. She consulted that girl who allegedly knew how to spin straws into gold. She asked the tailor who had created the Emperor’s new clothes what his secret was. The old woman was beyond planning and into problem solving and adapting.

MatriMoney Tip

A recent USDA survey estimates the average cost of raising a child to age 17 is more than $170,000.
No matter which fairy tale you identify with, children can bring enormous joy and challenges into your relationship. To fully appreciate the experience of parenthood, talk with your partner about how you want to use your money to support the values that guide your life. Understanding, talking through and planning your financial goals together will help make raising children a priceless experience.

Since our baby was born, the house is not as clean as it used to be; the laundry sometimes piles up, the sink always has some dirty dishes in it, the lawn grows longer between mows. We could hire a housekeeper, but we would rather spend that money in other ways. I love being Mama and I chuckle at all the adjustments that come along with it. Alisa

Putting a Price on Priceless

Raising a child is one of life’s greatest rewards. No other experience can provide you the same wealth of joy, love, knowledge, personal growth and compassion. As enjoyable as it is, it also comes with a price. Given the demands, even the most practical and hard-working parents can easily find themselves in time-crunches, money straits and feeling over-stressed. While many parents will try to do it with minimal financial planning, the experience can be more rewarding with a well thought out strategy.

The United States Department of Agriculture (USDA) recently completed a report in which they estimate the cost for a middle income family to raise a child, from birth to age 17, to be about $175,000. This covers things such as –

- Housing
- Food
- Transportation
• Health Care
• Child Care
• Education
• Miscellaneous expenses like personal items, reading and entertainment

This doesn’t include college. With that in the mix, you can easily add another $12,000 - $40,000 per year while they are in college.

If you approach parenthood one day at a time, breaking the $175,000 down, you are spending about a penny a minute on just the basics.

Preparing for and Welcoming the Children

Just in case, we set aside some money each month before I became pregnant, because my insurance plan didn’t cover pregnancy for the first two years after joining. Laura and James

Children come into a relationship in many different ways.

Anna and Jerald had a five-year plan: get married, save up money for three years, buy a house in year four, and have a child in year five.

Claude and Gina were planning on getting married when Gina discovered she was pregnant. They decided to have their child, then get married afterward.

Cheryl and Mark had a three-year plan: get married, start the adoption process, buy a house, and go to India to meet their new child.

Todd fell in love with Diana, a young widow, complete with a four-year old daughter.

We set some simple goals we wanted to achieve before kids came along: home ownership, new vehicles, graduate school for me, and a trip back to London, where we met. Jennifer and Jason
The New Parents’ Perfect Financial Picture

• You have no debt.

• You have cash reserves and assets that you can convert to cash in the event of an emergency.

• Your transportation needs are met. If you drive, you have reliable vehicles, suitable for safely transporting children.

• You have enough money in a savings account, earmarked for child-related expenses.

• You have started a college account and are contributing every month.

• You have maximized your health insurance benefits, so the insurance company pays at least 80% of your costs and ideally more.

• You understand all of your employer’s options for maternity or paternity leaves, leaves of absence and alternative work arrangements.

• You have disability insurance that covers pregnancy and its complications.

• You have term life insurance and you’ve adjusted the coverage so your child will continue to be cared for, should something happen to you.

• Your doting friends and relatives have given you the most important big ticket items, such as an excellent car seat, high chair and crib.

Of course, most of us do not live in the ideal world. That’s why it’s important to understand and prepare for the costs associated with having kids. When you understand the basics, it’s easier to develop a plan to get you through.
Raising a child can be expensive.

**Baby’s First Year**

The USDA estimates the cost of prenatal care, labor and delivery expenses can range from $6,800-$10,600. If you’re adopting a child from a private agency, your fees can range from $4,000-$30,000.

Your first year expenses, including childcare and doctor’s visits, can cost an additional $8,000-$10,000.

While the list of adorable furniture, clothes and accessories is endless, the list of what you actually need is a little less daunting:

- Baby Clothes
- Formula or Food Supplements
- Crib
- Diapers
- Stroller
- Car Seat
- High Chair

Other first year expenses can include –

- Childcare
- Portable play pen that you can also use as a crib
- Furniture and toys

*Raising a child can be expensive.*
We had many people telling us what we couldn’t live without. But we decided to purchase items that matched our values. (The exception was a really expensive diaper bag that I took a friend’s word on ... and I used it once). We researched items that would grow with our child and last as long as possible. We spent a little extra money on a crib that will convert into a toddler bed and, eventually, into a full-sized bed. We purchased a car seat that will last the full time that he needs a car seat. We also decorated his room in a motif that will be appropriate for any age. Laura and James

First time parents tend to take a bigger financial hit than parents who are having their second child or more. That’s because:

• As new parents, you are more inclined to go overboard on your spending. You try to buy your infant the best of everything.

• Additional children can use the hand-me-downs of the first child (of course, if you have older nieces and nephews you might be able to use their hand-me-downs, too).

To put it into business terms, the start-up costs are always higher than the on-going maintenance.

The Childcare Dilemma

In the fairy tales, if there are children, there are also nurse maids, nannies, tutors, cooks, maids and other assistants to keep the parents from getting too royally stressed. In everyday life, we’re lucky if we have parents, family or friends who volunteer a little babysitting time.

Childcare is one of the most challenging decisions facing parents. Whether you’re discussing your first or third child, here are a few questions to ask yourself:
What could I give up in order to have more time with my child?

- How important is it for one or both of you to stay home during the day with your child?
- Will childcare outside of the home have a negative impact on the family finances?
- How important is my current standard of living?
- What could I give up in order to have more time with my child?
- Are there other family members who can help me take care of my child?
- What criteria are most important for me in selecting a childcare provider?
- Where do I find the greatest satisfaction:
  - earning an income to provide for my family; or
  - being at home with my family and taking care of their needs?

Here is how two couples handled it:

*My husband is a musician and teaches private lessons, as well as plays gigs. The gigs are mainly at night and on weekends. He teaches from about 3:00 until 9:00, Monday through Friday. Since my work schedule is flexible, I go in the mornings. We don’t have to put our baby in day care; we get to spend more time with him and don’t have to pay the astronomical prices other parents do. My parents also live in town so they are able to look after him, too. While I know that we are incredibly lucky, we also planned on being able to do just this. We have found a perfect balance.*  
Laura and James
Our daughter attends a professional childcare center near our home. It is a day-care that transitions to preschool. We are very happy with our choice. We based our childcare decision on:

- Word-of-mouth recommendations from friends with similar values
- Located near our home so the pick up/drop off responsibility could be shared equally
- Educational programs, one-on-one interaction, experience of staff, cleanliness of facility, opportunity for exercise, meal plans and educational activities.
- Sick, vacation and time off policies – and how that would impact us as working parents
- Price
- Gut instinct
- Financial impact: $7,000 annually

Jennifer and Jason

The Price of Employment

Many couples struggle with whether or not they can afford to have a stay-at-home parent.

To see how much your salary is really worth, try identifying your major work-related expenses by tracking them for a couple of months. This will help you determine exactly how much it costs for you to be employed.

Write down your expenses as they happen and use this chart to keep track of them:
<table>
<thead>
<tr>
<th>MONTH:</th>
<th>Childcare</th>
<th>Commuting</th>
<th>Clothing/Grooming</th>
<th>Food/Snacks</th>
<th>Dues</th>
<th>Incidentals</th>
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While you’re doing this exercise, ask yourself these questions:

- Am I earning enough to justify working, or is my salary simply paying for the opportunity to work?
- If I didn’t work, would the family need to replace my salary, or would my time at home offset the loss of income?
- Am I happy with the way I spend my work-related time and money?
- Are there ways to reduce my work expenses and make better use of my money?
- Is my income worth the price I pay in time and energy?

If you find that the trade-off from working does not balance with the time and commitment you want to make to your family, you might want to consider some of the following options:

- Find another full-time job that is more flexible and parent oriented
- Ask for flex-time
- Job share
- Telecommute
- Work part-time
- Start a home-based business
- Quit work and live on one income

Start a home-based business.
School Daze: The Soaring Cost of College

The costs of college continue to rise each year, which means you’ll need to save enough to keep up with the loss in the value of a dollar (inflation).

The earlier you begin investing for your child’s education, the more time your college savings or investments have to grow. The easiest solution is to start your savings plan in conjunction with the birth of your child.

If you put off starting your college savings until your child is older, you can still reach your goals; however, you will have to invest more money per month to do it. For example, if you start investing when your child is four, you will need to increase your monthly savings by 50%. If you start when your child is in the eighth grade, you’ll need to save three times more per month.

In Chapter Eight, we talked about compounding. Let’s take another look at that concept here.

The amount of money you accumulate through compounding depends on two critical factors: time and the annual rate of return. Time is one of your most powerful allies when you invest – the longer you let your money work, the greater your chances are for long-term financial success. By putting your money into investments that achieve a higher rate of return, the less money you must set aside.

Let’s say when your child is born you make an initial investment of $100 and then make a commitment to add $100 each month. Here’s what would happen:

### Compound Results of a One-Time Investment of $100 + $100 monthly

<table>
<thead>
<tr>
<th>Compounded Monthly</th>
<th>5 Years</th>
<th>10 Years</th>
<th>15 Years</th>
<th>20 Years</th>
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</thead>
<tbody>
<tr>
<td>At 6% Interest</td>
<td>$7,147</td>
<td>$16,652</td>
<td>$29,473</td>
<td>$46,766</td>
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<tr>
<td>At 8% Interest</td>
<td>$7,546</td>
<td>$18,639</td>
<td>$35,165</td>
<td>$59,787</td>
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<tr>
<td>At 10% Interest</td>
<td>$7,973</td>
<td>$20,926</td>
<td>$42,238</td>
<td>$77,302</td>
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<tr>
<td>At 12% Interest</td>
<td>$8,430</td>
<td>$23,564</td>
<td>$51,057</td>
<td>$101,004</td>
</tr>
</tbody>
</table>
Earning 12% interest, at the end of 20 years, you would have $101,004. Your total investment would be $24,100 ($100 initial investment + $24,000 ($100/month for 240 months)). Think about how much college is going to cost when your child is ready. Doesn’t starting early sound like a good idea?

We waited more than five years after we were married to have children. That way we could establish our relationship as a couple and reach a certain level of financial security. Sending them to college was important to us. Before our children even started kindergarten, we invested to cover the cost of their entire college education at competitive private colleges. Roanne and Adam

Planning Your College Investment Strategy

When planning your college investment strategy, one of the important decisions you will make is choosing the most appropriate type of investment for your situation. Here are some questions to ask yourself and information to help you with the decision-making process.

Will I use the investments exclusively for college expenses?

Some of the popular investment options to pay for college expenses include:

• 529 Plan
• Coverdell Education Savings Account (CESA, formerly the Education IRA)

Before making any investment, you should consider consulting with a trusted financial advisor who can help you understand and explain the many benefits.

Do I need an investment account that offers multipurpose uses?

You have a couple of options if you want to invest in an account for multipurpose uses.

If you open an account under the Uniform Gifts/Transfers to Minors Act (UGMA/UTMA), the money in the account must be used for your child’s benefit, whether for education or other expenses. The account will be registered in your child’s
name with you or another adult acting as custodian. Your child is the legal owner of the UGMA/UTMA investments and gains control of the account at a set age defined by your state (usually 18 or 21).

If you want the investments to be available for miscellaneous expenses and you want to maintain control of the account, you may want to consider opening a regular, taxable account in your name. This option allows you the most freedom with your investments; however, you lose the tax benefits that the other account options offer.

**Should I use my traditional or Roth IRA for college expenses?**

It’s possible to use your traditional or Roth IRA investments for college expenses; however, this may not be the best option for you. Remember that investing for your retirement should be your primary goal when you open a traditional or Roth IRA.

**Consider Financial Aid Programs When Planning for College**

Doing your research and applying for financial aid, if needed, are crucial steps in your college planning.

**How Financial Aid Eligibility is Determined**

**Federal financial aid**

The first step to determining eligibility for federal financial aid is to complete the Free Application for Federal Student Aid (FAFSA), available at www.fafsa.ed.gov. The U.S. Department of Education uses this application to calculate your Expected Family Contribution (EFC), which measures your family’s financial strength or ability to pay for college.
Colleges then use your EFC to determine if you will receive funds from federal financial aid programs and, if so, how much aid you will receive. The college will prepare a financial aid package to help meet your financial need (the difference between the costs of attending the college and your EFC).

If your student begins college in the fall, you should apply as soon as you can after January 1 of the same calendar year. March 1 is generally the priority deadline for many colleges. It’s important to apply early since financial aid is awarded on a first-come, first-served basis. It is easier to complete the FAFSA after you complete your tax return for the previous year because you need your income information for the FAFSA.

Financial aid from states, colleges and other sources
Financial aid is also available from states, colleges and other sources. The procedures and deadlines for these financial aid programs may be different from the federal programs. Contact college financial aid offices directly for more information or answers to your specific questions.

Types of Financial Aid
There are three main types of financial aid:

- **Grants and scholarships.** These do not have to be repaid. Grants may be issued by the federal or state government or the college. There also are grant and scholarship programs from other groups, such as foundations, community organizations and companies. Some grants and scholarships are awarded on the basis of financial need, such as the federal Pell Grant, while others are based on merit. Be sure to research each program’s requirements and apply for as much assistance in the form of grants and scholarships as possible.
• **Loans.** The majority of financial aid is given as loans, which must be repaid. Most of these loans are low-interest and are available for both students and parents. Loans are either subsidized or unsubsidized. A subsidized loan is awarded on the basis of financial need, and no interest accrues until repayment begins six months after graduation. With an unsubsidized loan, interest accrues while the student is still in school. Repayment generally does not begin until six months after graduation; however, the student may choose to pay interest along the way.

• **Work-Study.** This is a federal program offered through colleges to employ students who have financial need in an effort to help them pay for education expenses. Students work part time on campus in paid positions such as library clerks and cafeteria workers or in approved off-campus community service programs.

**Your Investments Affect Eligibility**

Your investments may affect how much financial aid you or your student can receive. Your financial aid eligibility will depend on your family’s financial circumstances at the time you apply for assistance.

Investments such as a Coverdell Education Savings Account (formerly the Education IRA) or an account in a 529 Plan may be considered assets of the account owner for the purposes of determining aid eligibility. A financial advisor can provide further information about the specifics of a college investing plan and financial aid.

*When the child has money in his name, getting scholarship money can be difficult. Therefore, we will be gifting property and stock to our children after they have applied for financial aid. They can then sell the gift at their tax bracket and use the funds for tuition. This plan lets us maintain flexibility, even if the tax laws change.*  

*Alisa*
We had different styles of controlling and raising our children. I over-reacted to everything, and Keith under-reacted to everything, so we disagreed with how the other one handled things. After a lot of private discussions, we found the solution – we learned to meet in the middle. After that, we had an easier time agreeing on what should be done. Now our children are grown and we both have a good relationship with them.

Kathy and Keith

Beyond Gymnastics: The Parental Balancing Act

When I analyzed my time, I realized I was spending too much time shopping and preparing food. My husband and I both wanted to eat healthy meals, but the time spent preparing those meals was overwhelming. I wanted to translate some of that time into more quality time with my kids. I found a local nutritionist who creates custom meals for health conscious families. She even delivers the meals weekly. This decision has given me an extra hour to hour and a half each day to spend with my children.

Caroline

Remember the White Rabbit, holding out his pocket watch and worrying about how late he was? That feeling of being late and falling behind often plagues parents. Is it possible to feel like you have enough time to connect with those you love – your children, your spouse, your family – and do the things you enjoy, like work and your hobbies? And don’t forget the things you have to do, such as working, cleaning, paying bills, doing laundry and shopping.
You may want to revisit your priorities. Keep a time journal for five days, tracking the hours you spend doing each of your many activities. Include time you spend:

- Commuting to and from work
- Working
- Being with your children
- Connecting with your spouse
- Doing housework and home maintenance
- Grocery shopping
- Preparing and eating meals
- Running errands
- Connecting with friends
- Enjoying time with family
- Being involved in community or religious activities
- Renewing yourself

Our current dilemma is getting our grown sons to understand that once they move out of the house, it is no longer up to Mom and Dad to pay for their vacations. And just because Mom and Dad go on vacation, does not mean they are invited. We do not want to sound mean, but after the kids move out, they need to learn to take care of themselves.

Donna and Steve
Does the way you spend your time support your marriage and parenting values? As you figure out your balancing act, here are some questions to consider:

- Where can you delegate, get some help and save some time?
- What can you do without to reduce expenses and, hopefully, gain more family time?
- What necessary tasks can you do together as a couple or family?
  - How can you stay connected with your spouse?
  - How can you have some personal renewal time?

Being a parent means you are going to be pulled in many directions. It may seem obvious, but the bottom line is you should spend your time and money in ways that uphold your personal values and reflect the characteristics you want your children to inherit.

Figure out your best balancing act.
When I was growing up, Sunday was our family day. We didn’t have friends over; we didn’t do chores. We hung out together and took turns picking some activity everyone would like. Before I had my daughter, I thought the notion of a family day was a bit old-fashioned. But now I have brought this day back into my life – a whole day dedicated to just being with my husband and daughter. It’s wonderful, and it eases my frustration at not having more time during the week. The house is messier, of course, and I have to work a little harder on Monday to get all caught up. But it’s worth it. Laticia

After years of negotiation with my husband, I recently hired a home cleaning service. He is already seeing the benefits. I spend 10 hours a day minimum away from home. For the short time I’m at home, providing dinner and a stable bedtime routine is about all I can manage successfully. So I am tickled HOT pink with happiness that we now have cleaners who come in once a month and clean my house from top to bottom. Jennifer

The way you use time and money should support your life.
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Chapter 13
The High Cost of High Living
Much of your disposable income will be used to pay back your debt.
The High Cost of High Living

Just as in Chapter Seven – Going for Broke, because of its strong association with personal bankruptcy, we are intentionally making this a very short, but informative, chapter.

Unlike Chapter 7 bankruptcy, where much of your debt can be wiped out, Chapter 13 bankruptcy provides you a way to reorganize your financial situation so you can pay back some or all of your debt. Depending on what the court decides, you will make payments over a three to five year period.

Recent changes in bankruptcy laws may determine which type of bankruptcy you can file. If your income is above average compared to others in your area, your only option may be Chapter 13. This means you may be required to surrender much of your "disposable income" each month in order to pay back your debts.

If you file for bankruptcy under Chapter 7, your debt will be erased, but you also surrender your assets – leaving you with just enough to start over. Under Chapter 13, your assets are protected to a certain degree. That means Chapter 13 may help prevent a creditor from foreclosing on property like your home. It also means you can negotiate with your creditor to make payments based on the fair-market value of an item, not the outstanding loan amount. So, if you still owe $15,000 on your car and the car is only worth $10,000, you can ask to have the loan reduced to $10,000.

Either way, filing for bankruptcy should be considered a last resort and used only after you’ve exhausted all other options to free yourself from debt.

I don’t want money. It is only people who pay their bills who want that, and I never pay mine.

Oscar Wilde
Marriage Beyond Money
You don’t need a lot of money to enjoy each other.
Marriage Beyond Money

Throughout most of this book the focus has been on money and the impact it can have on your relationship as a couple. This chapter takes a quick look at marriage beyond money.

Though your playground days are over, most couples see-saw up and down, trying to keep their lives in balance.

You don’t need a lot of money to enjoy each other and deepen your connection. You do need some discipline, a commitment to the relationship and willingness to compromise.

Dani and Rob were each very successful – he managed a string of bed and breakfasts, and she was a high-powered management consultant. When they fell in love, they both wanted to change careers. They decided to create a coaching business together – offering relationship coaching.

“This is the work I have always wanted to do,” Dani says. “And I love doing it with Rob.”

They created workshops and saw individual clients. They got positive feedback from everyone who attended their sessions. But that positive feedback was not enough.

“After three years, we still weren’t making enough money to live on comfortably,” Ron says.

Both had invested in the business, and both were subsidizing their expenses out of their savings.

They decided together to give themselves a deadline – then quit the work they both loved and pursue another career.

“Even though we are not happy about our money situation, we are completely aligned in what we need as a couple,” Dani says. “Going through this has made our relationship stronger than ever.”

I don’t care too much for money, money can’t buy me love.

John Lennon
Compounding Love

By now, you probably have a good understanding of the magic of compounding as it applies to money. But did you know that compounding can also help your relationship grow? All you have to invest is one minute a day.

You are living with the most wonderful person in the world. Yet, most of us periodically overlook the wonders of our beloved. We are temporarily distracted by the glob of toothpaste left in the sink, the mud on the rug, the laundry basket full of clothes from last week, or the recycling that is piling up in the garage.

These ordinary incidents can grow to extraordinary proportions if you don’t make the effort to overlook the annoyance and seek out what you appreciate about your spouse.

Focusing on each other’s good qualities and showing your appreciation can keep your spirits blooming and your marriage strong.

By focusing on the positive aspects of your relationship, and doing it on a regular basis, over time you can compound and increase your love and appreciation for each other. Soon, what were annoyances are just recognized as one of those “quirky things” you love about your spouse.

If you have children, they too thrive when you focus on their good aspects.

George was a hard-working, responsible husband and father. He was in charge of the family finances. He saved their money and when he invested, he put their money into real estate.

The tax laws changed, and George was not informed of the new tax liabilities. Consequently, the family accumulated a huge tax debt. To cover the debt, the family was forced into bankruptcy. He and his wife had to sell the spacious home they raised their children in and move to an apartment. Once they had regained some financial stability, they bought a modest house. They continued to cut back on spending so they could pay their tax debt.
At first, George was crushed by this unexpected financial devastation and the pain he had caused his family. But, with the help of his wife and kids, he quickly adapted and began focusing on the positive aspects. Because the new home was small, he and his wife were in the same room more often. It felt good to spend more time together and the whole experience brought them closer. His children and friends rallied. They contributed small items to the new household, giving the whole family a sense of connection and community.

“I became grateful for what I have now, instead of simply taking it for granted,” he says. “And my smaller house and yard gives me more time to be creative.”

**A Weekly Date Makes the Relationship Great**

It’s Friday night and you’ve worked a long, hard week. Your whole body, including your brain, feels like a plate of overcooked macaroni. All you want to do is go home, order in pizza and finish reading the novel you started last week. The two of you melt into easy chairs and fall asleep ten pages into your books. Then Saturday, there’s dinner with the relatives. And Sunday is chore day. You are spending time together, but it’s not quality connecting and dating time.

Many couples find having a weekly date keeps them connected and the relationship fresh. A date gives you both something to look forward to. This weekly outing doesn’t need to be fancy or expensive – it just needs to be a time dedicated to the two of you.

Once you make a commitment to have a weekly date, your friends and relatives may start tempting you with other activities. You might think, “Just this one week, let’s reschedule our date.” Or, “It won’t hurt to go for a week without a date.”
But it does hurt.

“In the beginning, it was hard to keep our date time sacred,” Sandra says. “We’d give in to friends who wanted to do something with us. We figured we’d make up the time together, but we never did. Without that one-on-one time together, our relationship was different. Getting away is essential for the health of our relationship.”

Here are some dating ideas:

**New Tastes**

“We like to try new restaurants,” Sherry says. “We take turns picking a restaurant and surprising the other person. If we go to a familiar restaurant, we try to taste different things. For us, the evening is about relaxing into a good meal, sharing a new experience, holding hands across the table and remembering why we adore each other.”

**Experimenting with the New**

“We like to try new things,” George says. “Each week, we look at the Sunday paper, studying the listing of concerts, plays and classes that are coming up. We pick something that interests both of us. By being open to new experiences, we’ve gone to the opera, classical guitar concerts, yoga classes and a lecture on international politics. Each time, we’ve expanded our horizons, been in a new group of people, and given ourselves new topics to discuss.”
Seeing Other Lives

“We love to go to the movies,” Brad shares. “Afterward, we go have coffee and dessert to talk about the experience. We like to really notice what was going on in the film and see any parallels to our lives or beliefs. From there, we talk about all kinds of things. It opens our minds and makes for a stimulating, exciting evening.”

Stepping Outdoors

“For us, being in nature is important. We have a standing Sunday afternoon date to do something outdoors,” says Albert. “We like to hike and we explore different walking paths and nature areas around the city. We combine the walk with a picnic in good weather and dinner out during the colder times. If it’s raining, we’ll go to the gym or bowling.”

Being Great Sports

“Sports are our passion. We love going to sporting events and rooting for our teams,” says Dylan. “It’s fun and we love getting all excited when our team does well. If they lose, we comfort each other. If there’s nothing live, we make a TV date, either at home or at a sports bar, to watch a game together.”

The Garage Groupies

“Our idea of a great time is going to garage sales.” Linda says. “We give ourselves a spending limit and we have fun seeing what other people are selling. It’s like a glimpse into another world. Sometimes this even inspires us to go home and bundle up things we don’t need anymore.”
Cooking up Love

“We love cooking together,” Lawrence says. “We subscribe to several food magazines, and each week we pick out recipes we want to try. Our date begins by going to the store together to buy the ingredients. When we get home, we open a bottle of wine and have a lovely afternoon creating a magnificent dinner for ourselves. Not every meal is a success story, but we still have fun spending time together. We save the recipes that are really good and use those to cook for a gourmet group we belong to.”

Libby’s mother was very impressed by her daughter’s marriage to a medical student. But she was not impressed when several years later her wonderful son-in-law, the successful doctor in a big city practice, suddenly announced he was taking a sabbatical to try his hand at writing.

Libby was surprised too – but she had to admit it was only fair. They had always taken turns supporting each other. She worked all during his medical education. Then he took over while she got her master’s and PhD in music. Could they now live on the salary of a music professor while he tried to discover his writing skills?

“One of the things we have learned from our marriage is adaptability. I don’t want to stifle him and he doesn’t want to stifle me. If we have to eat mashed potatoes and green beans for a couple of years, that’s all right with us.”

The couple let all their friends know of their decision. To show their support, they took turns hosting Friday night pot lucks.

“The value of good friends is priceless,” says Libby. “Our wealth comes from those relationships, not the money we earn or things we own.”
Here are some other dating ideas:

- Explore your home town. Pick a different area every week to walk around. Look at the houses, businesses and the neighborhood. How does this compare to your own neighborhood? Look for areas that provide the greatest amount of diversity to where you live so you can see your city in a totally new way.

- Deepen your relationship and your creativity by practicing an art form together. Play with water colors, pencil drawing or painting. Have fun writing together by doing writing exercises such as, “My first day at school,” and others listed in Natalie Goldberg’s *Writing Down the Bones* and other writing books.

- Explore your spirituality by visiting different religious services, celebrations and lectures. Use these as a springboard to discuss your own feelings about the religion you practice and to understand how another religion meets the needs of its participants.

- Dream and set goals together. Buy a travel magazine or look at the new homes section of your newspaper. Then go to a coffee shop. Talk and dream about exotic places and the latest home trends.

- Read aloud to each other. A glass of wine, a loaf of bread and a book of poetry can create a wonderful and romantic date.

*Explore your home town.*
Creating a Team Makes Life a Dream

Some weeks you have so many responsibilities, both work and household, you feel like you barely have a spare moment to focus on yourself, let alone the relationship. In addition to special “date nights,” look for activities and chores you can enjoy doing together.

The Work-Out that Works

“We love going to the gym together,” says Sarah. “He knows different machines and exercise routines so I always learn something new. Plus, it’s fun exercising together.”

The Grocery Stroll

Instead of racing through the grocery store several nights a week after work, make it a Saturday morning adventure. Start out with coffee, breakfast and conversation at a café. Then have fun picking out the foods for the week.

The Clean Couple

There’s no reason why you can’t have some good clean fun at least once a week. Put on some of your favorite dance music. Divide the household chores (maybe he sweeps and mops and she vacuums and dusts). Turn up the music and dance your chores away. Then take a break. Working together can take the boredom out of chores.

A Meeting of Minds

Create a book club for the two of you. Together, choose a book that you would both like to read. Agree to meet after a month (or whatever amount of time you prefer) to discuss the book selection. If you continue over a year’s time-span, you should have the opportunity to have serious conversations about several books.
Do It Yourself, Together

Create your dream home, one room at a time. It’s fun to think about what would make your living space even more livable. Start with one room, such as your bedroom. What would transform it into your mutual “dream bedroom”? Pick color palettes, rearrange furniture and create a “makeover” plan incorporating both of your ideas. Then, set aside some times to work on the project together. When you’re done, why not celebrate your success with a special moment in your new space?

Giving Each Week Lets Your Heart Speak

Helping others strengthens your connection with each other and increases your appreciation of what you have. In addition, it helps you develop a bond with others in your community. Here are some ideas to help you share your heartfelt compassion:

Family and Friends First

Think about your family and friends. Who needs a little cheer, encouragement or help? Who needs a little surprise? Pick out someone each week and do a little something extra for him or her. Send a card, email or letter. Put a small care package in the mail. Make a phone call together. Pay a visit. Offer to help someone who is moving or is recovering from an illness. The pleasure of giving together can increase your respect for each other.

Become a Volunteer

Look for interesting volunteer opportunities you can experience together. You might want a one-time experience or you might enjoy working with an organization on a weekly basis. One couple does literacy tutoring every Tuesday evening. Another couple works at a local children’s hospital one Saturday a month. One couple co-teaches a Sunday School class. Another works together at the recycling center. Volunteer activities like these can help you work together and better understand each other’s values.
Tithing Together

“We don’t have a lot of money to donate, but we have a lot of fun analyzing where we want our money to go,” says Mellie. Some couples collect the solicitations that come in the mail and go through them together every month. Then they select one or two they believe are worthy and make a donation. Other couples look for purely local causes, visiting places that appeal to both of them and donating accordingly.

“We both love animals. It’s a very meaningful experience for us to write a check to the local animal shelter. Even though our contribution is small, we know it makes a difference,” says Gordon.

Celebrate Your Life

Now that you’re officially a couple, you may find that you’re torn between whose family you’re going to spend the holidays with. Sure, you had those questions when you were dating, but now that you’re married, you want to start creating celebrations and rituals of your own.

Creating a New Holiday Ritual

Select a holiday that you both like. Discuss how you can create your own meaningful celebration. Perhaps you want to have a Fourth of July celebration. Maybe you want to start a New Year’s Day brunch ritual. Create something that satisfies both of your needs. Think about how you’ll incorporate food into the celebration. If his family always had fried chicken on the Fourth, and yours always had pecan pie for dessert, add both foods into your holiday.

“We love entertaining together. I like to create the decorations. He likes to pick out the music. We both like to cook, but thankfully he is wonderful at preparing the main dish and I adore the salads and desserts. We have loved starting our own celebrations and blending our families and friends.”
Creating Your Own Special Celebration

Along with the occasions that everyone celebrates, you have moments of your own to honor and celebrate. Your first date, your first kiss, the day you were engaged. Select a momentous occasion to celebrate together. Your celebration can be simple, but honoring your magical memories helps keep the relationship fresh and the two of you closer together.

The Bottom Line

The bottom line to living happily ever after isn’t found in your financial statement – it’s found in your heart. And while a healthy portfolio may be something you both desire, it is only a small part of what makes a blissful marriage.

Marriage is made up of many parts and it’s the sum of these parts that creates the relationship. Each of you comes to the relationship with your own history, beliefs, dreams and traditions. Like a tailor who sews many pieces of fabric together to create a fine suit, you too must sew together the different parts of your separate lives in such a way so that you create a mutually agreeable life that fits both of you equally.

Can you do it?
With love, patience, understanding, communication and respect – Yes, You Can!
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GLOSSARY:
Words and terms used throughout this book have been defined here with simple explanations. More detailed definitions may be found in financial dictionaries.

account – term used to describe money held by a bank or an investment company for the depositor.

allowance – a planned sum of money (either given on a regular basis or for chores done) that helps children learn money management.

annual report – a yearly record of an organization’s financial condition distributed to shareholders. Included in the report is a description of the organization’s operations, balance sheet and income statement.

appreciation – an increase in the value of an asset (such as a stock, bond, mutual fund or real estate) over time.

asset – anything that can be sold or has an exchange value. This includes savings, property, stocks and collectibles.

ATM (Automated Teller Machine) – a machine at which people can perform banking transactions, such as withdrawing, transferring or depositing money from their accounts.

barter – to trade articles and services without using money.

bond – a security that obligates the issuer to pay the bondholder a specified sum of money, usually at specific intervals, and to repay the principal amount of the loan at maturity. Bondholders have an IOU from the issuer, but no corporate ownership privileges, as stockholders do.

budget – a financial plan in which income and expenses are estimated and compared for a specified time period.

capital gains – the positive difference between the purchase price and the selling price of an asset; a profit from the sale of investments or property.

certificate of deposit (CD) – a type of federally-insured savings account in which a depositor agrees to lend their money to a bank for a predetermined amount of time. Cash withdrawn prior to the maturity date may incur a substantial penalty.

check – a written order to a financial institution to pay a specified amount of money to a particular person or company from money in the depositor’s account.

checkbook balancing – the act of comparing the numbers in your checkbook against those on your bank statement to make certain neither you or the bank has made an error.

common stock – units or shares of a public corporation which are available to be purchased by the public. Purchasing shares of common stock is considered an owner investment.
compounding – when your money earns interest, not only on the principal, but also on any interest that was earned earlier. For example, if you have $100 growing at 10% per year, it will be $110 in one year (having increased by $10), and then $121 in the second year (having increased by $11), and $133 in the third year (having increased by $12).

consumer – a person who trades their money for goods and services.

coupons – certificates offering discounts on goods or services.

credit card – a plastic card issued by a bank, retail store or other creditor giving consumers the right to purchase goods or services and pay for them later. Most credit cards offer a grace period during which interest is not charged. After that, consumers are charged interest on the balance until it is paid off.

currency – any kind of money that is used as a form of exchange.

custodian – the person (usually a parent) who is responsible for a minor child’s savings or investment account.

deposit – cash, checks or securities given to a bank or other institution for credit to the customer’s account.

discount broker – a stockbroker who buys or sells your stock or bond orders but, unlike a “full-service broker,” does not give you advice on your investments.

diversification – buying securities of different investment types, industry types, risk levels and companies in order to reduce your level of risk (or loss) if something should damage the business of any one of your investment holdings.

dividends – money a shareholder receives from a company as a result of the company earning a profit.

Dow Jones Industrial Average (the Dow) – an indicator showing generally how the stock market is going. The Dow is an average of the prices of 30 stocks which represent a wide array of industry types.

electronic transactions – financial dealings that are made through the use of computers.

expenses – the amount paid for goods and services.

Federal Deposit Insurance Corporation (FDIC) – this federal agency insures (within limits) your funds on deposit in member institutions. Banks and institutions pay the FDIC to insure individual deposits and protect their customers from possible loss.
Federal Reserve – a system of 12 regional reserve banks. Each Federal Reserve bank monitors the commercial and savings banks in its region to make certain they follow industry regulations. The reserve banks act as depositories for member banks in their regions, providing money transfers and other services.

fixed income – an investment that pays a predetermined rate of return, such as a bond, CD or savings account.

gross pay – total amount of a salary before taxes, insurance, benefits and other expenses are taken out.

income – money earned from work, investments and the sale of goods or services.

interest – the cost for the use of borrowed money paid by the borrower. For example, you receive interest when you allow a bank to use your money. You pay interest when you borrow money from a bank.

investment – using money, time or energy to create more money or reach a goal. Investments can either be financial (where money is invested to reach a financial goal) or can be an investment of time, talent and effort on the part of an individual (such as an investment in a college education to achieve future career success).

lender investment – an investment in which a bank or financial institution borrows your money in exchange for a set sum of money (interest). At the end of the loan period, the full amount you lent is returned to you. Examples of lender investments include savings accounts, CDs and money market accounts.

liability – debts or financial commitments.

liquidity – the ability to convert your assets into cash. The easier it is to get cash from an investment the more “liquid” the investment.

loan – a transaction in which an amount of money is borrowed for a specified period of time with the agreement that the money will be paid back to the lender within a certain time period. The loan often involves interest paid to the lender by the borrower.

mentor – a wise and trusted counselor or teacher.

money market – an account which invests in short-term investments (such as CDs and treasury bills) and offers checkwriting abilities. Typically, money market accounts require a minimum deposit and limit the number of checks that can be written over a given time period. Funds are available to depositors at any time without penalty.
mutual fund – a professionally managed investment portfolio that offers individuals the ability to invest in a collection of stocks or stocks and bonds put together for a specific goal, such as growth, income or capital preservation.

negotiation – the act of talking to others with the hope of gaining a more favorable deal on a purchased item.

net pay – the amount of salary received after taxes, insurance, benefits and other expenses have been taken out.

owner investment – an investment in which you become part (or full) owner of a business or property, thereby sharing in some of the risks and rewards of ownership. Examples of owner investments include mutual funds, common stocks, real estate and collectibles.

profit – a positive difference between the purchase price and selling price. If the selling price is higher than the purchase price, there is a profit.

resource – individual assets (such as money, property, other people, talent or skill) that can be used to support or help you reach a goal.

return – used to describe the money made (or lost) on an investment.

risk – the probability that an original investment might drop in value; the chance of non-payment of a debt.

savings – money that is held or collected for future use.

share – a single unit of ownership in a corporation or mutual fund.

shareholder – a person who owns stock (or shares) in a company.

stockbroker – a person who facilitates the buying and selling of securities, such as stocks or bonds. As payment for services, commission is collected based upon a percentage of the value of the transaction or assets.
Dear Reader:

While reading and using this book, we encourage you to contact us with your experiences, suggestions and comments so we may further help other newlyweds achieve their dreams. Please contact:

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ABOUT THE CREATORS

Sam Goller
Frequently quoted by media around the country, Sam Goller is also the author of the award-winning book, *Yes, You Can... Afford to Raise a Family*. Sam is the national spokesperson for Achieve Financial Independence Week™ - an annual celebration that takes place the third week in October. He is a firm believer that with determination and an understanding of the essential facts about money, anyone can be financially independent.

Deborah Shouse
Love and money are two of Deborah Shouse’s favorite topics. In addition to contributing to other books in the *Yes, You Can...* series, Deborah also writes a weekly *Love Stories* column for *The Kansas City Star*. Her personal essays and articles have appeared in *Reader’s Digest, Newsweek, Woman’s Day, The Washington Post, Family Circle* and several of the *Chicken Soup* books. Deborah has authored several business books and memoirs and is the co-author of *Antiquing For Dummies* and *Making Your Message Memorable: Communicating Through Stories*.

ABOUT THE ILLUSTRATOR

Paul Coker, Jr. is a freelance cartoonist from Santa Fe, New Mexico. His drawings appear regularly in *MAD Magazine* and on Hallmark greeting cards. He has also developed characters for Rankin/Bass television productions, including “Frosty the Snowman.”

BOOK DESIGN BY
FRANK M. ADDINGTON
No matter how close two people may be as a couple, one issue may pull at the fiber of their relationship ... money.

Happily engaged couples know they are emotionally compatible, but what about financial compatibility? Yes, You Can... Achieve Financial Harmony will help couples come together as partners for life and prepare them for the financial reality ahead.

Although it may not be the most romantic discussion, the rewards of sharing and understanding each other’s financial values will help create an environment where love can blossom and prosper.

Here’s what people are saying about Yes, You Can... Achieve Financial Harmony:

“This is a great guide on the basics of finances in married life. It should be required reading with every marriage license.”

REBECCA FRAME, Married 10 years

“This is perfect for newlyweds. It combines wit and humor with solid financial tactics.”

PAUL DOERING, Minister, Married 52 years