

Y-WoW Nation

Scripture: "When someone has been given much, much will be required in return; and when someone has been entrusted with much, even more will be required." (Luke 12:48 NLT)

Smart Money

During the first season of her reality TV series "Braxton Family Values", R&B Star Toni Braxton revealed information about the current financial woes which she is trying to overcome. Unfortunately, the songstress is no stranger to this type of trouble. In the 90s, during the height of her career, she filed bankruptcy as a result of mounting debts due to creditors and taxes owed to the government. Regrettably, many of her contemporaries have found themselves in similar situations. Actor Wesley Snipes is currently serving a prison sentence after losing a bitter tax battle with the IRS. Actor/comedian Chris Tucker has also sparred with Uncle Sam over taxes recently. And actor/comedian Sinbad is trying to rebuild his life after suffering a litany of setbacks including divorce, bankruptcy and a tax dispute with the feds. As these celebrities have learned the hard way, the tax man cometh. Unfortunately, that's not all that cometh. Recession, unemployment and health issues also cometh. A health issue is part of what led to Ms. Braxton's current financial crisis. A few years ago, she was diagnosed with the disease Lupus which affected her ability to perform live shows. That in turn led to her losing a lucrative contract to perform live at the Flamingo Hotel in Las Vegas. The resulting loss of income is what triggered the songbird's latest descent into dire straits.

Experience is a good teacher especially when you can learn from the life experiences of others. That's precisely what you should do in this case—learn from the successes of smart money managers and the failures of folks who've suffered a setback or two in their financial lives. Below you'll find my personal recommendations which may help you learn to manage your money wisely. The Greek Philosopher Aristotle once said, "Good habits formed at youth make all the difference." That's true. Develop good money management habits now and when turbulent financial times come, as they're sure to do in the new economy, you may be pressed on every side, but not crushed; perplexed, but not driven to despair (II Cor. 4:8).

FINANCIAL MANAGEMENT 101

For the Collegiate Y-WoW Nation (Ages 18-24)

Life happens. Recession happens. Job loss happens. Medical emergencies happen. The best defense against those things is a good offense. A sound financial management plan will help guard against the potentially devastating effects of the many curveballs and unexpected blessings or opportunities that life is sure to throw your way.

Tips & Tricks for the Money Smart Woman

1) Learn Money Management Skills

- a. Watch and learn from the best money managers around you (e.g. family members, mentors, godly men and women). You can identify them by the following characteristics:
 - i. They *don't* live from paycheck to paycheck.
 - ii. They *don't* have to borrow money to make ends meet.
 - iii. They *don't* have a lot of credit cards. (They have one or two cards usually for travel and emergencies only.)
 - iv. They *don't* max out their credit cards. (They pay off the balances each month.)
 - v. Their banking and credit histories rarely, if ever, include the following types of incidents: bounced checks, disconnect/reconnect fees (for utilities), garnishments, defaults, liens, repossessions, bankruptcy, eviction or foreclosure.
- b. Watch or listen to programs that feature smart money managers (e.g. Dave Ramsey, host of “The Dave Ramsey Show” and Financial Peace University).
- c. Subscribe to websites that offer sound advice or information on personal finance.
 - i. Bloomberg - <http://www.bloomberg.com/personal-finance/>
 - ii. MSN Money - <http://money.msn.com/personal-finance/>
 - iii. Wall Street Journal - http://online.wsj.com/public/page/news-personal-finance.html?mod=WSJ_topnav_personalfinance_main
- d. Read books by successful personal finance gurus (e.g. Dr. Thomas Stanley, author, “The Millionaire Next Door” and “The Millionaire Mind”).
- e. Talk to the good money managers you know to get advice about how they manage their money. Use that information as well as the resources referenced above to develop your own financial management skills.

2) Establish Financial Priorities

- a. It takes discipline to manage money well. So begin by establishing financial priorities to help you determine the order in which you'll address financial matters. You may want to use the following example as a guide and then tailor the list to suit your needs.
 - i. Tithe
 - ii. Pay Bills & Obligations
 - iii. *Save* for Retirement (e.g. 401K, IRA)
 - iv. *Save* for Emergencies or Other "Needs"
 - v. *Save* for Vacation, Christmas Shopping or Other "Wants"
 - vi. *Save* for a House
 - vii. Invest (e.g. Small Business, Stock, Real Estate)
 - viii. Give to Charity

3) Make a Plan and Stick to It

- a. Each January, make a financial plan for the year. The plan should include savings goals, vacation plans and all other financial events or expenses expected to occur throughout the year.
- b. Use standard consumer credit counseling guidelines to determine budgetary targets for the plan. For example, you may budget your expenses according to the following spending targets:
 - i. Housing = 28%
 - ii. Transportation (incl. gas, registration fees, maintenance and insurance) = 15%
 - iii. Utilities = 5%
 - iv. Church / Charity = 11%
 - v. Savings = 10%
 - vi. Food & Entertainment = 10%
 - vii. Healthcare / Life Insurance = 5%
 - viii. Retirement = 5%
 - ix. Clothing & Personal Care = 4%
 - x. Debt (incl. Student Loans) = 3%
 - xi. Vacation = 2%
 - xii. Other = 2%
- c. Use the financial priorities shown above as a guide to determine the order of business for bill payments and resource allocations.
- d. Consult your tax professional regarding the tax advantages that may be available to you due to tithes, charitable donations, mortgage interest payments, etc... and factor those into your financial plans.
- e. Work out a course of action to earn the money required to satisfy the plan (e.g. salary, bonus, income tax refund), then execute against it. Every month, check your progress against the plan and make adjustments as necessary to ensure that you achieve your goals for the year.

4) Tithe

- a. God has to know that He's #1 in your life. A great way to show Him how much you love Him is by tithing—giving 10% of your gross income to your church. Worship God by giving tithes and offerings to ensure that there are resources in His house. If you take care of God's house, He'll take care of your house.
- b. Be a good steward of the resources God has entrusted to you. Prove to Him that you can handle more and in His time, He'll give you more. Remember, to whom much is given much will be required. And to whom even more is given that much more will be required. (Luke 12:48)

5) Save More Money Than You Spend

- a. *"No matter how much money you earn, always save some of it. Even if you can only save \$25 per paycheck, save it."* That's the simplest piece of advice my Grandma Millie ever gave me. It's also among the best pieces of advice she ever gave me. (Thus, I'm passing it along to you.) Save early and save often. You'll be surprised at how quickly your money will grow.
- b. Every time you get a bonus, an income tax refund, raffle winnings or other "extra money", *save it!* Don't think about, just do it. Put the money in the bank before you even have a chance to think about spending it and watch your money grow.
- c. Look for *ways to save* to make the most of the money that you do have. For example, shop on-line before you shop at a retail store. You may be able to find items for sale at lower prices on the web as opposed to the mall. Also, you may be able to find coupons and discount codes which you can use to save on everything from dinner and movie tickets to clothing and travel expenses. Finally, use sites like Ebates (www.ebates.com) to earn rebates on purchases from a wide variety of e-tailers. Use Drop Down Deals (www.dropdowndeals.com) to find discounts and coupon codes for a variety of on-line retailers. And, use sites like GroupOn (www.groupon.com) and Living Social (www.livingsocial.com) to take advantage of special discounts at establishments in your area.
 - i. For more ways to save, visit the 123 WoW Resource Center (<http://www.123womenofworth.com/Resource-Center.html>).
- d. If you're married or engaged, work with your spouse or fiancé to manage your joint resources wisely. Assuming you are or will be a two-income family, try to manage the family finances so that you can bank one salary (or a good portion of one salary) and live off of the other.

6) Live Below Your Means

- a. If possible, *don't* upgrade your standard of living when you get a raise or a higher paying job. Maintain your existing standard of living and bank the difference between your old and new salaries. (That's an easy *and* effortless way to increase your savings.)
- b. When you pay off a debt, a car note for example, put the money that you'd previously spent on the note in a savings account. That way, you'll be able to save for car repairs or a new car without having to adjust other areas of your financial plan.

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- c. Keep it simple. When you get ready to make a major purchase like a house or car, buy something you can afford without having to break your back to keep it. (*Translation: Buy the house or car for which you don't have to work overtime or a second job to cover the note.*) Also, be sure to factor maintenance, taxes, insurance, registration fees and gas into your purchasing power calculations. If you can't handle these additional items, purchase the house or car for which you can afford these necessary expenses.
- d. Leave some breathing room in your budget. Don't overburden yourself with debts and obligations to the point that you have to work all the time just to make ends meet. Pace yourself. Enjoy the blessings that God gives you and in time He'll give you more.
- e. Never mind the Joneses. "Keeping up with the Joneses" is a recipe for financial disaster. Learn to be content with what you have. And someday the Joneses may just try to keep up with you.

7) Be Debt Free

- a. **Avoid debt**, especially credit card debt, like the plague.
- b. Interest charges on debt will eat up more of your money than almost anything else and once you start down that road, it'll take YEARS to recover. **Be smart, don't start.**
- c. Instead of racking up outrageous interest charges on credit cards, **SAVE** for items that you want to buy and then pay cash for them. More often than not, if you can't pay cash for an item, you don't need it.
- d. If you do have debt from credit cards or student loans, pay them off as quickly as possible. Also, each time you pay off one of your debts use the money that you'd previously spent on the note to accelerate the payments on your remaining debts. If possible, pay off the debts with the highest interest rates first then address the others by age or order of importance.

8) Protect Your Identity

- a. Identity theft is rampant especially among college students. Protect your social security number, birth certificate and other important documents or forms of identification.
- b. Consider freezing your credit file or hiring a credit monitoring service to protect yourself from identity thieves. (For example, I use a credit monitoring service provided by my bank to keep an eye on my credit file. It costs about \$13 per month. But in return, I get identity theft protection insurance and I receive e-mail and text alerts whenever there is any sort of activity on my credit file. I also receive a hardcopy report every quarter showing my current credit scores | and any changes on my credit file.)

9) Protect Your Credit Rating

- a. Know Your Credit Scores
 - i. Check your credit scores at the three major credit bureaus (Equifax, Experian and TransUnion) at least twice per year and resolve all discrepancies ASAP.
 1. Equifax – http://www.equifax.com/home/en_us
 2. Experian – <http://www.experian.com/>
 3. TransUnion – <http://www.transunion.com/>
- b. Pay Your Bills on Time

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- i. Always make full payments on time to maintain a good credit rating. The better your credit rating, the lower your interest rates will be on loans for things like cars and houses. (A good credit score is 700 or better.)
- c. Keep Yourself Employable
 - i. Employers may check your credit history as a qualification for employment. So, keep your bills current to keep your credit scores high and to keep yourself employable.
- d. Be Careful About Co-signing for Loans
 - i. Get some insurance money up front (a couple of pre-payments) *before* you co-sign for a loan. That way, if the person misses a payment, you'll be able to make the payment from the insurance money and you'll have time to make adjustments before your credit rating is impacted.

10) Protect Yourself from Unemployment

- a. There is no such thing as job security any more. Anyone anywhere can be laid off or forced into retirement at any time. Protect yourself from these situations by having an investment in a small business or other venture that you can grow into something bigger, something that can sustain you if/when the need arises.

11) Be Discreet

- a. Be careful about what details you share with others particularly certain family members (those who are "financially embarrassed" perpetually). If people *think* you have money, they will start trying to figure out ways to spend it for you. When it comes to money, mum's the word. The less people know about your money, the more you'll be able to hold on to it and the better off you'll be.

12) Learn to Say "No"

- a. Learn to tell yourself "no" when it comes to discretionary spending (for "wants").
- b. Learn to say "no" to others for anything other than emergencies (e.g. life-threatening situations).

Be blessed.

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