

THE FIVE STEPS TO SUCCESSFUL

FAMILY MONEY- MANAGEMENT



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The California Credit Union League

This is the first of a series of Family Money Management pamphlets to be made available to credit union members. It is part of the member education phase of the California Credit Union League's Family Financial Counseling Program.

You are worth \$250,000

That's right! You are worth at least a quarter of a million dollars.

That is the amount of money you will earn in a lifetime of employment if you average \$6,000 a year. If you earn more than that, the total amount will be even more impressive.

What could you do if that much money were given to you in a lump sum? Take a trip around the world?

Buy that bigger house . . . that boat and trailer? Satisfy your every wish?

But let's be realistic. You don't have that quarter of a million dollars paid to you in a lump sum. But you do have it paid out to you at a rate of several hundreds of dollars each month.

From this monthly portion of your lifetime fortune you have to provide all of the necessities of life for you and your family and some of the comforts.

Now there's no trick to spending money. Anybody can do it. But spending money wisely . . . so that you get the full value of every dollar you earn . . . that, my friend, is an art. And that is the subject of this pamphlet.

The five steps to successful money management

There are **FIVE STEPS** to successful money management. If you follow these steps, you will master one of the most important tools of your life . . . the money you earn.

This tool . . . MONEY . . . if used wisely will be able to provide you and your family with all the necessities of life . . . and many of the comforts.

If this tool . . . MONEY . . . is used poorly, it can worry, threaten and overburden your family, your job, and your reputation.

The FIVE STEPS to successful money management are sound, practical, guidelines you can use every single day of your life.

They will help you to:

1. Live better on the money you earn.
2. Have a happier family life, a more successful marriage.
3. Achieve the major financial goals of your family . . . a home, an education for your children, a comfortable retirement.
4. Possess a wonderful feeling of "financial peace of mind" that can

actually affect your whole outlook on life. It gives you self-assurance, confidence, a dynamic feeling of positive control of your life.

The first of the FIVE STEPS to Successful Money-Management starts on the next page.

Read all of them carefully, honestly. Put the pamphlet down for a while . . . then reread it.

Have the other members of your family read this pamphlet. Discuss it with them.

But above all . . . try the FIVE STEPS to Successful Money-Management. You will be surprised how well they work for you.

Develop a positive attitude about money

When the word . . . MONEY . . . is mentioned, what do you think of?

Stockbrokers think of large sums changing hands daily . . . bus drivers think of "change" . . . collection managers think of money as a lost item to locate . . . a housewife on a strict budget thinks of money as pennies, nickels and dimes to be exchanged for food . . . a family overburdened by

debt thinks of money as bills to be paid . . . always threatening.

What you think of money is based largely on what your experience has been with money. And yet, what you think of money *now* can affect your experience with money in the future. Vicious circle?

Then let's stop! Let's see if we can't determine a sound, healthy attitude that can assist in the successful managing of money.

"A LITTLE MORE MONEY"

Many families go through life assuming that all they need to be really happy and successful is "a little more money." Contrary to what these people believe, a wealthy family is not necessarily happier than a family struggling along on a minimum income. In fact, a family with an annual income of \$40,000 might be considerably less happy than one earning \$5,000 a year.

MARRIAGE AND MONEY

The relationship between marriage and money has been shown over and over again in the divorce courts. Where money is given as the source of marital trouble, it is seldom the amount of money that is the problem, but rather, how the money that is available has been used.

Experts in family relations agree that the amount of income is almost never the source of problems. Trouble starts when the marriage partners disagree on how to spend the money they do have.

Once this disagreement changes from a difference of opinion to actual spending habits, the arguments, the quarrels, the bitterness begin. Money, in itself, does not make a good marriage bad. But disagreement on the use of money can shove a shaky marriage to the brink of disaster.

THE TWO-HANDED SAW

One positive way to think of money is as a tool . . . a tool each married partner must learn to use skillfully, together.

It can be compared to the two-handed saws lumberjacks used to cut down massive trees. Skill with the saw demanded teamwork to achieve the ultimate goal . . . the felling of the tree.

Unskilled use of the saw would cause the men to pull in opposite directions, slow down the cutting, cause arguments, and possibly fail to get the job done. Money is a two-handed saw used by the husband and wife.

THE IMPORTANT THINGS

The truly important things of life cannot be bought with money . . . the satisfactions of parenthood, mutual love, understanding, and respect. These things are paid for with sacri-

face, tenderness, hard work, and love.

But . . . money can buy many good things . . . an adequate home, proper medical care, an automobile, the children's education, a comfortable retirement.

The proper attitude about money . . . using it as a tool . . . can get the good things money can buy . . . and contribute to achieving those important things money cannot buy.

KEY IDEA

REMEMBER, KEEP MONEY IN ITS PLACE...SERVING YOU AND YOUR FAMILY. DO NOT ALLOW IT TO BE THE MASTER OF YOUR LIFE.

Establish family money goals

Recently, experts in the field of family money-management conducted a survey of thousands of American families, families just like yours. The purpose of the survey was to find out what the good money-managers do that the poor money-managers do not do.

Results: Families with successful money management programs decided what to spend their money on

BEFORE they spent it. They knew exactly what they wanted to do with their money; what they wanted their money to do for them. They established family goals for their money.

GOALS

What is a family money goal? It is everything on which you decide to spend your family income. It's your immediate needs, your short range plans, and your long range objectives.

By deciding what has to be paid out immediately, you determine what is left with which to plan for the future. Knowing your needs and planning for them; knowing your future goals and planning for them; this is the bedrock, the solid foundation of your success with money.

Every family will have the same general goals. Each family, however, will give more emphasis to some and less to others according to their individual likes and dislikes . . . what

they consider to be important.

STEP BY STEP

Establishing your family money goals requires that you sit down in a quiet corner with a couple of sharp pencils, a good supply of erasers, and a lot of scratch paper.

Putting your goals on paper is important. It's definite. It allows you to look at the total picture.

There are nine major categories. Each of these categories should be divided into three main sections: (a) immediate needs; (b) short range goals; and (c) long range goals. Some of the considerations for each of the nine categories are: 1. SHELTER. (a) Immediate need . . . this is your rent or mortgage payment, water, gas, electricity, and phone. (b) Short range goal . . . this includes the annual expenses for your home . . . property taxes, insurance on the home

and its contents, depreciation, repairs and maintenance. (c) Long range . . . are you saving to buy a home, or perhaps a larger house?

The family that is renting now but is planning to buy has an immediate need of providing the monthly rent plus utilities . . . and the long range goal of saving for the purchase of a home.

2. **FOOD** . . . providing meals that are both nutritious and attractive. (a) Immediate needs . . . current food supply. (b) Short range goals . . . planning to take advantage of seasonal price reductions of foods. (c) Long range goals . . . as the children grow, their food consumption places a bigger dent in the budget. Are you planning on this?

3. **CLOTHING** . . . (a) Immediate needs . . . what does the family require now? . . . shoes, cleaning, washing? (b) Short range . . . what will

be the seasonal requirements for each member of the family for this next year? . . . school clothes for the children . . . does Dad need special clothes for his job? . . . (c) Long range . . . are you saving for a washer or dryer?

4. TRANSPORTATION . . . the cost of the family car plus the cost of moving the family from one place to another. (a) Immediate needs . . . payment on the car . . . gas and oil . . . bus fare for other members of the family. (b) Short range goals . . . car repairs and maintenance . . . depreciation . . . insurance. (c) Long range goals . . . that new car or that second car, are you saving for it?

5. DEBT REPAYMENT . . . this is an important item too often overlooked. It would be nice to be able to sit down and establish family money goals at a time when the family has no debts. But let's be practical, almost every family has debts. So let's not ignore them. (a) Imme-

diate needs . . . can you meet the monthly payments required? . . . if not . . . how much will you be short? . . . have you contacted your creditors if you'll be late or have to miss a payment? (b) Short range goal . . . are you over or under the safe maximum for your debt load . . . safe maximum for monthly payments is 20% of your monthly take home pay. If you're over, plan to reduce your debt until it's under control. (c) Long range goal . . . if you are tied up with installment contracts for more than a year . . . debt repayment should be a long range goal. Remember — this does not mean eliminating all debts . . . but bringing them under control.

6. HEALTH . . . medical and dental needs of the family . . . does your family have special health needs that must be considered? (a) Immediate needs . . . health insurance, current doctor visits . . . scheduled dental appointments . . . first aid supplies.

(b) Short range goals . . . expected health requirements for each member of the family for the next year . . . (c) Long range goals . . . for those special problems . . . braces for the children's teeth . . . savings for emergency health needs.

7. FURNISHINGS . . . furniture that is bought with comfort, construction, looks and price in mind. (a) Immediate needs . . . basic living requirements, beds, tables, chairs, storage . . . (b) Short range . . . replacing worn out necessities . . . planned expense for new items during the next year . . . (c) Long range . . . that special living room sofa, or chair . . . a new T.V. set.

Be sure to include in this category reasonable expense for household gadgets used in the kitchen . . . this is an item often disregarded.

8. INSURANCE . . . the immediate and short range goals are usually

covered in other categories. However, your family's long range insurance needs should be defined.

9. FAMILY IMPROVEMENT . . .
this is the catchall category for everything else . . . included in here is "play" money (vacations and recreation) . . . "soul" money (church contributions) . . . "me" money (personal expenses and care).

Once again for this category, as with the other eight . . . separate the immediate needs from the long range plans.

THE SECRET OF SUCCESS

As you set these goals down on paper, one important fact becomes obvious . . . the immediate needs come out of the take-home pay . . . but the long range goals come out of savings.

**TO ATTAIN YOUR GOALS, YOU
MUST MASTER THE ART OF**

SAVING REGULARLY. The amount doesn't matter. That you put aside a portion of your pay each time you get it does.

Knowing what you want to do with your money and regularly saving a portion of it to achieve those goals is the secret of successful money management.

KEY IDEA

**DECIDE AHEAD OF TIME
WHAT YOU WANT YOUR MONEY
TO DO FOR YOU. USE MONEY TO
GET THE IMPORTANT THINGS
FOR YOU AND YOUR FAMILY.**

Hold family money conferences

In many families the husband and wife do not talk about money until a problem comes up . . . the wife has no money for daily living expenses . . . a bill collector starts harassing the husband on the job . . . or an emergency comes up that requires a quick loan because there is no savings to draw on. When they do talk about money, under these conditions, is it any wonder that the conversation is charged

with tension and emotion? Usually the "talk" will result with charges before a mutually-agreed "silent treatment" takes over.

Where financial problems are well managed, however, the husband and wife regularly review, together, their current financial situation. They discuss what they are doing with their money, how they are spending it, whether or not they are attaining their established goals. They consider, together, how they can improve their methods for handling their money.

In today's world, the average family has countless demands made upon them every day from many sources. Seldom are these demands made when the family is together. The husband may see a new model car and consider a trade-in . . . the wife sees on a daytime television program just the model clothes dryer she needs . . . the teenage daughter absolutely, positively, needs a new dress . . . the nine-

year-old needs an air rifle more than life itself. Day in and day out . . . the family is subjected to endless buying pressures.

Suppose the husband decides to buy that new station wagon and his wife decides on that new furniture . . . neither consult or discuss it with the other . . . both buy on the installment plan . . . Result: a debt created that will be with them for years.

PLAN TOGETHER

It is really important for each married couple to learn to plan together. No man or woman ever has exactly the same views about how to handle money. But if they are wise they can begin to understand each other's views, learn to compromise, and build a solid financial structure together.

Remember, money is but one area of family life in which they will have

to work together. There are other areas, perhaps, just as important, that will demand their combined effort.

Married couples constantly face problems which have no right or wrong solutions other than the ones they decide on. What better way to develop a family feeling of mutual respect and understanding than by working out their financial problems together.

KEY IDEA

REMEMBER, MONEY CONCERNS THE WHOLE FAMILY . . . HOLD REGULAR FAMILY MONEY CONFERENCES. DISCUSS YOUR FINANCIAL SITUATION OPENLY AND HONESTLY — TOGETHER.

Keep track of your spending

There is probably no job connected with family money-management that is more distasteful to so many than the job of keeping a spending record. It is tedious, time-consuming . . . and **IMPORTANT.**

I wish we could suggest a **NOVEL** way of keeping track of your money that would eliminate the detail work . . . but such is not the case. You'll have to spend the time and the effort.

But keep your system simple. You don't need a double entry bookkeeping system. In fact, any system that gives you a clear indication of where your money goes is a good one. It can be as simple or as involved as you wish . . . just so long as it works.

WHO DOES IT

The entire family should be considered and assist in establishing the family's money goals . . . but it usually falls to one person to keep track of how the money is spent.

It's more practical that way. The check book will be easier to balance.

In **SIX** out of **TEN** American families it's the wife who keeps track of the money. Women seem to be better

at this type of detail work. Then, too, they do most of the household purchasing.

Whoever it is, husband or wife, remember, keeping track of the money does not mean passing judgment on its use. It means only keeping a record. Whether the record is a good one or a bad one is for both spouses to decide . . . together.

IMPULSE BUYING

The biggest threat to family money-management today is spending-on-impulse. An accurate record of where the money goes is one of the best ways to combat impulse buying.

Why is it bad? Because impulse buying rarely takes into account the real goals of the family . . . rarely fulfills a real need.

What it does fulfill is a spontaneous wish, a random desire that sounds good at the moment . . . and is then

rationalized after the purchase.

Keep track of where your money goes and fight impulse buying.

THE DOLLAR LEAK

Another major threat to successful money-management is the dollar leak. You know, the pennies that just seem to disappear . . . until dollars are gone.

One husband insisted that all he needed for his personal expenses was exactly \$4.50 per week. After checking back several months, however, he found that his actual spending was closer to \$10.00 per week. He had found a dollar leak of \$30.00 per month.

A housewife always had too much month left at the end of her household money. Finally she began checking her weekly purchases item by item. The results: one out of every four dollars she spent for food went for soft drinks, cheese dips, party crack-

ers and chips. She admitted she did not realize how much the "TV snack habit" had affected her family budget . . . she had discovered an important dollar leak.

Your spending records will show you where you should *not* be spending your money. But it can also show you where you *should* be spending.

Families oftentimes set up goals that are completely unrealistic, that do not take into consideration a vital immediate need. An accurate accounting of where your money goes will point up this need, and you can adjust your goals accordingly.

HOK

One husband, while checking through the expense records being kept by his wife, found these entries . . . HOK \$1.25 . . . HOK \$2.00 . . . HOK .75. Upon questioning his wife about the entries, she replied, "HOK?"

. . . Oh, that means 'Heaven Only Knows.' ”

Moral of the story? Don't be a lint picker. Don't tie yourself down to finding where each and every penny goes. Being too rigid and exacting will destroy the purpose of your records. Be flexible . . . be ready to change.

KEY IDEA

REMEMBER, THE SPENDING RECORDS YOU KEEP WILL BE A YARDSTICK MEASURING YOUR SUCCESS AS A MONEY-MANAGER.

Learn financial self-discipline

Success with money depends not only on knowing how to handle your financial problems effectively, but ON HAVING THE WILL TO DO SO.

Ask any bankruptcy referee and he'll tell you that there isn't a man seeking relief through bankruptcy courts who didn't have the best intentions in the world to pay his debts. But good intentions aren't enough. Each person must develop a capacity for self-discipline so that he can follow the plan he so carefully outlines for himself and his family.

Many married couples fail financially not through lack of know-how, but through a lack of self-discipline.

They refuse to accept the basic fact of financial life: that anything worthwhile requires sacrifices.

Show me ten families who are overburdened with installment debt throughout their lifetime and I will show you ten families whose members refuse to make sacrifices. They literally demand someone to force them to make regular monthly payments for what they want.

They can't say "no" either to themselves, to members of their families, or to salesmen.

The temptations to buy what you don't need will always be there, beautifully packaged, invitingly easy to buy now and pay later. You must learn to keep your eyes on your main goals and to learn how to say "no" to everything else.

KEY IDEA

REMEMBER: IF YOU AND YOUR FAMILY WANT THE IMPORTANT THINGS TOMORROW, GIVE UP THE UNIMPORTANT THINGS TODAY.

ABOUT THE AUTHOR

Colin Chilton, author of this series of Family Money-Management pamphlets, was formerly Coordinator of the California Credit Union League's Family Financial Counseling Program. Presently he is the Financial Counselor for the Eastbay Telephone Employees Federal Credit Union, Oakland, California.

WHITTIER AREA SCHOOLS

FEDERAL CREDIT UNION

14640½ E. WHITTIER BOULEVARD

WHITTIER, CALIFORNIA 90605

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CREDIT UNION
is a family affair**

It is dedicated to strengthening
the quality of family living
through a broad program of
financial self-help.



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