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Lesson One

Managing Your MONEY

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Adapted by Constance Y. Kratzer and Amber Wilson*

Where Do I Begin?

Wouldn't it be great to win the lottery and suddenly have enough money to pay off all your debts and become financially secure for life? That's a nice dream! But even if that dream came true, you would probably find that simply having a lot of money does not end financial concerns. It just means having to think about other things.

Money problems affect us all, no matter how much or how little we have. That's why financial planning is so important. It's hard to think about the future when pay day is a week away and the checking account is empty. You can make your money stretch further if you learn to manage it carefully. You can make your money stretch if you:

- Know what you want to do with your money
- Know where your money goes
- Know how to keep your money longer
- Plan your spending in advance
- Know and keep within your credit limits

That is what this and the next five lessons of Managing Your Money will help you do, if you follow through with each of the lessons.

What's Important to You?

Why do you spend your money the way you do? If ten people were given a \$100 bill, they would most likely spend it in entirely different ways. Why? Because people are different and have different values. The deep-rooted beliefs you have about what is desirable and good are known as values.

Values grow from personal experiences. You have made and will continue to make choices based on your values. Values are not necessarily right or wrong; they express what is most important to you.

Families set goals based on their values. Many couples argue about money because they have different values and goals.

Try This Activity

Read over the list below. Put a "1" beside the things that are MOST important to you. Put a "2" by the things you consider somewhat important and a "3" by things that are not important to you. After you have completed the list, ask your spouse/partner (if applicable) to do the same (*see next page*).

- | | |
|----------------------|---------------------|
| ___ religion | ___ cultural events |
| ___ education | ___ sports |
| ___ vacation | ___ job success |
| ___ saving money | ___ lots of money |
| ___ our own business | ___ jewelry |
| ___ family | ___ friends |
| ___ health | ___ new car |
| ___ food | ___ pay off debts |
| ___ insurance | ___ your own home |
| ___ clothes | ___ entertainment |
| ___ boat | ___ other? |

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Now that both you and your partner have completed the list, take some time and compare your responses.

Do you both value the same things? Do you want more new clothing when your partner would prefer to go on a fishing trip? It's hard enough for one person to decide which is more important, but even harder for two people to agree on the same things. What about your children? Don't forget to consider their priorities as well.

Do you and your partner agree on your spending values? Are you spending money on the things that are really important to both you and your family? The next step is to take some time to compare your actual spending to your rated priorities to see if they really do match.

Activity Sheet for Spouse/Partner

Read over the list below. Put a "1" beside the things that are MOST important to you. Put a "2" by the things you consider somewhat important and a "3" by things that are not important to you.

___ religion	___ education
___ vacation	___ saving money
___ our own business	___ jewelry
___ family	___ health
___ cultural events	___ sports
___ job success	___ food
___ insurance	___ lots of money
___ friends	___ new car
___ pay off debts	___ your own home
___ clothes	___ entertainment
___ boat	___ other?

How to Talk About Money

Preventing and overcoming money problems takes honest and open communication. It also takes some time and effort. Talking about money is hard. It means more than just discussing the amount of income, who is spending what, and how much things cost.

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Think about money—what does it mean to you? To some it means power. To others it may mean security

or status. Take some time and find out just what you and your spouse/partner think about money.

Included with this lesson is a worksheet called "Let's Talk about Money." Use it to get your discussions started. Don't wait until a problem occurs—try to talk on a regular basis. Also, choose a place where you won't be interrupted. Here are some other tips to follow:

1. People, in general, are more supportive of decisions when they have helped to make them. Try taking the democratic approach; include all family members, even children, in helping make decisions about money as a team. Let everyone have a chance to express their opinion. You will find that family members are more likely to be satisfied if they helped in making the decision.
2. Clearly identify the issue or concern. Just what is the problem? None of us are immune to problems. Some families may have more problems or different ones than others. Is the problem spending too much money, spending at the wrong time, or spending on unnecessary or unimportant items? Financial problems are made more serious by certain addictive behaviors (ex: drugs, alcohol, gambling, etc.) If you suspect this might be the cause of the problem, please seek help from a local counseling/mental health center or from a qualified professional. It is imperative that you start working to solve these kinds of problems while you also work on your financial ones.
3. Every family member should state his or her feelings, wants and needs freely. Others should not judge or criticize. Talk about the present. Try using "I" messages instead of saying "you always" or "you never." For example: "I get really upset when I find the gas tank is on empty whenever I want to drive the car."
4. Be sure to listen carefully to the other person. Let him know you understand what he said. For example: "Dad, you seemed upset when there was no gas in the car."
5. Be willing to negotiate for a realistic settlement of differences. Families must be ready to compromise. A verbal agreement is fine, but a written agreement may help even more to avoid conflicts. Example: When the gas tank gets to one quarter empty, the person driving is responsible for filling the tank.

What do You Want to do With Your Money

It is necessary to take a look into the future and see where you want to be before you can get there. Families set their financial goals based on their values. One family's goal list will be different from that of another family. Here are some examples of goals:

- Own my own home
- Pay off all debts
- College for my children
- Take a family vacation

Think About Your Goals

A listing of goals could go on and on. It just depends on your family's needs, wants and desires.

Included with this lesson is a goal worksheet. It will help you plan your family goals. Now is the time to think about what you want. Take time to write down your goals so that you can see what is really important to you and your family. What do you really want for your future?

Financial goals are the specific things you want to do with your money within a certain period of time. They will give you a purpose for the way you will spend your money today and tomorrow. You should plan for goals that are:

- **Short Term Goals:** Things that can be done soon, perhaps in a week, or a few months, but no longer than a year. Ex: Buy new clothes, save for a vacation.

- **Intermediate Term Goals:** Things that can be accomplished in 1-5 years. Ex: Buy a new car, pay off debts.
- **Long Term Goals:** Things you would hope to achieve in 5 or more years. Ex: Buy a house, put children through college, retire.

As you set your financial goals, remember these three basic ideas:

1. **Set realistic goals.** Ones that are set too high may frustrate you and cause you to abandon your plans. Maybe it is impossible to save \$ 100 a month right now. Why not try for \$10 or \$25 ?
2. **Be specific.** State your objectives concisely. Visualize your goals by drawing pictures or cutting pictures out of magazines that illustrate what you want to accomplish. If goals are vague, they may never be met by you, and others in your family may have a different idea of what the goal really is. An example of a specific goal might be: " If we save \$100 a month for the next 12 months, we can afford new carpeting for the living room."
3. **Be flexible.** Plans may require adjustments as your income and life cycle change. Don't be so rigid that you have to start over with an entirely new plan. For example: An unexpected expense comes up. You can't save the entire \$100 that month. Don't let that get you off track. Continue to set aside something toward your goal no matter how little it might be.

More Thoughts on Goals

You and your family probably have some ideas about the things you want in the future. An advantage of setting goals is that you know you have something to work toward. All too often you can get so caught up in day-to-day problems that you end up accomplishing very little. While this may not be a problem in the short run, in the long run (whether it is college or retirement) a lack of financial planning can mean real problems.

Some goals require resources other than money to achieve. In order to reach some goals you may decide you need to earn more money; and in order to do that, you may need more training or education which requires time and other talents.

Reaching long term goals may depend on achieving several short term goals along the way. It may be hard to give up things now to have something in the future, yet short run sacrifices may be needed to provide for the future. Knowing what your goals are and how much money you need to achieve them may help you make decisions about spending money now.

Take time to prioritize your goals. Of the ones you have listed, which are the most important to you as an individual? Which are the most important to your family? Can you agree on an order in which to accomplish goals?

For further help, please feel free to contact your local Virginia Cooperative Extension office to request a copy of one of the following publications, or visit one of our websites at: <http://www.ext.vt.edu> or <http://www.ext.vt.edu/money2000/index.html>

- How to Make Your Money Go Further (VCE Publication 354-028)
- Families Taking Charge: Setting Spending Priorities (VCE Publication 354-100)

- Families Taking Charge: Talking With Your Spouse (VCE Publication 354-103)

[Adapted with permission from Managing Your Money by Eleanor Ames, Ohio State University Extension]

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Setting Your Family Goals

Now it's your turn. Take some time to really think about what you want for the future. Then use this worksheet to write down those goals. List the goals which are most important to both you and your family. As a family, discuss the ideas and develop

your plan for your future. Identify your highest priority goal by placing a 1 next to it. Place a 2 on the second highest and continue until you have prioritized each goal.

Short Term: (within 1 year) Example: Save \$1,000 to pay for family vacation next summer.

Goal Amount To Save Each Month	Target Date	Total Cost	Amount Already Saved

Intermediate: (1-5 years) Example: Saving enough to have an emergency fund of 3-6 month's take-home pay.

Goal Amount To Save Each Month	Target Date	Total Cost	Amount Already Saved

Long Term: (5-10 years) Example: Save money to pay for child's college education.

Goal Amount To Save Each Month	Target Date	Total Cost	Amount Already Saved

Worksheet # 1

Let's Talk About Money

Money is often a source of conflict in families. It is a difficult topic to discuss. This worksheet will help you learn more about your values and feelings about money. Each spouse/partner should use the sheets provided and answer separately. Then take some time to compare and discuss your answers. You will also want to include other family members in some of these discussions.

1. You've just won \$10,000 in the lottery. What will you do with the money?

\$ _____ for _____ \$ _____ for _____ \$ _____ for _____
\$ _____ for _____ \$ _____ for _____ \$ _____ for _____

2. You have just been laid off from your job. You must make a major cut in spending. What would you cut first?

3. I'd like to see us spend more money on _____ and less money on _____.

4. How much money does your household spend monthly on the following?

Rent or mortgage payment: \$ _____ Groceries: \$ _____ Clothing: \$ _____

Car payment: \$ _____ Utilities (electricity, gas, water, telephone, cable): \$ _____

Entertainment: \$ _____

5. What money problem is the most frequent cause of arguments?

6. What is the most foolish thing you've spent money on in the last year?

7. What is the most sensible thing you've spent money on in the last year?

8. How do you feel about buying on credit ?

Do you agree or disagree with these statements? Circle your answer.

A D I am too tight with money.

A D My spouse/partner is too tight with money.

A D I want to be included in making decisions about spending money.

A D I like to buy things because it makes me feel good.

A D I feel good about the way our family handles money.

A D Our family needs to develop a better way to manage money.

A D I think it is important to set goals and plan for the future.

A D Why worry about tomorrow, I live from day to day.

A D I would like to go out more often even if it means doing without something.

A D I would rather do without some things for now to have a more secure future.

A D If one of us were to get sick or lose a job, we'd be able to pay our basic bills for a few months.

A D If one of our vehicles broke down and we needed \$1,000 for the repair, we could do it without a lot of financial stress.

Worksheet # 1

(to be completed by your spouse/partner)

Let's Talk About Money

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