FAMILIES AND MONEY

by

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FAMILY MONEY MANAGEMENT

The management of money is a common challenge for families, regardless of income, age, size of family, or level of education. Money problems may be caused by a lack of money to meet basic needs or to not have adequate savings to cover unexpected financial emergencies. Over one-half of all families argue about money. Among families facing severe financial pressures, the number of families arguing about money increases to nearly two-thirds. Often a major problem is who spends the money and what kinds of purchases are made. Another part of the problem is the inability to keep records of how the money is spent.

Frequently husband and wife bring different attitudes about money to the marriage. They may have different ideas about the word "afford". To one, "afford" may mean having the money in the bank to pay for the purchase. For the other, "afford" means having enough money to meet the monthly payments for a credit purchase.

A budget that considers the needs and wishes of all family members can reduce conflicts among family members. With good records, problems may be solved through compromise.

When family members have different values and attitudes toward spending and saving money, or when families set unrealistic goals, there is also the possibility for conflict. When family members don't "talk things out," even the most workable financial plan may fail.

MONEY PROBLEMS

Many families develop money problems because they fail to make plans for their money or to communicate with each other. There are generally four types of these problems.

1. Value Conflicts:

To save or spend, to buy life insurance or a new car, to pay for college tuition or stereo equipment — these choices reflect values and...
conflicts. No two persons, not even husband
and wife, have exactly the same values, but
when there are sharp differences in values
between family members, negotiation is vital.
Different values between husband and wife
will either result in each establishing dif-
ferent goals and priorities -- or none at all!

2. Unrealistic Goals!

A common problem for young families is
trying immediately to buy the same quality
house, furnishings, and car that it took their
parents 30 years to earn. Insisting on unre-
alistic standards, often results in frustra-
tion and too much debt. Setting priorities,
resisting outside pressures of advertising and
friends, and taking satisfaction from the
aspects of life that are free or inexpensive
can help.

3. Emotional Uses of Money:

These include the buying of status,
friendship, or love. One family member may
control or punish others by withholding money
or overspending to get back at another family
member. When these hidden meanings are
attached to money and go unrecognized,
trouble is likely. Families should try to
recognize and prevent the emotional use of
money.

4. Lack of Planning:

Impulse buying with credit cards, daily
trips to the grocery store, inadequate health
insurance, and low-yield savings all indicate
a lack of financial planning. Setting new goals
and learning about new types of savings and
checking accounts, and keeping up with
changes in insurance policies and tax laws are
necessary to successful financial management.
In times of inflation and rapid change, relying
on old habits can be costly.

HOW TO COMMUNICATE

Communication among family members isn’t
always the easiest thing to do, but it is
important if you want to get the most satis-
faction from the family’s financial resources.

Generally, the more open the communication
about family finances, the better the quality
of financial decisions made by the family.

Preventing and solving money problems
takes honest and candid communication. It
also takes time and effort. Be willing to set a
time when all family members can talk about
the family’s money. Meet on a regular basis
instead of waiting until problems occur.
Choose a time and place where you won’t be
interrupted.

Here are some suggestions for improving
the communication about money matters in
your family:

1. Recognize that whoever earns the money
doesn’t also earn the right to dictate how it
should be spent. Family members, including
children old enough to understand, need to
make decisions about money as a team. Allow
everyone to have input in financial decisions.
Family members will be more satisfied with
decisions if they help make them.

2. Clearly identify the issue at hand. Don’t
bring up other concerns that aren’t part of the
current problem. Discussion can help your
family decide, for example, if there is a
problem of spending too much money or buying
items that may be of poor quality or not
needed.

3. Let each family member freely state his
or her wants, needs, and personal feelings.
Avoid judging or criticizing others. Encourage
communication beginning with "I think" or "I
feel". Talk about the present, not about the
past. Avoid phrases such as "you always" and
"you never".

4. Listen carefully to the other person.
Respond to statements by others with some
indication that you understand. Or ask ques-
tions until you do understand.

5. Be willing to negotiate for a realistic
settlement of differences. In many cases,
family members must compromise. Making a
contract or written agreement may help avoid
misunderstandings.
VALUES AFFECT DECISIONS

Start communicating about money by identifying personal values. Values represent those qualities, situations, and material things an individual cherishes most.

Values are a product of your past experiences, present situation, and expectations for the future. Some values and attitudes toward money can be traced to childhood. What were your parents' attitudes toward money, use of credit, or "keeping up with the Joneses"? Did your parents often argue about money, did they never talk openly about money, or did they make money management a "family" matter by discussing it with the children?

Your values and attitudes influence your shopping choices. Become aware of these and understand their influence and you can become a better money manager.

To some people, a car is just transportation; it gets them where they want to go. To others, their car says something about themselves; it shows that they have achieved success, or that they reject status symbols. For some, comfort may be more important than economy; for others, low maintenance costs may outweigh styling.

Clothing is perhaps an even more personal expression of values. To some people, dressing in the latest designer fashions is crucial to their sense of well-being. Others prefer a wardrobe of a few classic garments that will be stylish for a long time. To someone else, the durability of blue jeans may be more important than high fashion.

Wanting to get the most for your money is also a value. A person's values are not always consistent, however. Your wish to get the most for your money may conflict with your value of dressing in the latest fad styles, eating at expensive restaurants, owning a home in a certain part of the city, or giving expensive gifts to family and friends. For busy persons, the time spent on comparison shopping may be more valuable than the dollars saved. These are your judgements to make for yourself. Understanding your values and where they come from can help you make better choices.

LIVING WITH CHANGE

Change, confusion, and conflict are a normal part of everyone's life. Changes in employment patterns, roles of women and men, and inflation, have caused us to rethink how we earn and how we spend. It is easy for family members to respond to messages heard from the world around them. It often becomes more difficult to hear other family members and know what is really important to each individual and to the family as a whole.

Anticipating and dealing with change as it affects the way money is used, is a challenging aspect of financial management. Clarifying values, analyzing potential causes of money problems, and developing some skills in communication can make money management a more satisfying experience for your family.

IDENTIFY YOUR VALUES

Answering the following questions may help you identify some of your values. There are no right or wrong answers. The answers are true only for you.

FAMILY: What type of life style would satisfy you most? How many children do you want? Are you prepared for the financial responsibilities of a family?

WORK: Are you satisfied with your job? Do you make as much money as you'd like? Are you willing to move for a job promotion?

HOME: Do you want to rent or own a home? Can you afford to furnish your home as you would like?

TRANSPORTATION: Could you get along with only one car? Would you be willing to drive less? Would you be willing to join a carpool? Would you be satisfied with a smaller, more economical car?
RECREATION: What do you do for recreation? Would you still be satisfied if you spent less money on recreation or hobbies?

FUTURE SECURITY: How important is saving money? Have you started to plan for retirement? What plans have you made to provide for your family in case of death or disability?

For additional information on the topics covered in You and Your Money: The Money Manager Series:

* Contact your local office of the Virginia Cooperative Extension Service.

* Visit your local library.

* Visit your local bank, savings and loan association, or credit union.

* Attend free seminars by insurance companies or stock brokers to determine the services they can offer.

* Read magazines and books to keep up with the basics and with what is new in money management. The magazines include: Business Week, Changing Times, Consumer Reports, Money, and the daily financial newspaper, The Wall Street Journal.

Some of the recent books on money management include: Everyone’s Money Book, by Jane Bryant Quinn; Financial Freedom, by Richard Halverson; Money Talks, by Bob Rosefsky; Money Think, by Adriane Berg; Personal Financial Planning, by P. Randle and P. Swensen; Sylvia Porter’s New Money Book for the 80’s, by Sylvia Porter; The Only Investment Guide You’ll Ever Need, by Andrew Tobias; and The Power of Money Dynamics, by Venita VanCaspel.

The books and magazines listed above are intended only to be examples of the books and magazines available to provide guidance for individuals and families on managing their money.

Please answer the check sheet on page 7 and return it to your local Extension Agent. The next home-study lesson on RECORD KEEPING will be sent to you.

This lesson is based in part on "Communication" in the Money Mechanics, home-study course, prepared by Cynthia Needles Fletcher, family environment specialist; Ron Jones, family environment specialist; and Jane Schuchardt, communication specialist, Cooperative Extension Service, Iowa State University, Ames, Iowa.

As a part of each of the home-study lessons on money management, several activities will be suggested to go along with that lesson. The activities are designed to assist you in the process of becoming a better money manager.

ACTIVITIES

As a family, you may wish to review the activities on the next page. One way of using the activities is for one family member to answer the questions on page 5. The questions are repeated on page 6 for another family member to answer. Then you may compare answers and discuss why your answers do or do not agree. Use the ideas from the section on "HOW TO COMMUNICATE" to guide your discussion.
1. In the next five years, I would like to achieve the following financial goals.

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2. Do you agree (A) or Disagree (D) with the following statements? Circle (A) or (D)

a. A D I'm basically too tight with money.

b. A D My spouse is basically too tight with money.

c. A D I feel good about the way financial decisions are made in my family.

d. A D Sometimes I buy things I don't need because they're on sale.

e. A D I believe in enjoying today and letting tomorrow worry about itself.

3. If your family had to cut expenses, what items should be reduced or eliminated from the budget? Circle the (R) if the item is to be reduced and circle the (E) if the item is to be eliminated.

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CHECK YOUR DECISIONS FOR COMMUNICATING ABOUT MONEY

Please complete and return this form to your Extension Agent. The next lesson will be sent to you.

Directions: Place an (X) in the space under the column which represents how you manage your money. There are no right or wrong answers, only what is true for you.

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1. The name and address of your Extension Agent is: