Managing Your PERSONAL FINANCES

You need to learn how to handle your personal finances, how to get out of debt, and how to stay out of debt! Never before has there been such a need for sound personal financial management. Most people have been trained as money earners — not spenders. Few have been taught how to spend money sensibly. This booklet outlines basic principles of sound personal financial management that will help you make the most of your income.

Chapter One

YOU CAN GET OUT OF DEBT

THE CHANCES are you, right now, are in debt!

If you are an "average" citizen in Canada or the U.S., for example, you have obligated nearly 25 percent of your take-home pay to short-term credit purchases. And you are going to pay for them with monthly installments and add-on interest charges for two or three or even five more years.

But as you pay off on one account, you will have charged on another. You may not even be able to foresee a time you will ever get out of debt.

And in addition you are probably making long-term monthly payments on your home, your furniture or your automobile.

The world of CREDIT BUYING has made it all possible.

Time to Pay the Piper

At the same time millions of families accrue debts by credit buying; scores of thousands among them are filing for bankruptcy.

How did these scores of thousands reach the point of economic collapse? Surprisingly, most of these families were average. They were not multimillionaires who went broke over bad investments. They were the average neighbors down the street in suburbia who hold regular jobs and have regular debts.

Here is a profile: The typical bankrupt family in Canada or the U.S. earns between $15,000 and $25,000 annually. The head of the household will be in his middle 30s. The family will have a 30-year mortgage on a middle-class home in the suburb of a major American city. They will have accumulated credit debts in addition to the home mortgage of a little more than $8,000. *And they can't make the payments!* That's what you might call "head over heels in debt."

How It Got That Way

Let's analyze this "average" family for a moment. You might fit the mold yourself. You certainly want to avoid the pitfalls so many have fallen into.

During the past quarter century credit buying has become a way of life. If you do not have a wallet full of plastic cards, you are indeed handling your finances different from the average person. You may have even felt compelled to obtain a credit card since many stores today will not even take a check in payment unless accompanied by your driver's license *and* not only one, but TWO major credit cards.

Obtaining these credit cards has heretofore been fairly simple. Just fill out an application where you bank and one comes in the mail. Lured by high-power ads on television and in magazines we have found it convenient to charge gasoline, clothing, department store purchases — almost everything we needed or thought we needed.

Young couples could furnish their apartments or homes within a few weeks of marriage. Their parents probably started with a hand-me-down bed and a used dining set and then accumulated furniture over 10 or more years. No need to wait today. Buy it on credit. Pay for it over three or four years. Enjoy a new couch, an entire bedroom suite and, of course, the ever-present brand new television and stereo.

Each item seems so affordable — the furniture, the car, new clothes. The first thing you know, the used car dealer sends for the car to be repossessed. A credit collection agency sends snide and threatening letters.

Panic. Bankruptcy.

It happened to more than 1,300 American families *every single day* in 1982 alone.

Credit Buying Is Nothing New

It might surprise Americans to know it's an old custom to buy on credit. It goes back to the very foundation of their country.

In his book, *Buy Now, and Pay Later,* Hillel Black shows just how much of a problem this debt menace has been, historically, as well as in the 1980s. On page 6 of this most-revealing book, Mr. Black states: "being in debt is not new. The Babylonians, the Celts and other civilizations extended credit. Even the pilgrims on the Mayflower booked passage on the installment plan."

Most Americans probably are not aware that their founding fathers started the New World on money borrowed to be paid back later.

But, an alarming *new trend* was noted in the middle part of the 20th century. As a result of a consumer credit explosion, not only in the United States but in the whole industrial world, the total private debt proved greater than the *combined* private debt of mankind *throughout history.* Never have so many owed so much. Never has so much profit been made out of the debt itself.

Here we are, living in a world of spectacular push-button luxury — and much of it STILL BEING PAID FOR month by month, check by check, patiently hoping that all this glittering world we live in will someday be our very own.

At the present rate, it probably never will be! The average family will continue to go deeper and deeper in debt in the years just ahead.

What About You?

The chances are you are an average American, or Australian, Briton, Canadian or South African. And the chances are to one extent or another you have been caught in the *swirling vortex* of credit buying!

But where has it brought you?

Being average, you very probably live in the fear of your financial world closing in someday. After months of paying for the car, the television or the stereo, the desire to purchase more soon overwhelms the responsibility to pay off old debts first.

You are going to have to see where it is heading and learn it has to end somewhere. And you will have to discipline yourself to make yourself do what is best.

How to Begin to Solve Money Problems

While this flurry of consumer credit buying is going on, let's stop to ask a moment — where has God been all this time?

Are there any laws and principles from the Bible telling us how to handle our money?

Undoubtedly, the average man does not know.

Most people wouldn't know where to turn in the Bible to find out if all this credit buying is good or not! Many would laugh if anyone even suggested searching the Scriptures to find how to run a family budget and handle money matters.

There is not one single facet of life the Bible does not touch upon and, in principle, tell you what to do. Your personal finances are included — there is a great deal *in the Bible* about money matters.

So, the place to start straightening out your financial problems is the Word of God.

Go to the source.

The apostle John was inspired to write in III John 2, "Beloved, I wish above all things that thou mayest prosper and be in health, even as thy soul prospereth." It is God's desire we have brimful, jam-packed lives — lives abounding with good health and the prosperity to enjoy that health.

Christ said one of the reasons he came was "that they might have life, and that they might have it more abundantly" (John 10:10).

You certainly cannot have a happy, abundant and prosperous life if you are up to your ears in debt. You need to find the way to prosperity and abundant living.

Put God First

The first law of financial happiness and PROSPERITY is to *put God first.* Don't turn to him in a last-minute, last-ditch effort of desperation to save yourself from disaster. Find out now what you should do!

Of course, if you are already halfway down the road to financial collapse and ruin, the only thing you have left to do is try it God's way.

If you are newly married or if your debts have not piled up beyond reason — you need to learn what to do to avert a future disaster in your financial life.

Whether you are now under deep financial obligations or have already undergone bankruptcy, or if you are just getting started on a life of earning money and providing for a family, you need to put God's way first and foremost in your planning.

Most people never stop to think the very soil they till, the factory where they work, the home where they live, in reality all belong to God! It never enters the mind of the common man on the street that the paycheck he receives initially belongs totally to God.

God gives us the land, the water and natural resources that make our jobs possible. He gives us food to eat, air to breathe and water to drink so we can work at our jobs. The universe, the earth and all its natural resources, yes, even the very buildings we build, BELONG TO THE ALMIGHTY CREATOR OF HEAVEN AND EARTH.

In that sense of the word, nothing we do or have really belongs to us. It all belongs to God.

But God is a generous God. He has not demanded we give it all to him. He has given it all to man to use. Man can work the land, till the soil, use the earth in any way he chooses or sees fit. God has given *laws* whereby man *should* do all of this, but he has not forced human beings to do it the right way. He has left that up to us for a period of 6,000 years.

In Deuteronomy 30:19, God gives us a choice, "I call heaven and earth to record this day against you, that I have set before you life and death, blessing and cursing: therefore choose life, that both thou and thy seed may live."

There are two ways to go.

One leads to curses, sickness and *financial disaster.* The other choice is do it God's way. That way will result in life as life is intended to be lived. And it includes monetary blessings. The question remains — do you want to do it God's way?

Obviously, if someone is going broke and standing on the brink of collapse, he is spending more money than he has coming in. A $200-a-week American factory worker cannot live in the same fashion as a $1,000-a-week executive. He would go broke the first month he tried to live that way. And the $1,000-a-week executive cannot spend money on the same scale the highly paid $1 million-a-year professional athlete does.

No matter what salary you make you have to control how you spend what you have.

God's 10 Percent

Most people in today's society receive a wage or salary as income for labor. Whether a laborer, clerk, blue-collar or white-collar worker, businessman or banker, we receive money for our efforts.

The reason so many are failing is that they *never have been taught the right way.*

Here's what people haven't learned from Malachi 3:8-9, "Will a man rob God? Yet ye have robbed me. But ye say, Wherein have we robbed thee? In tithes and offerings. Ye are cursed with a curse: for ye have robbed me, even this whole nation."

Remember, God owns the land — it's all his! Yet God tells you and me we can have 90 percent of all the increase we can make from the land or in our jobs. Think of it — a God so generous he gives us *90 percent of all the earth will produce.*

But he is careful to point out that the 10 percent (that is what the word *tithe* means) that belongs to him must faithfully be paid to him *for his use — it* cannot be used for our own spending. Because people *have not known* that — they have been robbing God and face the potential for financial disaster.

Just look around you to see whether or not that scripture is literally being fulfilled today. Malachi gives sound and stable *financial counseling.* His writings have been preserved for us and are not out-of-date, but up to the minute. If you are willing to follow this counsel you can reap its benefits. Notice the next verse — verse 10, "Bring ye all the *tithes* into the storehouse, that there may be meat in mine house, and prove me now herewith, saith the Lord of hosts, if I will not open you the windows of heaven, and pour you out a blessing, *that there shall not be room enough to receive it."*

That's God's promise to *you!*

And he challenges you to prove it. Thousands upon thousands of people are finding out that God's way of tithing and being generous with offerings does work. God will do for you what He promises.

Tithing Teaches Budgeting

There is more to family financing than sitting down and watching God cause paper money to grow on trees in your backyard or garden. God won't do that. But he will bless you — if you will diligently apply his way.

God said, "the *laborer* is worthy of his hire." He did not say the man who sits around will get rich.

When you begin to pay God his tithes, God will *begin* to add to you as he sees fit. But you must learn to *control* your income. The chances are God will not give you a salary increase double your present amount the very first month you begin to pay tithe.

First, you must learn to handle your present salary.

Budgeting principles can be learned from the tithing principle — this teaches dividing your income and expenditures up by percentages.

The first thing you should do when you receive your pay is give God the 10 percent that is his in the first place. (In most nations, the government will already have taken its tax revenues out before you even see your check.)

Remember, though, God's tithes come out of the total increase or adjusted gross income, not on the after-taxes amount.

God has given you control over 90 percent of the remaining income. (The government, of course, has taken whatever it has decreed is its fair share.) The remainder becomes *your responsibility* to handle. It may not make sense to you now — and you probably will not be able to put it down on paper — but when you begin to properly tithe, God will see to it that *your 90 percent* will go further than the entire 100 percent used to — one reason being because you begin to make wiser decisions.

An Ancient Practice

The practice of budgeting based on this *percentage* principle is an ancient custom. We are first introduced to it in the pages of the Bible in the time of Abram or Abraham almost 4,000 years ago.

After winning a victory over those who had taken his nephew, Lot, captive, Abram was returning home. On the way he neared what would later become the city of Jerusalem. It was then called Salem. The king of that city, Melchizedek, came to meet Abram. Melchizedek was also the priest of God (Gen. 14:18). Abram was God's servant. He lived according to God's law, statutes, commandments and judgments (Gen. 26:5). When Abram met Melchizedek, king of Salem and priest of the Most High God, what did Abram do? … And he gave him tithes of all" (Gen. 14:20).

Abram had taken spoil in the victory over the Canaanite kings. When he met God's priest, Abram gave 10 percent of what had been taken. Thus we see tithing — giving 10 percent to God — is an ancient law. From this, we can derive an important principle of budget allocation — the *percentage* system. Let's learn from this example of tithing.

What God has done is give mankind control over the earth and its resources. When God created the first humans, he "blessed them, and God said unto them, Be fruitful, and multiply, and replenish the earth, and subdue it: and have dominion over the fish of the sea, and over the fowl of the air, and over every living thing that moveth upon the earth" (Gen. 1:28).

God, who owns the entire universe, essentially said to man: "The earth is yours to use. You can farm it. You can graze stock on it. You will discover minerals and other natural resources in its soil, in the oceans and in the atmosphere of the earth. Use it. Produce from it. Live off of it. But 10 percent of all the increase you take from it is mine. The 90 percent remaining will be yours to discreetly use."

God has used that 10 percent for his work over the ages. In the days of Abram, Melchizedek was God's priest — the tithe went to him.

After God called the nation Israel out of Egypt under the direction of Moses, God used the tithe to pay the Levitical priesthood for their work in the religious and educational services for the nation (Heb.

7:9). After Christ established the New Testament Church, tithes were to be used for the work of God through the Church.

The very first step in successful financial management is therefore to tithe, to present 10 percent of one's adjusted gross income to the service of God. Once a person determines to step out in faith, he finds God has given a promise to those who obey him and practice tithing.

How to Budget

The word *budget* means proportioning your income into a series of categories. Think of it as a percentage of the money you have available. The first 10 percent of your increase is God's. The remaining 90 percent can now be allocated.

But how much and for what?

There are two categories into which you must divide your budget.

The first area we will call FIXED EXPENSES. Fixed expenses are those that will come every month and will be about the same each month. Second, there are VARIABLE EXPENSES. You can also call these funds DISCRETIONARY MONEYS. These are expenses we will all have, but the amount we spend from month to month might vary considerably.

A fixed expense such as your monthly mortgage payment or rental payment will usually not significantly change. Other such fixed expenses will be cost of utilities — especially heating costs in winter telephone, food, household expenses and transportation.

After your tithes and offerings, there is a part of the budget over which you have little control: TAXES. The government has to function and has chosen to operate on a percentage of each wage earner's or businessman's income. In most nations taxes are withheld before you even receive your pay.

In addition to taxes, there are other funds that are withheld from your check. These include payment into a social welfare or social security fund, pension plans, required insurance, sometimes union dues and other smaller amounts. Since they are withheld, you have practically no control over them. But they must be calculated into your budget.

The three largest expenses most families incur are the cost of housing, the cost of food and in northern climates the cost of home heating. In some cases, there will be little left after these major items. Most families will find that food and housing will consume just more than half their budgetary allocation.

In our modern world, a majority of families purchase and operate at least one automobile as a principal means of transportation. Some families may be able to rely on public transportation such as buses or subway systems to provide a portion of their transportation needs. The transportation cost will also be a fairly fixed expense. A budget must be established for fuel and maintenance cost of an automobile or for the fares for transportation.

Another fixed expense is insurance. Most families carry some form of life insurance, health and accident insurance, homeowners' or renters' insurance, and automobile insurance. In a number of nations, many of these insurance items are provided by the state and are part of the system of taxation one is charged in that nation. In other nations, insurance is a private matter and must be paid for separately. Many employers will provide insurance programs to employees and will at least cover life insurance as well as health and accident insurance. Once established, this area will be part of the fixed budgetary allocation of a family.

The variable expenses are simply what the name implies. There are a variety of budget areas that are determined by a family's needs and based upon the amount of money available for such variable expenses once the fixed expenses have been budgeted.

Variable expenses include the cost of clothing — certainly a necessity — but usually not allocated on a monthly basis. In addition there is expense for entertainment, recreation, vacation and travel, savings, gifts and personal allowances.

The pie chart on page 10 will give you an idea as to approximately how these expenses can be broken down in a typical U.S. family.

Remember, your budget percentages may vary considerably from these. Once you determine how you're spending your money, use the blank pie chart to fill in your personal budgetary expenses. It will help you see how you compare to the average and will help you evaluate if you need to make changes.

Where Is It Going Now?

Before you can fill in your own chart, you have to know how you spend your income. Most of us have said more than one time, "I just don't know where it all goes." Or, "How come my outgo always exceeds my income?" Or, "I just can't seem to make ends meet."

The first thing you must do, to manage successfully the 90 percent of your income after tithes, is to know where it all goes. Many families simply do not know.

If you are not now aware of how you spend your money, you have to come to grips with where it's going.

Finding out how you spend your money is going to take a little work and effort. But it can be fun. Involve the whole family in the project. A husband and a wife sitting down together with the children will draw the whole family together. Husbands and wives will understand each other's needs and the children will understand much more when you say, "We simply can't afford it."

The Three-Month Analysis

Now, you are ready to start your own personal budget analysis. Use the next three months to analyze your outgo. The work involved is well worth the effort.

This means keeping records of where your money goes. We've produced an outline on page 8 that will help you keep track of your expenses over the three months. If possible, have photocopies made of this page so you can experiment with the best means of keeping your own records. You will find during the three-month analysis you will be making changes in the way you spend your money.

There are two major ways to keep track of your expenses. Choose the one that best suits your family's needs. One efficient way to keep track of expenses is to write a check for almost all items in your budget. Many banks today offer free checking services or at least offer low-cost monthly service charge accounts. By writing a check, you will have a written record in your check register and you will have a canceled check that you receive back from your bank. Be sure you write in your check register as well as on your check what the expense is for. By keeping track of the budget categories such as we recommend on the accompanying chart, you will be able to see where your money is going.

Of course, checking accounts are not the only way to keep records. Many families may prefer not to write so many checks or to even retain a checking account at all. If this is the case, a record book or a notebook will be helpful in keeping track of how you spend cash. It is going to require special effort by all members of the family to write down to whom all expenditures are made.

It is amazing what you will discover when you start keeping this kind of budgetary record — you find where the money really goes. Many families find they are spending far too much in some areas and perhaps not enough in others. Some will be eating out too much. Others will find they are spending too much on recreation. Others will find the transportation car is costing too much in repairs. You will discover these things simply by writing it all down and adding it up at the end of each month.

After the first month, you will have a good idea of where all your money is going. During the second month, you will see where you might make changes and adjustments. During the third month, you can experiment with these changes. By the end of three months you should have an idea of what kind of a budget you would like to set up in permanent form.

Don't let yourself get discouraged during this three-month analysis. Once you have established your budget, you probably will not need to keep nearly so detailed a record as you did during this first three months. But many families give up and quit during the budget analysis period and never really get a grip on their personal finances.

No matter which way you choose to keep track of your expenditures — you must find out where your money is going. And during the three-month analysis, be detailed. For example, if you give cash to one of your children for a movie, be sure you allocate it to its proper budgetary area — entertainment. You don't want to have too much money going out into unaccounted-for, miscellaneous cash. You have to keep track of the flow.

At first it may seem a bother to bring home the receipts and keep records of purchases from the grocery store, the hardware store or of postage stamps you bought. But it will later yield good fruit when you analyze where it all goes.

THREE MONTH SPENDING ANALYSIS WORKSHEET

		Wk1	Wk2	Wk3	Wk4	Total	Wk1	Wk2	Wk3	Wk4	Total	Wk1	Wk2	Wk3	Wk4	Total
Payroll Deductions	Federal Tax															
	State/Prov. Tax															
	Social Sec./ Pension Fund															
	Other															
Contributions																
Housing	Rent/Mortgage															
	Utilities/ Telephone															
	Furnishings/ Maintenance															
Food																
Transportation	Car Payment															
	Fuel/ Maintenance															
	Public Transportation															
Insurance	Life/Health															
	Home/Auto															
Clothing																
Medical/Dental																
Discretionary Funds	Vacation/ Travel															
	Recreation															
	Personal Allowance															
	Savings															
	Other															
	Other															

NET WORTH STATEMENT

ASSETS

Real Estate

- Home ________
- Other Properties ________

Personal Property

- Automobiles ________
- Household Furnishings ________
- Painting & Art ________
- Furs ________
- Jewelry ________
- Clothing ________
- Other ________

Long Term Assets

- Equity in a Business ________
- Life Insurance Cash Value ________
- Annuities ________

Pensions

- Vested Portion of a Company Plan ________
- Other Vested Benefits ________
- IRA ________
- Keogh ________
- Other Long Term Assets ________

Securities

- Stocks ________
- Bonds ________
- Government Securities ________
- Mutual Funds ________
- Gold / Silver ________

Cash

- Cash on Hand ________
- Checking Account Balance ________
- Savings Account ________
- Money Market Funds ________
- Cash Value of Life Insurance ________

TOTAL ASSETS ________

LIABILITIES

Real Estate

- Balance Owed on Home Mortgage ________
- Balance Owed on Other Property ________

Current Bills

- Current Month's Mortgage / Rent ________
- Utilities ________
- Charge Accounts ________
- Credit Card Payments ________
- Insurance Premiums ________
- Other ________

Taxes

- Federal Tax Due ________
- State Tax Due ________
- Local Taxes ________
- Property Tax ________
- Taxes on Investments ________
- Other Taxes ________

Debts

- Auto Loan ________
- Education Loan ________
- Home Improvement Loan ________
- Other Personal Loans ________

TOTAL LIABILITIES ________

TOTAL ASSETS ________

TOTAL LIABILITIES ________

NET WORTH ________

SETTING UP YOUR MONEY PLAN

YOUR INCOME

Salary, Husband ________

Salary, Wife ________

Interest Income ________

Dividend Income ________

Social Security or Disability Income ________

Proceeds from Sale of Assets ________

Other Income ________
(Rental Fees, etc.) ________

Gifts ________

Withdrawals from Savings ________

TOTAL INCOME ________

YOUR OUTGO

Payroll Deduction
- Taxes ________
- Social Security ________
- Company Insur. ________
- Other Deduct. ________

Contributions ________

Housing
- Mortgage/Rent ________
- Utilities ________
- Furnishings ________
- Upkeep ________
- Other ________

Food ________

Transportation
- Fuel ________
- Maintenance ________
- Public Trans. ________
- Car Payment ________

Insurance
- Life ________
- Health ________
- Homeowners/Renters ________
- Automobile ________

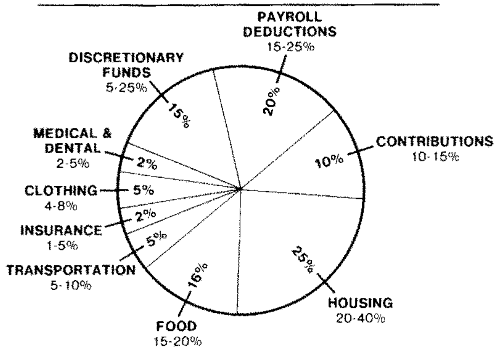
Clothing ________

Medical/Dental ________

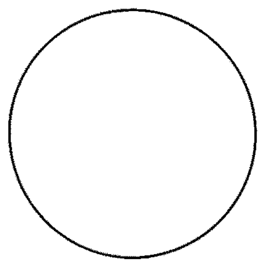
Discretionary Funds
- Vacation/Travel ________
- Recreation ________
- Education ________
- Savings ________
- Gifts ________
- Personal Allowances ________
- Other ________

TOTAL OUTGO ________

A SAMPLE BUDGET



After completing a three month analysis, you can fill in your own pie chart with your own family budget percentages.



And bringing home receipts can have a double benefit. Not only will it keep track of your budget, you will have a receipt in case you need it to exchange an item or have repairs made. How many times have you found you could not find a receipt when you needed it most? If you have a standard place where you put all your receipts, they will always be available. You don't have to set up a complicated filing system. A shoebox will do quite well. Perhaps a special drawer in the kitchen or bedroom will serve the purpose. Of course, you can set up a very detailed accounting and records system if you desire.

Sticking to Your Budget

After three months you will have a fairly good idea of exactly what you have been spending and how you ought to spend your money. If your family project has been successful, each member of the family will understand his or her individual responsibility in guiding the family to financial success.

There will be many temptations to vary from the budget you establish. In most cases, you will have to make up your mind you simply will not be able to vary from the established budget you set up.

Of course how much you have in the various budget areas will depend on your outgo and the cost of living in your region. If you find your variable expenses have enough budget allocation, you will have what we call "discretionary" funds available for a limited variety of personal expenses. Sending the children to summer camp, buying a new television set or increasing the children's allowance are all nice if we can afford them. But if they cannot be afforded, this kind of expenses can be foolish expenses and plunge families into deep financial debt.

So don't let anything deter you from your goal of successful family budgeting.

Finding Your Financial Worth

As the years go by, it's surprising how much value can be built up in an average family. If you've purchased a home, furniture, an automobile, jewelry and other items of permanent value, you will find you have established a net worth considerably more than you might at first think. Perhaps you have a savings account, value in a retirement or annuity plan, stocks investments or cash value that is built in life insurance. While you may be struggling to make ends meet, you may also find you have been accruing a personal worth in excess of your own expectations.

In order to establish future financial goals, you should know where you presently stand. You must get control of your budget. A major reason to get control of your budget now is to be able to control expenses and to establish future financial goals.

So how much are you worth? The chart we have produced on page 9 will help you determine your net worth. Gather your records together and fill out the chart. It may surprise you how much — or how little — value you have. In order to properly fill in the blanks, you may have to have an updated appraisal made on your home or properties you own. You can estimate the value of your automobile by looking in the classified pages of your newspaper to see what similar cars are selling for. By visiting a furniture store you can see how much your furniture may be worth or what it would cost to replace at today's value.

You should have easy access to the balance in your savings account and other financial investments you may have made. Your insurance agent can let you know the cash value you may have built in an insurance plan.

To figure your net worth, add up your assets and subtract from them all the liabilities. The bottom line is how much you are worth financially.

Planning Your Financial Future

Where do we go from here?

That depends on where you find yourself now. The three-month analysis accompanied by your statement of net worth will help you see where you must now place your financial priorities. If you have found yourself deep in debt, your goal will be, obviously, to get out of debt.

If, on the other hand, you have found yourself in fairly secure financial position, you will want to establish some priority goals for the future.

Depending on your circumstances, those goals might include any of the following: the purchase of a home, college education for the children, planning for retirement, care for aged parents or for future additions to your own family. Those goals obviously will vary from family to family.

But the most successful way to plan for your future is to establish sound budgeting principles here and now. You must get yourself out of debt if you are in debt. Then, you must establish some realistic goals for the future.

The best goal of all will be to establish your partnership with God and develop the self-determination to know how to budget your income.

Chapter Two

LIVE WITHIN YOUR MEANS

Often families find that the totals in their bank accounts are quite depressing because they have an overly inflated concept of what their life-style should be. The *Time-Life Book of Family Finance* succinctly described this all-too-common syndrome as follows: "Effective management of family finances must proceed from an understanding of the life-style into which a family properly fits. Money spent to build an unreal image of what the family is — or is trying to be — is money wasted" (p.53).

"Keeping up with the Jones's" can be a very unprofitable undertaking. The family that fritters away its income on expensive nonessentials may soon be left wondering how the next rent payment is going to be made. Contrast this approach with that of the apostle Paul in the New Testament:

"… I have learned to be content, whatever the circumstances may be. I know now how to live when things are difficult and I know how to live when things are prosperous.... I have learned the secret of facing either plenty or poverty" (Phil. 4:11-12, J. B. Phillips).

Having this kind of attitude about material wealth can save a person many a financial woe. The key is to recognize that whether rich or poor, in debt or out, material possessions do not make one permanently happy. Rather than trying to live beyond his means, he learns to be satisfied with what he has — and improves on it as time and money permit.

Using this basic approach, in the next few pages we offer some suggestions on how to trim some of your major living expenses.

Food

With food prices rising practically every month, many consumers have already become well versed in the art of trimming down their food budgets. In some instances they have simply sacrificed on the quality and/or quantity of food consumed.

In the face of inflation, a family may have no other recourse. However, there are ways of getting around the weekly price squeeze at the supermarket. One obvious way to soften the blow of family food prices is to buy in bulk. A smart shopper who stocks up on large economy sizes will save more than just food money. He or she may eliminate some of those time (and gas) consuming trips to the local grocery store.

Significant savings can also be achieved by avoiding prepackaged meals or gourmet items. Much of their price represents the cost of somebody else's labor. Potatoes, for instance, offer an excellent example of the savings a non-processed diet brings. In their natural state, potatoes sell for a few cents a pound. Yet they may cost $1.00 to $2.50 a pound as potato chips or crisps.

Natural grains often quadruple in cost when transformed into boxed cereals. And block cheese is another prominent food item that sells much more cheaply than its sliced counterpart.

And non-processed food — vegetables, fruits, meats, milk and grains — are not only usually cheaper, but provide a healthier diet as well. In this regard you might consider starting a backyard garden. For the price of a few seeds, and a little effort, you can enjoy the pleasures and financial rewards of homegrown produce.

Perhaps the biggest food savings a family can achieve will come through home cooking. Restaurant dining, even in the more modest establishments, is an expensive proposition. When a family dines out, they in effect are paying a heavy premium to have somebody else prepare their meal.

Shopping in supermarkets that don't offer trading stamps can also shave a few dollars off the monthly bill. While you may think the merchandise you eventually get at the redemption center makes up for the higher prices, it really doesn't. Otherwise the people in the food stamp business would have gone broke years ago.

Efficient meal planning can also be a boon to the family food budget. Leftovers can be tastefully recycled in the form of casseroles, soups, or stews. And on weekends, you might try serving two meals a day instead of three. This might be especially convenient for the family that rises late on Saturday and Sunday mornings.

Cutting Costs on Clothing

Slavishly following the latest fads may *look* chic, but it's not so fashionable when it comes time to pay the clothing bills. Your clothing budget can stay in trim if you basically stick to apparel that is classic and timeless in style.

Buying quality clothing is another way you can save dollars in the long run, even though you may have to pay more at the time of purchase.

If a wife is a good seamstress, she can rack up significant savings on her own sewing machine. On the other hand, for certain types of apparel a stitch at home may not always be worth the time, effort and cost of material involved.

Since the clothing industry is highly competitive, it pays to shop around. If your family financing is such that you can time your purchases to coincide with seasonal sales, so much the better. And don't rule out quality used clothing. In some big cities fashion-conscious individuals donate little-worn garments to "thrift" stores. There they can be purchased at a fraction of their original cost.

Transportation

Trading in the family auto every two or three years is a losing financial game. If you want to get the most for your transportation dollar, hang on to the old car for awhile. Get as much mileage out of it as is practical. That sleek and shiny new vehicle that looks so good in the showroom will usually depreciate $1000 in value the minute you sign the papers and put the key in the ignition. After the first couple of years, depreciation drops off a bit, so you can come out somewhat ahead of the game if you hold on to a new car for at least four to five years. After that point in time, depending on how bad its planned obsolescence factor is, you may find the cost of repairs and operation greater than the cost of making a trade.

If you can find the type of car that you can buy new and operate economically for ten years or more, you will be well ahead of the automaker's shell game. And if you can pay cash, you can save yourself a bundle in costly auto finance charges.

Obviously the compacts and subcompacts are a definite plus for the new car buyer who is looking for economy. Why spend money unnecessarily to operate a 5000-pound behemoth when a smaller vehicle may serve your purposes just as well?

And watch those options like air conditioning, automatic transmission and power-assisted systems. They not only add to the cost of the car, but subtract from its economical operation as well.

Nor does it hurt to learn a little something about auto mechanics. Often you can save yourself sizable repair bills by doing your own routine maintenance such as tune-ups, oil changes, and the like. And if you are really fed up with spending so much money for the operation of the family auto, you might think about riding a bicycle, public transit, or car-pooling.

Care for Yourself and What You Have

Most families spend eight to ten percent of their annual income on health care. The family following natural health laws might easily cut this amount in half.

Drugs are tremendously high-priced because of the public's overwhelming demand to "feel good." In a way we are paying for the pharmacist's college education, the doctor's M.D. and the advertising campaign of the company that produces the drug in question. It would be a lot smarter and more economical to concentrate on a health-conscious style of living.

A little concern spent on *preventive maintenance* — a scheduled check on the car, the window screens, the washer, the stove, the roof, the bicycle, etc. — can mean a lot of money saved on expensive repair bills.

Polishing shoes the right way, learning how to remove spots from rugs and tablecloths, using pads for hot things, using coasters on glasses and cups so rings won't be left, wiping your feet when you come in the door — the list is practically innumerable and involves everything we own and use.

Chapter Three

AVOIDING THE PITFALLS OF EASY CREDIT

Credit, in many ways, is like alcohol. It's easy to get hooked on if it's not used in moderation. Sometimes the only solution for the "credaholic" is to go cold turkey until his financial system has a chance to return to equilibrium.

This in no way implies that the use of credit *per se* is wrong. On the business level, the proper use of credit has significantly facilitated the flow of goods and services. Long-term, low-interest loans have made it possible for individuals to purchase items such as homes or automobiles that would otherwise have required the accumulation of many years' savings.

Another credit mechanism, the credit card, has been a tremendous boon to the consumer who is temporarily low on cash. It has eliminated the danger of carrying large amounts of currency — especially during prolonged periods of travel. And credit cards provide a convenient form of identification when cashing checks or renting cars. But buying on credit can be a financial curse as well as a convenience, particularly when a person gets behind on his payments.

Credit buying often creates the *illusion* of prosperity. The small size of the monthly installment, its delayed arrival at the end of the month, and the lack of cash at the time of purchase make the "goodies" of life seem suddenly within reach. This kind of "get now" reasoning is causing millions of families, with otherwise adequate incomes, to spend their paychecks before they even receive them.

Once you get caught in the credit trap to the extent that your "free" money is being spent on installment payments, you are doing the same thing as saving the money — only at a cost. The money you would have in your savings account is now going to a credit institution. In effect you are paying a premium in order to own something now instead of later.

If credit is habitually used in this manner, it can often turn out to be an expensive proposition. Most credit cards, revolving charge accounts, and automatic overdraft facilities usually require a minimum monthly interest charge of 1½ percent on the outstanding balance. That can easily add up to a whopping 18 to 20 percent a year. Some charge even more.

But that's only part of the cost of credit. Sometimes interest charges on credit purchases will be computed from the first of the month, even though the actual purchase may not have occurred at that time. In effect, the customer is being charged interest during a period of time in which he did not have use of the merchandise he bought on credit.

Or take the case of simple annual interest rates. Say you borrow $100 at 10 percent annual interest. You contract to pay back both principal and interest within the next 12 months. Your finance charge, then, is $10.

But here's the catch — you don't have the full use of the $100 for the entire year. You will be paying back principal and interest in 12 installments at roughly $9 a month. After 6 months you will have paid back approximately $54 — which means you will have only about $46 left. As time goes on, net cash on hand will become progressively smaller. A little figuring will reveal that the *average* amount of money you actually possessed during the 12-month period was something less than $50. Yet you paid interest based on the entire $100 amount.

Shopping with cash, on the other hand, can often save the consumer more than just monthly carrying charges. The man or woman who pays cash can sometimes buy at a discount. The cashconscious consumer can also take advantage of seasonal sales. He is able to shop around more freely and buy where his money has the most purchasing power. The individual operating on credit is often *forced* to purchase where he has his charge account, even though a sale may be going on next door.

Solomon wisely perceived that "The rich ruleth over the poor, and the borrower is servant to the lender" (Prov. 22:7). A cash basis of financial management, at least for a time, is a good way to learn how to avoid this type of financial bondage. The question, therefore, logically arises: "Where do I start?"

Shaking the Credit Habit

The average money manager first should realize that there are two types of family and personal expenses. Rex Wilder, in the popular MacMillan Guide to Family Finances, identifies them as *wants* and *needs.*

A *need* he defines as "a desire of great urgency, very often a biological necessity" (such as food and shelter). A *want* he views as a "desire of little urgency, set in motion by no basic necessity."

In today's society credit buying for needs — such as a car or a home — can be looked on as a necessity. Even these purchases, however, can sometimes be delayed until more cash is available to lessen the finance charges.

On the other hand, credit should rarely be used for wants. Families in trouble have frequently used too much credit on wants rather than on what they really needed. Until they can accumulate savings, they should adopt a policy of buying wants, such as TV sets, sporting goods, or excess furniture strictly on a cash basis. Here's why: saving cash for luxuries or wants exerts a remarkably stabilizing influence on a family's monetary policy. By the time you have saved the needed cash, there will be little doubt in your mind whether you can afford the item or if in fact you still really want it.

To use this approach, you must resolve not to purchase anything more on credit until your accounts are all paid in full. At least limit the credit purchases during your transition period to an absolute minimum so that you can get your credit accounts paid off at the earliest possible date. Then, instead of immediately obligating yourself to more payments by purchasing additional articles, let your savings accumulate until such time as you can begin to buy these items for cash.

Remember the wise family can learn to live *with* credit, but it should never live *by* it!