

What To Do!

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Everyone wants to know what to do with this economy. I think Stephen Covey gave the best advice; he suggests drawing two concentric circles. The first circle is your area of influence, and the outside circle as your area of concern. He suggests you concentrate only on the circle of influence, things which you have the power to influence or change. He advises that you disregard those in the area of concern over which you have no influence or power.

As we look at the current business cycle, there are many things that concern us; the price of gas, the price of food, and now we are told that not only will winter come, but it will cost us more to heat our homes. Can you control these costs? Probably not! So! What can we control?

First; now more than ever we need to make sure that we have our Emergency Fund full. You should have 3-6 months of access to liquid funds. This liquid account, meant to cover you during an illness, layoff, or any unexpected event; should be six months in these current economic times.

Second; look for ways to reduce your expenses. Research shows that the American public wastes 12% of their income, without any idea where it goes. In his book "The Wealthy Barber" David Chilton states that if you save 10% of your income for six months, you will not notice an impact on your lifestyle. Look for things and ways you are spending that are not really that important to you. Your credit card and bank statement will tell you loud and clear where your money is going.

Third; sit back and have a leisurely talk with your spouse about your finances. Discuss what goals you each have and align them in an agreed upon priority. Review where you stand on achieving your priorities, and what needs to change to start or keep moving toward their achievement.

Fourth; turn off the TV. By now, we all know gas prices are up 21% from a year ago. There is nothing you can do about the price. We have business cycles, we have market cycles, and we have implosions that make us think things will never recover. Remember the dot com bubble, the savings and loan debacle, how about the limited partnership collapse?

Concentrate your activity on the things that you can influence, make sure you have some reserves, live within your means, know and focus on your priorities.

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Charles Buck CFP®

"Always bear in mind that your own resolution to succeed is more important than any one thing."

Abraham Lincoln

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What is wrong with using a credit card?

Nothing is wrong with using a credit card, but you should be aware of how it affects the way you spend. It disassociates the act of buying with the act of paying, therefore, you don't see the impact of each purchase. It is just lumped together with everything else at the end of the billing cycle. In a study of shoppers, researchers found that the total was one-third larger with the credit card vs. cash. Furthermore, non-essentials were double.

They also found that if you were using credit in lieu of cash, you would spend more for the same items. But, maybe worst of all, they found that only 35% of credit card shoppers could remember how much they spent as they left the store compared to 68% who paid cash.

In our society it seems we cannot get by without a card, but if you have one, it is best to use it for purchases that require a credit card; and recognize the effect they have on your behavior.