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SPECIAL NEEDS RESOURCE PROJECT e-newsletter

Things to Think About!

Check it Out
By Karen Morgan

Need more information? The following are a few helpful links as you begin your search:

www.byubroadcasting.org/livingessentials/

http://extension.oregonstate.edu/multnomah/finance/

www.uwex.edu/ces/flp/toolbox/

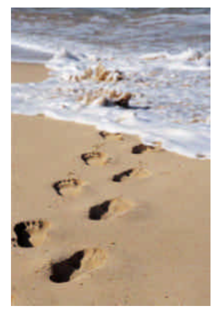
http://moneycentral.msn.com/investor/calcs/n_debtratio/main.asp

If you have a topic you would like to see covered in our newsletter, or have a specific question that we can answer directly, please feel free to contact us anytime through the following email address…
snrproject@hotmail.com

Family Finance Management
By Linda Jorgensen

Are you in financial trouble? An increasingly large number of Americans are filing bankruptcy every year with many families filing repeat bankruptcies. Many are overspending to "Keep up with the Jones's" while others are simply failing to take personal control of their own financial resources.

Families with children with special needs are especially vulnerable to financial difficulties. The expense of raising children increases every year but when that child has costly medical needs the amount of money needed to pay for their care can raise the roof on an already strained family budget. What is a family to do?



Here are some basic steps to begin taking control of your family budget.

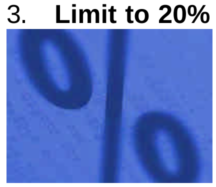
10 Basics of Financial management
Ideas to consider as you develop your personal plan toward greater financial stability:

1. **Credit should be thought of as debt.**

More than two-thirds of all families use some type of credit card, and less than 50% of them pay off their account balance each billing period. Don't think of your credit card limit as a line of credit, but think of lines of credit as lines of debt.

2. **Borrowing to make payments to creditors.**
What would you do if you were on a boat in the ocean? The boat has ten holes in the bottom and you have only nine corks. No matter how you move the corks around, your boat will eventually sink. Determine affordable payment amounts before you acquire a debt to avoid finding yourself borrowing from Peter to pay Paul.

3. **Limit to 20% of your take-home pay for all credit payments.**



Installment debt (including car payments and credit cards) should not exceed 20% of what you take home after taxes. Car payments alone sometimes meet or exceed this limit, but for some reason are often thought of separately from other consumer debt items, such as furniture, household appliances, and clothes. Include everything but the mortgage when you total up your credit payments, and keep these to no more than 20% of your take-home pay.

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4. **Second incomes should go to pay debts**.

The net amount realized from a second available income may vary based on job expenses, taxes, social security, etc. It may be less than you think or would hope but should go toward debt elimination, not toward increasing debt based on the presumption of higher income.

5. **Common sense credit card use.**

When using credit cards, be sure the item purchased lasts longer than the payments do. When you charge dinner rather than pay cash, you are basically telling the bank you want a loan to pay for it. Use credit cards only for preplanned purchases of durable goods, or for emergencies. Make out a shopping list and stick to it, don't carry credit cards or checkbooks with you, and let some time pass before making major purchases to better assess real needs versus wants.

6. **Pay accounts on time.**

Cash flow problems can occur. Not many things cause more stress than getting behind on bills. To avoid this, create a special account for such contingencies or subtract credit card purchases just as you would checks.

7. **Pay more than the minimum each month.**

Many credit card repayment plans are set up so you pay only1/36 of the principal due plus interest. The bank doesn't want you to pay your full balance too fast, they don't make as much profit. To avoid paying higher interest dollars, accelerate your pay off schedules adding as much extra to the principal as possible to each payment.

8. **Make your debt repayment schedules no longer than one year.**

Excluding home mortgages, the ideal duration of a loan should not exceed one year. This should apply to student loans, credit cards and even to car loans as well. However, with the higher cost of a new car, it may be unrealistic to expect to pay off a car in one year.

9. **Distinguishing between needs and wants**

A great skill to living within your budget is the ability to distinguish between needs and wants. A need is something required for survival, a means to go on living, accomplishing, or contributing. A want is something providing greater convenience, enrichment, or pleasure. Everyone continuously distinguishes between needs and wants. Perhaps the most important step in creating a successful financial plan is to determine just how little is needed to satisfy the basic necessities.

10. **Prepare a Budget**

Only about 50% of American families use some kind of budget; about 12% have one written down. A budget is a systematic plan for meeting expenses during a given period, a road map directing how to get where you want to go financially. Your overall goal should be to spend your money on things you value, things that will last. A realistic, well thought-out financial management plan is the most important factor in achieving the level of financial stability you want from your resources.

Based on a BYU Broadcasting Living Essentials Program entitled "Debt Management" featuring combined interviews of the following:

Scott C. Marsh is an Author & Financial Consultant as well as Part-Time Faculty with the BYU School of Management.

Bryan Sudweeks Associate Professor of Finance at BYU's Marriott School of Business.

Sylvia McNew is a mother of 5 children and recently returned to school to complete her Master's Degree.