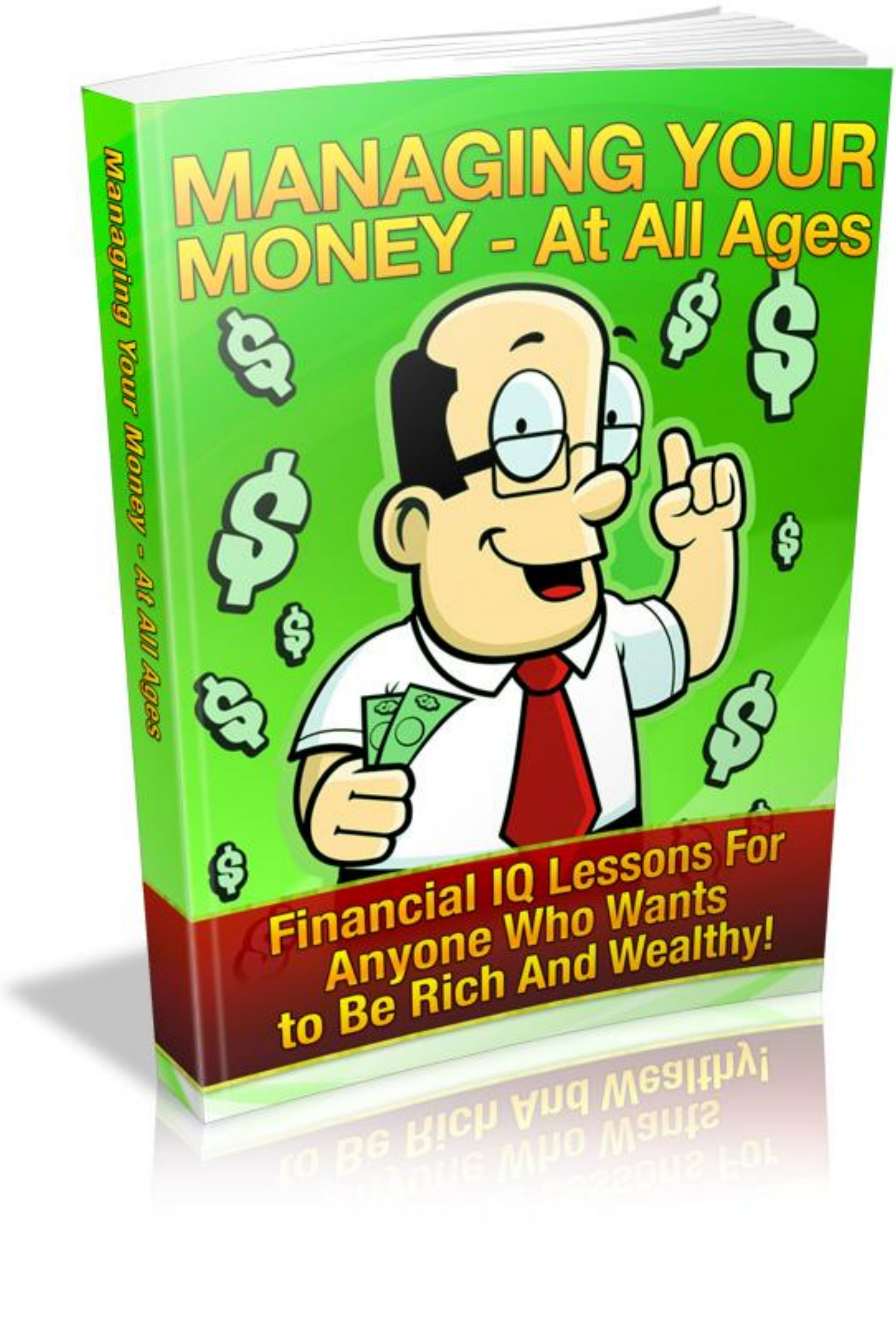
MANAGING YOUR MONEY - At All Ages
Managing Your Money - At All Ages
Financial IQ Lessons For Anyone Who Wants to Be Rich And Wealthy!

Terms and Conditions

LEGAL NOTICE

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Introduction

Money management is an art. Sadly, it is becoming a lost art.

We are becoming poorer each day just because we cannot manage the resources that we have so painstakingly accumulated. We don't know how to manage our assets and nurture them to grow.

Inside, you will learn various ways of money management for all ages and all walks of life.

Have an enriched experience reading this eBook. It might just help you gain better control of your life.

Chapter 1:

Beginning Early to Do Better – The Lemonade Way

Summary

The best money management is that which begins early on in your life. Don't wait for things to reach a precarious level before thinking about managing your precious resources.

Beginning Early to Do Better – The Lemonade Way

A wag once said – "The easiest way to teach children the value of money is to borrow some from them." Indeed, the frown and pout on such a child's face would indicate a loss of something quite tangible! But it is important to teach a child that the concept of money goes beyond a few coins or dollars. Money and its successful management reflects liberty and a control over one's destiny.

To learn about money management from a tender age, a child can be explained the parts of the financial system in a simple way – The Lemonade Way:

Banking – Your kid can start with a simple savings account to run his lemonade business. When they write a check for the purchase of lemons and sugar and file the receipt for them, they will have learnt his first banking lesson. Take them through simple interest, compound interest and so forth.

Income – Explain to your child that money can come in through salaries, sales profits, commissions, consultancy fees. When they collect a fee to explain how to make a better lemonade, you know they have got the hang of consultancy!

Expenditure – The child must appreciate the importance of a budget to control expenses. If they blow away his day's profit on a large scoop of ice-cream, they will have no money to buy lemons the next day. When they borrow money from you, charge them simple interest! Also charge them a few cents toward infrastructural cost (they are using a chair and table from home).

Insurance- Take a cent from them every day as insurance. They may fret and frown for a week, but when they come down with a cold after drinking all that surplus lemonade, and you foot their medicine bill, they will understand the concept of health insurance!

Investments – Advise them to keep a few cents aside to buy their lemon stand. They may learn fast and probably even buy the neighborhood store by the time they are teenagers.

Chapter 2:

Teaching Kids to Manage Money

Summary

It is not as difficult to teach kids to manage money. If you have the right discipline, they will certainly learn.

Teaching Kids to Manage Money

"Money is like a sixth sense without which you cannot make a complete use of the other five." - W. Somerset Maugham

Teaching young children the importance of managing money responsibly can help them live fuller and well balanced lives as adults, using all six senses to maximum efficiency. They will have learnt their ABCs as tiny tots, but as growing kids you can teach them the five Bs of effective money management:

Budget – Let your child outline his or her needs in a typical month and plan a budget around these costs. Provide for recreation and reading as well, you don't want Jack or Jill to be dull children!

Balance Sheet – Print out a simple balance sheet template and teach them how to enter their debit and credit every day. At the end of the month they will know exactly where they stand, thus imbibing a sense of fiscal responsibility. They will understand that there is no such thing as a free lunch! And that a dollar saved is a dollar earned.

Board meeting – Discuss and communicate with those associated with your income and expenditure. If your children need additional money all the time and cannot manage within their pocket allowance, you can help them prioritize their spending. Explain to them that skipping lunch with the intention to eventually buy a PlayStation also amounts to misappropriation!

Bills – Teach young Jack or Jill to collect every bill, receipt and piece of paper related to his pocket money income and spending. That will also help them prepare their balance sheet easily.

Banking – Open a junior account in their name and let them operate it. Accompany them to the bank and let them understand the various aspects of banking and money management. You might just have a successful Wall Street professional in the making. They should be ready to roll by the time this recession is out!

In the course of your money management discussions over breakfast, they may also ask you about another B – “Dad, what’s a bailout?!!” If you teach them sound financial ethics when they are young, their company won’t ever need a bailout for sure, when they have one!

Chapter 3:

Money Management for Teens

Summary

Teenage is the right time to do a lot of things. Like, learning the importance of money, for example!

Money Management for Teens

"Give me the strength to change the things I can, the grace to accept the things I cannot, and a great big bag of money." - An unknown 13 year old.

This version of the Serenity Prayer is often on the mind of your teenager. How are they going to get that great big bag of money? But even more importantly, how is he or she going to manage the small amount of money that you give them?

First let us calculate **how much money** they need. Standard costs would include school lunch money, book money, money for field trips or outings and a weekend entertainment allowance. Don't forget to add a reasonable amount for magazine subscription and books and music CDs or DVDs. Teenagers must be encouraged to explore the arts and knowledge. Add to this an allowance for household chores carried out by your son or daughter. Keep the allowance flexible. If he or she should require new football shoes for the season as they old ones are worn out, you will have to cover that as well.

Once a budget is fixed, tell your teen that these **costs have to be adhered to**. You may find that he or she is skipping lunch to save and buy something else that they desperately want. Talk with him and understand his needs, but be firm that allocated funds have to be used for the agreed purpose only.

Teach them to maintain a **simple balance sheet**. They may also be earning additional money by delivering papers or working part time at the local pizza store. From the balance sheet they will know where they stand at any time and they will also understand the responsibilities of money management.

Maintain transparency in all accounts. Insist that you '**audit' their accounts** periodically so that you know the allowance is not being abused. But also be sensitive to his or her need for privacy. When they know that you respecting them as a trustworthy money manager, they will try and will up to that trust.

Chapter 4:

Money Management for Families

Summary

Families that manage money stay happier.

Money Management for Families

"The love of money is the root of all evil." - The Bible, 1 Timothy 6:10
"Lack of money is the root of all evil." - George Bernard Shaw

People may have all kinds of disagreement on what is the root of evil, but one thing is very clear: The lack of **money management** is the root of all headaches!

It is prudent not to allow your finances to drag your family this way and that way like a wild horse. You must take charge of your money and manage it well. What can a family jointly do to ensure hassle free and harmonious money management? Here are 5 tips:

1. **<u>Draw up a budget</u>**

   When funds are clearly allocated for various activities, there is less likelihood of impulsive and regrettable expenditure. Teach yourself and family members to draw up a simple balance sheet so that everyone knows what records of bills, receipts and transactions are to be maintained. Also scrutinize your bank and credit card statement carefully to avoid identity theft and to be aware of hidden costs.

2. **<u>Have regular family 'board' meetings</u>**

   Update everyone on the money front and check if your children or spouse need additional funds for unforeseen expenses. Put across your disapproval of wasteful or impulsive buying in a sensitive way.

3. **<u>Encourage everyone to come up with new cost saving ideas</u>**

These must also have an element of fun. Instead of going for a paid vacation, organize a cleanup of a neglected area of your community and hold a potluck picnic there. Organize and visit garage sales and auctions to avail of low cost deals.

4. **Evaluate your housing mortgage and health insurance costs**

   If it makes sense to move house to save money, consult your family and take a decision.

5. **Write a will**

   Lack of a clear-cut will invariably leads to disputes on the distribution of your money and assets as well as resolution of your debts.

Chapter 5:

Money Management for Home Business Ventures

Summary

Planning a home business venture? But how money-savvy are you?

Money Management for Home Business Ventures

One of the biggest mistakes that small home-based business owners often do is to mix up their business and home expenses. There are certain advantages in operating your business from your home. Rent and utility bills are saved and you have not had to buy office furniture and fixtures. But if you wish to maintain accounts in a professional manner, you must account for the facilities you are utilizing even in your own home, in a separate business account.

By maintaining two separate accounts for work and home expenses, you can stay within planned budgets for both. Your bank will also respect the distinction you make and this can enhance your status when it comes to availing of loans and overdraft facilities.

Assign yourself a realistic salary. An extravagant withdrawal every month will leave your finances tottering in no time. Take a modest paycheck and review the situation every six months or year. If profits rise, give yourself a raise! Set your home business venture a target for the next 5 years. Reward yourself on reaching a milestone by giving yourself a good bonus or a holiday abroad.

Set up a system of good record keeping. File away every bill, receipt, voucher and statement in its proper place so that you can easily prepare your balance sheet. Mental notes and shoddy filing can inadvertently cause you to lose a lot of money.

Choose a good bank and the best banking scheme they have to offer. Tailor it to your needs in terms of highest interest for your deposits and low rates for loans. Also ensure that you make all payments in time, as banks and other service providers add on a fine proportionate to the delay.

When it comes to spending money, keep your sights focused on value as compared to high cost. If your college kid can balance your books for your small home-business, then avoid employing an expensive accountant. Of course, as your business grows and you move to a larger scale of operation, an accountant can guide you more professionally on money management and taxation.

Chapter 6:

Managing Money when the Chips Are Down

Summary

This is when money management becomes the most crucial.

Managing Money when the Chips Are Down

Harry S. Truman wittily said - "It's a recession when your neighbor loses his job; it's a depression when you lose yours."

But another American President Franklin D. Roosevelt had this sound advice for these troubled times: "When you get to the end of your rope, tie a knot and keep hanging on!"

Money management takes on an urgent priority during a recession. Here are a few ways you can take charge of your finances and weather these hard times:

- Prepare a **bare-bones budget**. Stop all unnecessary expenses and reduce essential costs. Ensure that all family members stay within their allocated costs. Keep aside an amount for once in a year expenses, which should be chalked out besides monthly costs.

- If you see a layoff coming, get to know what your severance pay will be and set up an **emergency fund** of 3 or 6 months to cover your living expenses without a job. If you are unable to pay your housing loan installment, inquire into the new home loan modification offers from the Obama administration. There will be certainly some that will help you!

- Think of innovative and **enjoyable ways to save money**. Cut out and use coupons, buy in discounted bulk, check out garage sales and auctions to reduce your cash outlay. Switch over from the premium cable TV package to the basic channels. Combine your power, telephone and water services to get a discounted utility bill.

- **Earn from your hobbies**. A recession is a good time to explore your creative side and to earn from it. Take up a part time job teaching or imparting a work skill to others. Volunteer for social services. You may gain some useful leads for a new job or even discover a new vocation in your life.

- **‘Insource’ some of the tasks** you would normally pay for. Mow your own lawn and learn how to carry out maintenance of your own plumbing and heating systems.

Every dollar saved is a dollar earned, so following the above steps will amount to earning a tidy little sum in itself! Tighten your bootstraps and manage your money well, but don’t forget to have fun doing it!

Chapter 7:

Protecting Yourself from Illegal Money Management Schemes

Summary

The worst that can happen when you are trying to manage your money is that you are swindled of whatever little you have managed to manage.

Protecting Yourself from Illegal Money Management Schemes

Every year millions of dollars are lost by hardworking honest people who have trusted some dubious organization with their money. It is best to be forewarned about such crooked schemes; here are some tips on what you can do to avoid these schemes:-

Managed Investment Schemes – These are setups where money is collected from individuals and utilized for investment purposes. You have no day to day control over your funds or knowledge where your money is being invested or to whom it is given. Cash management trusts, equity trusts, property trusts, agricultural schemes – all such schemes should be thoroughly checked before you make any decision.

Ponzi Schemes – Bernard Madoff has become notorious for his infamous Ponzi scheme that plundered billions of dollars around the world. In such an investment scheme, money is collected with the promise of rich returns. Subsequent deposits pay for the earlier investors and the cycle keeps going. Eventually the scheme collapses on its hollow core and the last group of investors is wiped out. Remember it is illegal to receive profits from a Ponzi scheme and you can be liable for recovery and penal action.

Pyramid Schemes – Unlike a Ponzi scheme, these outfits promise you multiplying returns when you recruit more investors into the chain. Those who fail to draw in other 'victims' lose their money. Eventually your 'network' also withers away, without the golden promises of rapidly multiplying money ever coming true. The modus operandi of such MLM, binary marketing or chain referral schemes as they are fancily named is to quietly disappear when the base of the pyramid has grown large enough for a massive loot.

What you can check

Ask for a copy of the company's audited accounts for the last few years. Ensure that the company is registered with your national registrar of companies or relevant monitoring body. Check if the investing company has a license to operate such a scheme. A company with all necessary certification will also have insurance to cover their losses if their project fails. Beware of any company that promises disproportionately high returns within a short time. Consult an accountant and lawyer and a local finance authority to investigate such claims.

Chapter 8:

Investing Money

Summary

The best way to double your money is not to fold it and put it in your pocket. It is to invest it.

Investing Money

A lot of advice abounds on what you should do to invest your money wisely. But if you understand what you should NOT do with your money, you may be safer by far! Note the following 7 tips carefully.

1. Don't take excessively long term loans. The interest costs of a 40 year mortgage or a 7 year automobile loan will far outweigh the benefits and the value of the asset will reduce to zilch.

2. Don't invest in something you cannot figure out. Get an accountant to explain the fine print of the investment. If it doesn't make sense, trust your gut instinct and stay away. Ponzi schemes, pyramid rackets and fraudulent fund managers will plunder your savings before you can even say Madoff!

3. Don't pay an accountant more than he is worth. Is the value of the advice proportional to his high costs? Check on his credentials before shelling out hefty fees. Can't someone else do an equally competent job?

4. Don't invest all your money in your company shares. That's like putting your eggs in one basket. If the market hiccups and your business fails, your savings go down the drain. Keep that investment below 10 percent of your portfolio.

5. Never apply for more than one credit card. The craving for impulsive buying will worsen and burn a huge hole in your finances. Ensure that you repay that one card well before the last date to avoid unnecessary fines.

6. Don't liquidate your pension fund to finance your children's education. They can avail of loans. You won't be so lucky when you are past your

retirement age. Keeping your 401K well funded allows for long-term growth. That's a thing you must be careful about.

7. Don't buy into investments that promise the sun. Give preference to funds that have performed well last year and give reasonable returns comparable to similar packages.

Chapter 9:

Money Management Strategies

Summary

Here are some money management strategies that could turn your life in a better direction.

Money Management Strategies

The moment we hear words like investment, portfolio and management many of us tend to think that this jargon is meant for the Wall Street kind of guys only. Money management is often perceived as a boring and tedious task which concerns accountants and investment bankers more than us. But managing your own money is intensely connected to your own freedom in life. The day you look at money matters from this point of view, it all becomes fun! Let us look at 5 simple money management strategies here:

Early retirement v/s late retirement: If you plan your finances with the target of retiring early, you will be more conscious about spending and saving. This can be highly motivating and you will definitely save faster and more in a year as compared to going along to a normal retirement age.

Small income v/s Large income: A small income worker who saves diligently will end up saving more than a high-income worker who spends wildly. So don't fret that you aren't earning enough. Budget your expenses shrewdly, without a compromise on the quality of your life.

Smart worker v/s simple worker: A smart, intelligent employee will often be overconfident in his ability to go on drawing high salaries indefinitely, while a simpler worker knows his limitations and works within them. The 'intelligent' investor often gets entangled in complicated schemes that don't always yield gold, but the simple man stays on the straight and narrow path to sure gains.

Credit v/s Cash: Ensure that you pay your credit card bills in time. Falling into a chronic debt trap is the worst pitfall for your money management. For that matter pay all your bills in time, be they utility or grocery bills. Fines for delay and hidden charges will pop up and eat away at your savings.

Ant v/s Grasshopper : Setting up a careful budget and sticking to it can pay rich dividends. Also ensure that an emergency fund is gradually built up to tackle the lemons that life may throw at you. Frugal living does not mean stingy, miserable living. Budget is enough fun in your life too. Yesterday's extravagant living is passé. The new money management is fueled by 'green' attitudes and a responsible, enriched lifestyle.

Chapter 10:

Money Management for the Future

Summary

Managing money is essential not just for the present, but also for the future. It is actually the future that you have to really think about.

Money Management for the Future

Some day in the not so far future, you will look back at the present moment and wish you had been shrewder in your money management. Instead of looking back in anger, look forward with hope today and spruce up your money management for the future.

Foresight – Foresee your needs and provide for them. Your child's education, your family's health, a new house – everything has to be well planned for.

Health Insurance – This is a vital need today. Every member of the family must be covered by a suitable health scheme. Life insurance also provides stability for next of kin in the case of an unforeseen calamity.

Retirement Fund – If you plan to retire early from your present career, keep aside an appropriate amount toward this goal. You will be driven to save more and faster toward an early retirement, with the satisfaction of doing something more exciting with your savings.

Tax Exemptions – They can motivate you towards savings and investments that you would not normally provide for. Avoid placing all your eggs in one basket. Diversify your investments. Spreading your funds this way protects you from wild fluctuations in any one sector.

Emergency Fund – In the present recession, it is even more important to build up an Emergency Fund to cover living costs for 3 to 6 months. It is also wise to develop an alternate small business or part time career to fall back on, in the case of an impending layoff.

Saving Account – Strike a balance between preserving money for the future and having money to spend and pay bills in the present. Keep 10 percent of your money in a savings account for quick liquidity.

Don't be Swindled – Steer clear of fraudulent investment schemes. Learn how to detect them coming from a mile away and just pay no heed to them. One small impulsive decision can make you slide right down the savings ladder that you have climbed so diligently!

Conclusion

Money management is not something everyone is born with. It is something that you need to inculcate and incorporate in your life.

Probably now you know the steps you must take in order to go about it.

All the best to you!!!