



Quick Guide to Wrangling Your Money

10 Tips to Take Charge
of Your Finances Today

Many people feel **out of control** with their finances; they don't understand where their money goes or **why they can't get ahead**.



Buck says:
“Don't worry, you've got this!”



Following are **ten easy tips** to employ immediately to put you in **control of your money** (instead of the other way around).



Buck the Budget's
Quick Guide to Wrangling Your Money



I Calculate your net worth

Your **net worth** (wealth) is the best measure of what you have to show for all of your hard work up to now. Wealth is important for providing stability and options (freedom!) in life.



“You are on your way to financial freedom. Giddy up!”



I: Calculate your net worth (continued)

Statement of Net Worth:

Assets:

Bank balances

Retirement accounts balances

Other investments

Real estate values

Vehicle values

Total Assets

Debts:

Credit card balances

Student loans

Mortgages

Car loans

Other debt

Minus: Total Debt

Net Worth

To measure your net worth, first identify all of your **assets** including cash and bank account balances, investments including retirement account balances, home value, and vehicle values (not what you paid but what they are worth – which is likely less).

From your total assets, **deduct all amounts you owe** including consumer debt, student loans, mortgage, car loans, and other debt. **Your assets minus your debt is your net worth.**

Obviously, the larger your net worth, the better. Have clarity around it and **focus on growing it.** Check-in on this number periodically to keep your eye on the ball and to verify general progress (bearing in mind that investment values will fluctuate).

If your net worth is negative where debts exceed assets, then tip #5 below will be especially important for you.





2 Only use credit cards if you pay them in full

If you use credit cards, it is imperative that you pay them off in full each month to **avoid accumulating high-interest rate debt**. If your bank balances are low or your income is uncertain, avoid using credit cards - pay with cash instead to prevent spending beyond what you can afford and racking up debt.

If you use credit cards, be sure to select those which provide the best rewards or perks for you while avoiding those which charge unwarranted annual fees. See [Compare Credit Cards](#) for an objective listing of the top cards currently available for your situation.



3 Take advantage of that employer match

If you have a 401(k) or other employer-sponsored retirement plan available at work (about 2/3 of Americans do), your employer likely offers a company match to encourage you to save in the plan. Be sure to **contribute at least enough to your employer plan to take advantage of this “free money”**.

- The most common employer match is 50 cents for each dollar contributed, up to 6% of pay. In this case, you'll want to contribute at least 6% to get the full 3% benefit from your employer match.
- While the average employer match contribution is about 4.7%, some companies match 10% or more!

Look into what your employer offers as a match. If your contribution is less than the amount required to take advantage of the full match, increase it right away. Again, this is “free money”!





3: Take advantage of that employer match (continued)

If you don't have a 401(k), look into other tax-advantaged savings opportunities such as IRAs (including Roth), SEP-IRAs for the self-employed, HSAs, and more. Let the government help you save by reducing your cost for these investments. For further information on these accounts, go to: **Retirement saving options** and **Health Savings Accounts**.



4 Know your total cost to live

It's important to have clarity around what it costs to pay all of your bills each month. We are talking about living costs – the non-discretionary unavoidable bills which must be paid. This includes your rent or mortgage, utility payments, groceries, and debt payments too (since these are not avoidable).

Clarity around the total of these living costs provides an

understanding of how much cash you need each month to get these paid. Following is a worksheet to help you get a handle on these total costs.



Exclude any discretionary and controllable spending such as dining out, travel, clothing, gifts from this list. These are considered optional items, and should be managed and handled after living costs are paid.

Your total living costs number helps you to identify how much you should place in emergency funds, with three months of living costs being the minimum.



4: Know your total cost to live (continued)

Living costs:

Housing:

Rent or mortgage

Less: rent from roommate(s)

Home repairs

Utilities:

Gas and electric

Water

Trash and wastewater

HOA fees

Internet and cable

Cell phone

Food: Groceries

Transportation:

Car payment(s)

Gas

Vehicle maintenance

Auto insurance

Other: bus, parking, etc.

Medical:

Insurance premiums

Medical copays, Rx, etc.

Other insurance:

Life

Disability

Umbrella policy

Debt:

Student loan(s)

Credit card(s)

Other:

Subscriptions

Memberships

Childcare

Other

Other

Other

TOTAL LIVING COSTS



Exclude if withheld from paychecks

Exclude if withheld from paychecks

Exclude if withheld from paychecks

Examples: TV, music, news

Examples: gyms, websites, other

Enter other non-discretionary, largely predictable costs not included above



5 Mind your debt



If you have debt other than a mortgage, **plan to pay this off**. Such debt includes credit card balances that are not paid in full each month, student loans, car loans, second mortgages, lines of credit and other lendings. **Identify** each debt balance you owe and the applicable interest rates for each.



In deciding which debts to pay down first, evaluate both:

- which balances are at the highest interest rate, and also
- balances that are the smallest and may be paid down (and eliminated!) most quickly.



5: Mind your debt (continued)

For example, let's assume that you have the following three debts:

1. \$20,000 owed at 7% interest, \$500 minimum monthly payment
2. \$10,000 at 2%, \$250 monthly
3. \$2,000 at 5%, \$50 monthly

At first glance, 1. has the highest interest rate so it appears to be the most desirable debt to focus on paying down first. However, keep in mind that first paying off 3. would sooner free up cash flow (\$50 each month) thereby lowering your total committed living costs sooner (refer back to tip #4 for the importance of this) and providing more wiggle room for debt paydown, if you choose. There is also huge value in the sense of progress that comes with paying something off, even if it's not your highest interest rate debt. Just know that both approaches are good, and as the master of your finances - that choice is yours to make.

Beware 0% credit card offers. Credit card companies are in the business to make money and that happens by either eventually charging you interest (usually after the 0% introductory rate ends) or through fees for prepayment or balance transfers. Be certain to read and understand all of the terms and conditions (**the fine print!**) of the credit card agreement before using one of these cards.



6 Freeze your credit

An estimated 1/3 of Americans suffer from identity theft, a burdensome and expensive crime to fix. Lock down your social security number from unauthorized lending or other malicious activity by placing credit freezes on your account with each of the three credit bureaus.

Freezes protect your account from any activity or inquiry, thereby protecting your credit record. These freezes can be initiated online and can be subsequently lifted temporarily or permanently as needed, such as when buying a home or accessing your credit for other lending purposes.



While various services exist allowing you to place such freezes in one step for a fee, freezes made directly through each of the three credit bureaus is free and easy at the following links:

- [Experian](#)
- [Equifax](#)
- [TransUnion](#)



7 Spend with cash

Discretionary spending such as drinks and dining out, clothing, travel, giving, etc. tend to be our most variable costs. One sure way to keep these in line is to **withdraw cash at the start of each month** for your total intended amount of discretionary spending. **Then spend it**, but no more. When you are able to contain your spending by using cash, there is no need for budgeting or tracking.

If you're a fan of using credit cards or have online purchases to make, you can stay true to the cash-only program by using prepaid credit cards. Here is a resource to help you find the best prepaid cards without fees: [Best Prepaid Credit Cards](#).



8 Review bank and credit card statements each month

We've been taught to reconcile our checkbooks, yet very few of us actually do. At a minimum, take the time to review your statements each month **with attention to anything that looks out of the ordinary.**

Fraud is rampant, and honest mistakes happen too. Question or challenge any charges or withdrawals you don't recognize or that appear to be duplicated. Be on the lookout for fees charged by your bank or institution which you may not be aware of.

Challenge or dispute any charges that look out of place by contacting your bank or credit card company. If the charge in question appears to be an error from the vendor, they'll work with you to contact the vendor and get it resolved.



8: Review bank and credit card statements each month (continued)



If the charge(s) indicate a bigger issue such as a thief using your credit card number, banks will work to dispute and reverse those false charges and deactivate that card number to prevent further charges while usually expediting a new card to you. Credit card companies are extremely helpful and proactive at both detecting and fixing fraud on their customer's accounts - adding

real value in an economy rampant with consumer theft.

In reviewing your bank statements, **be on the lookout** for fees which you may not be aware of. Many people are surprised to know what and how many of these they are paying. For an understanding of various fees and their standards, see: [The Ins-and-Outs of Bank Fees.](#)



9 Place bills on autopay

To avoid late or missed payments, **set each and every bill you have on autopay** to automatically draft from your bank account. If a given bill does not have an autopay option, make arrangements for your bank to automatically make the payment for you using bill pay. Do not risk late fees or worse (bad marks to your credit) for missed bill payments.

If you set-up recurring bill payments to be made with a credit card, dedicate just one credit card for these types of charges and use that card for nothing else. By isolating billpay charges to a card which isn't regularly subjected to fraud through point-of-sale or internet transactions, you reduce your chances of having to update these recurring payments if (and more likely when) you experience fraud and deactivation of your credit card.



9: Place bills on autopay (continued)

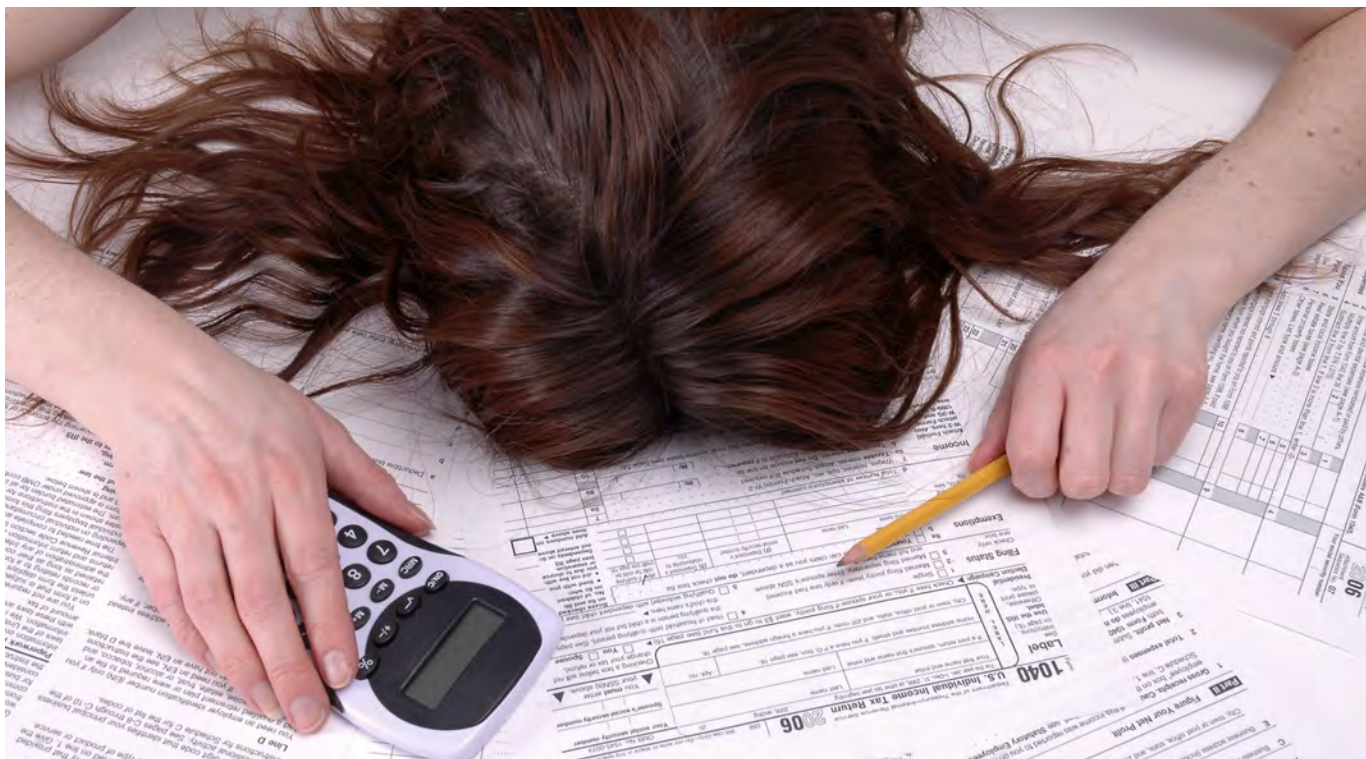


If you find yourself juggling bills each month because you are not confident that your cash flows will cover your living costs (#4 above), then **finesse and renegotiate those costs down to a manageable level**. One of the most powerful actions you can take to offset living costs is to get a roommate to help pay for housing which is likely your biggest expense. Once you've wrangled your living costs, proceed with setting-up autopay.



IO Understand your taxes

As a CPA, I believe that everyone (ideally, although not realistically) should do their own taxes so to understand their personal economics. As taxpayers, there are many tax considerations that we need to be aware of:



- Is there a tax benefit for you to own your home? Does this apply to your situation?
- While charitable contributions may be deductible, can you take that deduction?
- How much of your income goes to taxes?
- How much are you saving in taxes by contributing to your employer's savings plan?



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IO: Understand your taxes (continued)

The U.S. tax code is extensive and complicated, leaving very few people willing or able to correctly prepare their own tax returns - resulting in lots of overpaid taxes. If your tax situation is simple and you file yourself, be certain to look them over to understand what is being filed. Take any questions or uncertainties to a professional (if you can find or afford one) or research for yourself on the internet.

Your most credible resource for tax help is the IRS and they have several programs available offering preparation and assistance (see [**Get Help With Your Taxes**](#)). If your taxes are truly complicated due to self-employment, rental properties or various other interesting curve-balls, hire out preparation to a professional (ideally a CPA).



Ask questions. Without a clear understanding of your tax situation, you are not only at risk of incorrect filings, but also at risk of missed deductions, overpaid taxes, and uninformed economic decision-making going forward.





Buck  THE Budget™

For further help
wrangling your finances
and a complete guide to
getting ahead financially,
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