# EAP Matters

## Taking Control of Your Finances (Before they Take Control of you)

Getting control of finances can be accomplished with the right knowledge and discipline. In terms of spending habits, people fall into three categories. People either spend above their means, spend all they have, or spend less than their income. Once you know which category you belong to you can adjust your spending, saving and budgeting habits.

If you spend above your means, your best step is focus on a budget, looking for areas that can be trimmed. If you spend to your means, then your first step is to look for opportunities to build upon your savings, preparing yourself for unexpected expenses. If you typically spend below your means, you should focus on savings and investments that will help you reach retirement goals and other "bucket list" type goals.

In this article, the first two categories will be discussed as investment and retirement planning is meant for finance professionals.

Step 1: **Let Go of Guilt**. Suze Orman teaches that the foundation for a fresh financial start is an emotional one. We need to let go of guilt and blame about past financial mistakes. She says this cleansing step is especially important for couples. She advises no finger pointing or bringing up past mistakes. Instead keep your focus on the future.

Step 2: **Face the Facts.** Find out how much you are actually spending month to month. According to a 2012 survey, 56% of American adults do not have a budget. You can buy software to help track your spending, simply use paper and pencil or make your own Excel sheet. If you develop your own tracking method, you will need to decide on categories in which to apply your purchases and bill payments, such as, groceries, clothing, utilities, eating out, etc.. Cash is harder to keep track of, so if you switch to using a debt or credit card to pay regular purchases and have online banking you can view your expenses on a daily basis.

Step 3: **Take Control and Budget.** Once you know what you are spending on different needs and wants, you can set a budget. Once developed, examine where you can be more frugal.

Step 4: **Attack your Credit Card Debt**. Orman says to try and pay more than the minimum payment on the card with the highest interest rate. Once the first card is paid off, the amount paid on that one can go to the next card with the highest interest rate. In addition, look for credit card offers with 0% interest for 6 to 12 months to save on interest.

Step 5: **Try Harder to Save**. Assess where you can reduce your bills. Can you get rid of your landline phone? How about reducing the level of your cable package? Utility costs can be reduced by a few hours of work. Attach draft-blocking guards to the bottom of external doors, weather proof around drafty windows, and use compact fluorescent energy saving light bulbs.

Step 6: **Know the Difference between Savings and Investments**. Savings is money that you know you will use in the next several years. Investments are for longer term goals, such as, retirements. Suze Orman advises that savings should go into a low-risk bank savings account or money market account. Investments should go into the stock market. According to Orman, "the potential inflation-beating returns that only stocks can deliver make them the right choices for long-term investment strategy". For more information go to:
http://www.oprah.com/money/Suze-Ormans-10-Tips-for-a-Fresh-Financial-Start

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