



## Use a Budget

The amount of money going out must always be less than or equal to the amount of money coming in. You know how much is coming in, but the money going out may be harder to gauge.

**Smart move:** Keep a diary for one month of how much you spend: morning coffee, dry cleaning, rent, car, utilities and tolls.

Separate fixed expenses from discretionary spending to help you decide what to cut. Fixed expenses include your rent or mortgage, and car payment. Discretionary spending includes entertainment, recreation and clothing.

At the end of the month, add up what you spent and compare it to your take-home income. Make small changes in spending to help accomplish your savings goal. **Most important:** Live within your means.

### BUDGET: No Compromise

- **Don't** buy anything on impulse.
- **Pay off** credit cards each month.
- **Brown-bag** your lunch and snacks.
- **Use** coupons and buy in bulk.
- **Put** money into savings every pay period — automatic savings plans make it easy.

### Q&A

#### What's a good rule to keep out of credit card trouble?

The nonprofit organization Consumer Credit Counseling Service warns that if you spend more than 20 percent of your take-home pay on credit card bills, watch out. Using credit cards to pay for what are normally cash purchases and then depleting most of your disposable income to pay off those purchases likely means you're overextended.



## Forget Keeping Up With the Joneses

One of the fastest ways to financial ruin is setting your sights on material goods such as cars, electronics, clothing and jewelry, particularly when your income in no way supports the spending. You should enjoy the finer things in life provided you get your financial house in order first:

- **Insurance**
- **Emergency fund and savings**
- **Paying your bills on time**
- **Minimal or no credit card debt**

Many people have become accustomed to mounting credit card debt, some people racking up thousands of dollars.

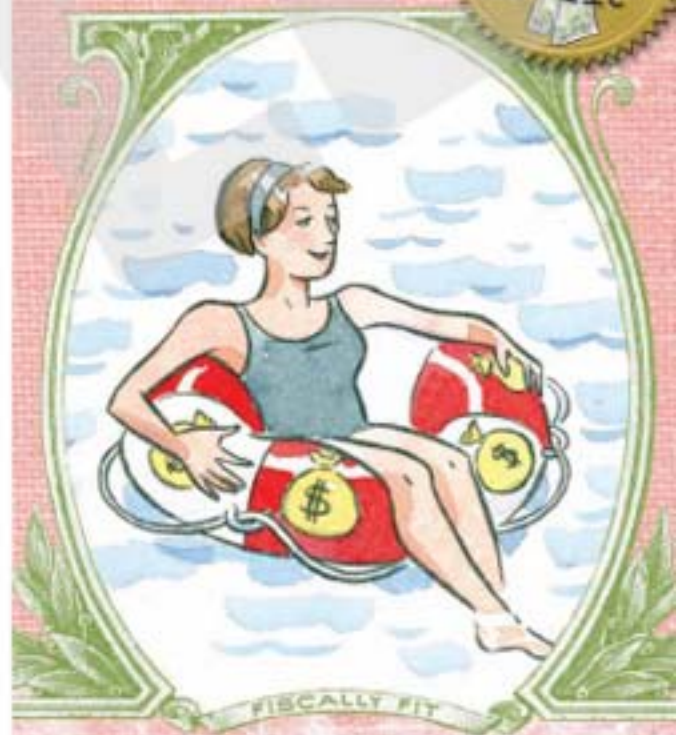
**FYE:** Making the minimum payment on a credit card won't make much of a dent in what you owe. Commit to a payoff. If you rely on credit cards, you're basically borrowing against your future.

**Smart move:** If you're carrying debt, write yourself a payoff contract and strive to become debt-free. First, stop taking on new debt. Then, cut back on discretionary spending and use the extra funds to pull yourself out of debt. It's a slow process, but it will help you reach financial freedom.



# 5 FINANCIAL LIFESAVERS

Keeping Your Head Above Water



# READY OR NOT, HERE LIFE COMES

You comparison shop and save, but let's face it, unexpected events and emergencies can wipe you out if you're not prepared. And saving for a rainy day just isn't enough these days. **Fast facts:**

- **Mounting debt and life-changing circumstances often trigger financial crisis.** Experts cite credit cards, medical bills and car loans/leases as the top three reasons for bankruptcy.
- **Homeowners often have insurance policies that wouldn't cover the cost of rebuilding if a fire or storm leveled their home.**
- **Medical bills create a significant challenge for many American families, including those with insurance, impacting their lives in a variety of ways.**
- **The debt burden of college graduates has increased over the years.** The National Center for Education Statistics reports that college grads in 1992 left school carrying about \$12,000 in loan debt. But by the year 2000, that amount rose to nearly \$20,000 — and it continues to rise.
- **Consumer revolving credit debt is soaring as more and more people are now using credit cards to cover their medical expenses.**

## The take-away message?

Get your financial life preservers in place, so the unexpected won't pull you under.



## Buy Enough Insurance

Adequate insurance is probably one of the most important financial lifesavers you can squeeze into your budget. Your basic safety nets include life, health, auto and home.

- Life ...** protects your family and your assets in the event of your untimely death. Term life insurance is widely accepted as the gold standard of coverage — it's also inexpensive.
- Health ...** pays the majority of your medical bills and those of your dependents in the event of illness and injury.
- Auto ...** covers your vehicle and some medical expenses that result from a wreck or other mishap. Liability is mandatory in most states; the rest may cost more, but it's worth it considering you can be held personally responsible if you're at fault in a wreck.
- Home ...** protects your home and its contents against losses due to fire, theft or natural disaster. If you rent, renter's insurance is a must. It's inexpensive and protects your belongings.

**The bottom line:** Beyond the basics, insurance comes in many forms. Periodically review your policies and make sure you're covered — just in case.



## Stash Some Cash

An emergency fund can give you peace of mind and get you through an unexpected expense or loss of income.

Experts suggest you save enough money to cover six to nine months of your expenses. **Best way:** Make savings, no matter how much, a top priority.

**Saving strategies:** Begin building a savings account by using direct deposit from your paycheck. And don't underestimate the value of small change. Start depositing your quarters, nickels and dimes into a piggy bank at home. It may add up faster than you think if you don't take from it.

## Deciding Deductibles

Double-check your insurance deductibles. Consider raising them for home and auto if it lowers your premiums. Just be sure you keep enough money in the bank to cover your deductibles in the event you pursue a claim.



## Watch Your Credit Report

If you can't remember the last time you checked your credit report, you may be in for a rude awakening when it's time to purchase a home or car.

Fraudulent activity, late payments and identity theft all seriously damage your credit before you even realize it, leaving you with a big mess that takes time to clean up. Checking your credit report gives you a snapshot of your credit histories and permits you to detect and correct errors as well as spot and stop identity theft. That can save you time and money later.

**FYI:** The three major credit bureaus offer one free credit report per year. Get yours. If you find issues, they possibly can be corrected by following up with the creditor, but others can be fixed only with time and timely payments.

## How to Get Your Credit Report

Only one Web site is authorized to fill orders for the free annual credit report you are entitled to under law — [annualcreditreport.com](http://annualcreditreport.com).

Other Web sites that claim to offer "free credit reports," "free credit scores" or "free credit monitoring" are not part of the legally mandated free annual credit report program.

The law allows you to order one free copy of your report from each of the nationwide consumer reporting companies — Equifax, Experian and Trans Union — every year.