

BASIC PRINCIPLES OF MONEY MANAGEMENT!

1) Know yourself!

Discover into what personality you fit?

One's money management philosophy and skills are intensely influenced by his persona. We've all met the 'scrooge' who won't spend a penny unless it means life and death, we've all met the 'investigator' who is willing to spend, but only after he has thoroughly investigated the reasonableness of the cost, and the beneficial utility of purchasing the item; we've all met the 'care free spender' who has no problem spending money on things, especially if they will bring immediate pleasure; and we've all met the 'squanderer' who incessantly spends his money with little or no regard to having reserves for the future.

I have used the four groupings, "scrooge", "investigator", "care-free spender", and "squanderer" as reference points. Another grouping code comes from CNNMoney which classifies individuals under the following:

"Guardians" who consider being financially secure very important, and are, therefore, very disciplined in managing their financial resources. Very rarely will these individuals make a spurious purchase and whatever they obtain is of the highest quality so they will never have to buy the product twice. Guardians are very private about their finances; although they enjoy a comfortable, stable, and satisfying life-style, they'd prefer others to think that they're just making it so that they will not be encroached upon to "share the wealth."

"Idealists" who regard money as an essential, but do not make it their priority. Idealists find joy in using their resources to help others improve their financial status so that they, likewise, will be able to later help others improve their life. Idealists commonly are philanthropists, and, most often, are strong advocates and supporters of charities.

"Rationalists", who carefully scrutinize and evaluate market trends and commodity prices before they spend their resources. This group is always seeking out ways by which they might 'outsmart' the market even if it means saving only a cent or two on a product;

"Artisans" who believe that money is to be spent in creative ways of enjoyment instead of being hoarded or banked. The Artisan would prefer travelling to Africa on a two week safari when the money is available, rather than saving up for a twelve week world tour three years later.

Discovering your personality type can be done through three sources. Firstly, observe and note how you feel and react when you need to make a purchase; second, ask your friends and associates what kind of a spender they think you are; and third, check your savings account at the end of the month. Although none of these can pin point exactly what kind of a spender you are, they can be used as strong indicators as your type. From the information gleaned, you probably will be able to ascertain why you're able or not able to meet your monthly financial obligations.

2) Know your money - Be realistic as to what priority you place on it!

What value do you place on your money? Do **you possess** it or does it **possess you**?

In light of your possessions, are you a **human being** or a **human doing**?

Are you on the '**trail of accomplishment**' or on the '**treadmill of waste and despair**'?

DELUSIONS REGARDING MONEY!

a) **It's mine!** The truth remains that every penny belongs to the government!

It designs the money, prints the money, gives value to the money, and even limits the amount of actual cash one can transfer from one account to another without being informed. Consider trying to carry more than ten thousand dollars cash into Canada without declaring; if a person is discovered, immediately he could be arrested and subjugated to heavy fines.

It'll add great potential to my life if I use it prudently! The truth remains that money provides one purchasing potential, and nothing more!

I can purchase practically anything I want if I have enough of it! The truth remains money will only allow you to purchase the **LEGALLY MARKETED PRODUCTS** at the price established by the **PROVIDERS** and **ENTREPRENEURS**. Regardless how much one possess, the price of articles is always in flux. Therefore, no one 'wins a round' in the market place!

It guarantees social mobility if I bank it or use it wisely. The truth remains that money only provides limited mobility regardless how much one possesses. Remember, money is subject to time; one day, regardless how much one has, time for spending will run out, opportunity will be history!

It provides individuals greater security. The truth remains that money can often 'shake people down'. At times, when people increase in wealth, and discover 'freedom to spend' they either become hoarders of wealth, or they spend it frivolously. Those that hoard their wealth may start living in fear and suspect of others and thereby become incapacitated to enjoy it, while those that spend it frivolously may become proud of their gain and lose sight of the responsibility they have to managing it diligently!

The true value of money, then, is to give one UTILITY IN PROVIDING THE BASIC NEEDS OF LIFE, and, after this, TO PROVIDE DESIRED EXTRAS. Regardless how much one has, it remains UTILITY.

3) Recognize what money represents - time and energy that you or someone else has expended.

Money doesn't grow on trees, and it doesn't mystically drop down from heaven! Money is a provisional benefit that is realized over time, (years of labour, or duration of investment), and through energy expended, (schooling, consultation, or work). In light of this no longer can money be regarded as just purchasing power; it needs to be regarded as an economic gain realized through personal commitment and devotion!

When this consideration becomes implanted within the soul and mind of Canadians, regulating expenditures will not be done in the framework of stewardship management!

Now that this has been established and accepted, a DREAM LIST can be developed.

This **LIST** will consist of all your dreams, regardless how foolish they look. Once established, organize the list in an order from the easiest, and most like to be attained to the difficult ones.

Now scratch off all those dreams in which money is needed to realize them.

Once done, come up with a strategy or a PLAN to obtain at least five. This will be the foundation for reaching those that need money.

Now that you've got your LIST and your PLAN, set GOALS as to when you want to realize these dreams. As the dreams are fulfilled, document the strategy (strategies) you used to get to a good end!

Now, take five of the **FINANCIAL GOALS** you want to reach, and do the same!

If you are to understand **WHAT MONEY REPRESENTS**, you must **WRITE DOWN AND VISUALIZE** where it will take you if **MANAGED PROPERLY**.

Dreams and Goals. The aim of budgeting is to help you achieve your dreams. Without dreams and goals, then your budget will have no direction and purpose.

Dreams are the final destinations, or aims that you want to have or achieve. Goals are the check points between now and your dreams.

Features of a good goal.

Financial goals are objectives or targets that can be measured with money. A good financial goal contains three features. They are descriptive, measureable, and time specific.

Example: Goal setting.

My goal is to “Save \$10,000 as down payment for a house within 2 years.”

Descriptive: Save down payment for a house.

Measurable: \$10,000.

Time specific: 2 years.

When the three features are not clearly defined, then goal becomes weak and sometimes does not even make sense. Therefore you need to define your goals clearly. This is important so you are clear in your mind what are the objectives that you want to achieve.

<http://www.financemind.com/budget/dreams-and-goals.html>

MY DREAM LIST

If I had adequate finances, more time, and support
I would realize the following dreams

4) Recognize that you are **RESPONSIBLE** for how you manage the financial resources you enjoy. **The BLAME GAME DOES NOT HOLD WATER.** In light of this, it imperative that people actively seek out economic management mentoring as early as possible.

In a Lisa Hrabluk’s September 28th, 2009 article, “Getting The Household Finances In Order”, we read:

It is evident that most people don't understand financial management; firstly, it is clear that "we have totally lost the ability to tell the difference between a need and a want." To get a handle on their finances, people need to read as much as they can, from as many sources as possible. "One's personal finances are something that everyone should educate themselves about. If you are going to bust yourself earning the money, then you should have a clear, projected idea as to what you're going to do with it."

The fact is, the ability to make informed financial decisions is essential to our well-being. These decisions range from daily spending and budgeting to choices involving insurance or saving for retirement, home ownership and post-secondary education.

Responsible Financial Management Skills may include:

- a) setting budgeting guidelines that is connected to a realistic spending plan
- b) saving 'emergency' money either through a 'slush fund' or a 'remote, unusable bank account'. This may include using only one source of income for living expenses, while you bank a greater portion of the second income.
- c) defining the difference between **NEEDS** and **WANTS**. You may **WANT** a Nissan Altima which costs \$37,000 dollars, but your real **NEED** may be a Pontiac Sunfire which could cost as low as \$14,000. **NEEDS** are based on **UTILITY** while **WANTS** are based on **AESTHETICS and FEELINGS**. **Needs remain constant; wants fluctuate! Always consider your imperative needs. There are four basic needs Canadians have: FOOD, CLOTHING, SHELTER, TRANSPORTATION**
- d) refusing to borrow money to purchase 'secondary items'. Borrowing money to purchase a home, a car, to fund an education etc. can be justified, but borrowing money to go on a cruise, purchasing a computer, or to finance sports activities is questionable!
- e) seeking out godly, competent counsel regarding both short and long term money management. Each of us has a limited appreciation of how we should appropriately handle our resources. Therefore, how one implements the advice offered could become the foundation of his/her economic future; ignoring it could bring about certain, undesired economic ruin; following it could bring about desired and welcome future economic prosperity.

Other Elements to Consider:

- a) humans are rational, and as such, are privileged in deciding when and on what they will spend their money. No one needs to give in to the numerous external marketing pressures to purchase what they don't want or what they can't afford. **The word "no" is still acceptable when related to spending!**
- b) if what is offered looks too good to be true, it is too good to be true! Avoid being trapped in the 'web of hype' that extends extravagant, immediate benefits. Adopt the turtle approach to investment; slowly, but surely with guaranteed results is far better than hurried with speculative results.
- c) know the difference between purchasing something and being enticed to buy it. Purchasing ensures that the product is for your pleasure; being enticed to purchase something is formulated on the hidden agenda of gain for the marketer. If, at any time, one feels to purchase a product or to make a financial investment, the immediate response should be "I'm really not interested!"
- d) realistically examine financial resources, and set protective boundaries. It's more prudent to retain savings than to accumulate an abundance of things and be CASH POOR. And don't forget, you earned the money! In light of this you have the right to spend or not to spend it as it best fits within your budget. Never negotiate whether or not you can afford a purchase; if you have the money to cover the expense after all necessities are covered, purchase the product. However, if you have the slightest hesitation about your economic standing, ignore the purchase!

e) protect your purchasing power by **KEEPING YOUR RECEIPTS IN AN ORDERLY MANNER FILED WITH THE DIRECTIONS BOOK**. When something goes wrong with the product, don't hesitate to go back to the company. **NEVER GIVE UP**

Some years ago I purchased an Olymopus CD2100 digital camera. A couple days after the warranty expired the camera became totally disabled. Wanting to get the camera fixed I took it to a local dealer. Because the warranty expired, he refused to help me out.

Now being more than just upset, I phoned the head office in New York. The plant manager, Peter McCullouch, heard my story and asked me to provide him with proof of purchase. Upon receiving my dated, store stamped receipt he immediately offered to send me, postage paid, a new camera. The saving grace in the story - keeping my receipt, and knowing where I had placed it so it could readily be sent to the head office.

Management of resources uncludes provisional recording of all receipts for later discovery!

f) **watch those 'savings guaranteed coupons'**. If you need to spend one hundred dollars to save five dollars as The Bay advertised some years ago, then you're being invited to waste ninety-five dollars unless the planned purchase is an essential. Such a request, on your part, should be regarded as a bribe from the business. If a business needs to turn to this type of marketing, your best safest response is to ignore the offer!

5) **ADOPT the FOUR BASIC WORDS WHICH GUARANTEE** financial management control, those being: **godliness, contentment, moderation, thankfulness**.

Godliness - that sense of living a righteous, upright, and a commendable life-style through which one manages his affairs so that honour marks his path.

Contentment - The state of being contented or satisfied with that which one possesses so that there is no pressing desire to gain more than is needed. From a religious perspective contentment is being convinced that God has provided our need in the hour, at the hour, and adequately sufficient for the hour. Worry and fear that one will not have adequate economic resources is quickly dispensed with when management skills undergirded with contentment marks one's life.

Consider the following quote:

The Christian is a person at peace in himself; a person at peace with himself; at peace with the world; at peace with God, no matter what different situations may arise in his life. Paul is speaking of the religious affections and he is telling us that he has learned to experience peace, and trust, and submission in all the changing scenes of life, in trouble and in joy. Paul was a fulfilled and integrated man, and he was that not because he was a gifted apostle of Jesus Christ but as a saved sinner, and as a mere Christian. He had learned to be quite independent of his position, his circumstances, his surroundings and of everything that was happening to him. "Whatever the circumstances," says Paul absolutely categorically. There was no foreseeable situation in which he would not be content. There is nothing whatsoever in the great objective and external world around him that could take his peace from him. That is what this Christian has learned. (Philippians 4:10 & 11).

Rev. Geoff Thomas "Attaining Christian Contentment", Alfred Place Baptist Church Aberystwyth

Moderation - setting reasonable limits; not excessive or extreme in desire.

mild or calm; temperate: a moderate climate. Originates from the Greek **epieikhs** meaning "that which is right, that which is just, that which is acceptable, that which demonstrates appropriateness as related to genuine need. In its most common usage, the term infers that "which is best fit for the occassion." In certain historical writings, the term

includes the sense of 'mildness' as compared to abuse so as to prevent the extremity of punishment which could be given out by the courts in light of minor crimes. In the Apocryphal writings the term always refers to that which is kind towards oneself as if God were administering knowledge. In other writings the term is used exclusively to represent an action which is monitored or governed as compared to that which is care free and uncontrolled. Whenever it is used in the New Testament the word represents evaluating how men will act: immoderate individuals seek out their own pleasure regardless of what they must risk; moderate individuals seek out their needs guarded by what is most appropriate in light of who they are and what they possess. The Apostle Paul knows the significance of the controlled, balanced, appropriate life and so in Phil. 4:5 he writes, "**Let your MODERATION be known unto all men.**"

Thankfulness: an attitude of gratitude that flows forth in light of all that is provided. One's provisions may not be all we hope for, they may not be up-to-date, and they may not be equal to what others have, but they sufficiently meet our needs. This continuing attitude of thankfulness prevents individuals from chasing 'rabbit holes' coveting stuff with the only qualifier that it is new or different! But thankfulness also openly declares how much better off we are in light of what we possess as compared to thousands who only dream to have their basic needs supplied.

A new girl had moved into Cloverdale. Although the family was wealthy, her parents attempted to teach Sharon thankfulness for whatever she had. But Sharon was slow at learning. At every party she attended Sharon wanted to be recognized, and whenever there was goodies to be enjoyed, Sharon wanted the biggest piece.

Nothing seemed to change Sharon's attitude. That was until her sister's birthday party. Her mother decided that she would bake two cakes. Both would be covered with exactly the same decorations; the difference, one would be filled with banana cream, while the other would be filled with unscented mustard.

Near the end of the party her mother started serving the cake; she intended to give every one, including Sharon a piece of the same cake. But Sharon, seeing the other cake, could not resist demanding that she have the first piece of the second cake. Obliging Sharon, her mother cut a piece for her and gave it. Without stopping to say 'thank you', Sharon eagerly bit into it. Within seconds Sharon was gasping for breath; the reality of the mustard had now hit her.

Although the lesson was somewhat cruel, it taught Sharon a basic truth; 'thankfulness for what one has never leads to disappointment or future want.'

6) Ask yourself "When will enough be enough?"

Consider this statement: "If I had a million dollars all my financial worries would be over".

True or False?

In most situations, the answer would be FALSE. If one is not now practicing sound financial management, it wouldn't matter if he/she possessed all the money in the world; in all probability they would still need more. The most probable reasons why individuals always need more are:

- a) they never formulate a budget and live within it
- b) they never assign income/output parameters based upon realistic day to day needs
- c) they never enjoy authentic, stable and continuous employment. Often, therefore, they are move from one job to another, and in many cases they end up with lower incomes than they earlier enjoyed.
- d) they don't have one competent, controlled person managing their finances
- e) they don't keep receipts so they can do comparative studies of income and expenses.