

Fundamentals of PERSONAL FINANCE



**Making
informed
financial
choices**



**Your
Budget
Blueprint**



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Building a Budget

We spend the majority of our prime working to build families and careers and establishing a foundation our children can emulate. This leaves little time for planning, saving, and budgeting.



Yes, those three activities can pay huge dividends both in the short and long terms. Unfortunately, however, many consumers practice poor money management, living paycheck to paycheck, and using credit inappropriately.

These days, consumers are hit hard with “buy now, pay later” advertisements of retailers and the direct mail campaigns of credit card companies. One cannot turn on the TV or radio, access the Internet, or take in the mail without viewing or hearing a commercial promising no interest or payments until “2000 whatever.” On top of that, some alternative financial institutions, such as check-cashing outlets and payday lenders, routinely attempt to obtain

business by easing the restrictions on borrowing and lending, and making access to cash easy—and far more expensive. These marketing strategies

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and 95% emotional need.

tend to work well in today’s impulsive society. Unfortunately, these tactics often result in an unbearable debt load.

The Mixed Messages

So what has happened to us? We have a highly educated society renowned for free market establishment. Why do we find it so difficult to live within or below the resources available?

“We are bombarded with images of a standard of living without the cost of that lifestyle,” says Connie Kilmark, a financial counselor and consultant, and owner of Kilmark & Associates located in Madison, Wis. “We have lost the ability to entertain ourselves.”

We watch television programs and advertisements, hear radio spots, and see billboard arrays designed for emotional stimulation. Whether it’s a new vehicle, new furniture, or new sound system, in terms of consumer spending, people rarely think about it as a financial transaction. Instead, consumer-

spending decisions are processed “5% by the numbers and 95% by emotions,” Kilmark says.

How do you plan a good defense against emotional needs—making decisions by what you need and not just by what you want? Consumer education is the answer, but that’s easier said than done. In a period where the economy is in a downward slide, spending is pushed heavily to rejuvenate the foundation. Consumers are receiving mixed messages. On one hand we know the need for planning and saving. But then businesses appeal to consumer senses with unbelievable offers, and the Federal Reserve Board repeatedly lowers interest rates to encourage increased buying and spending.

Guess what? Budgeting and managing your finances is your responsibility. No one will do it for you.

Six Warning Signs of a Financial Problem



1. More than 20% of your monthly net income is going to pay back credit cards and other loans (excluding mortgage).
2. You’re borrowing money to make payments on loans you already have.
3. You’re frequently at, near, or over the limit on your credit cards.
4. You’re paying only the minimum required on your credit card bill.
5. You’re paying bills late or putting off visits to the doctor because you don’t think you have enough money.
6. You’re working overtime or a second job just to cover food, housing, and other living expenses.