[Rock music] You're listening to Money Management. Hi, I'm Katie, your host for today's podcast. When it comes to planning for your future, there's nothing more crucial than money management. To help you start managing your money the smart way, we're going to discuss five important topics in this podcast: setting goals, getting organized, cutting spending waste, building a budget, and saving money.

Setting goals. The first step in managing your money is setting financial goals. This is your chance to decide what you want to do in life and how much money you'll need. Your goals should be as specific as possible. To do this, figure out exactly what you want, when you want it, and how much it will cost.

Now there are three types of goals. Short-term goals are things you want to accomplish in less than a year. Mid-term goals are things you want to accomplish in two to five years. Long-term goals are things you want to accomplish in more than five years. It's pretty likely that you'll have multiple goals. You can work toward them all at once or concentrate on them one at a time. Either way you'll need to calculate how much you'll need to set aside each month to meet your financial goals.

For short and mid-term goals, it's a pretty easy calculation. Simply divide the cost of your goal by the number of months you have to save. For example, if the laptop you want is $800 and you want it in six months, divide 800 by 6 which equals $133 a month. Long term goals are a little more complicated because you have more time to save or invest your money giving you more chances to earn interest. The interest you can earn depends on the investment you choose. Generally speaking, the higher the earning potential the greater the risk. So be careful. Never enter any investment arrangement before researching and understanding it completely.

The best way to calculate long-term goals is to use an online financial calculator. Your financial institution can probably provide an easy to use calculator. If after determining your goals you find that you simply can't manage to put away the amount of money you thought you could, don't give up. Instead, extend the goal achievement date, reduce the goal amount, or increase your income so you can save more. If after determining your goals you find that you simply can't manage to put away the amount of money you thought you could, don't give up. Instead, extend the goal achievement date, reduce the goal amount, or increase your income so you can save more.

Getting organized. The next step in managing your money is getting organized. This is the key to efficient money management. Once all of your information and paperwork is in order and accessible, you'll never have to waste time searching for documents, wonder about account balances, or miss bill payment deadlines.

To get organized, designate a personal money space. This should be a safe and private area in your home where you can handle your personal financial business as well as keep important documents and access online accounts. You'll also need a few home office tools, such as a file cabinet where you can keep such things as recent account statements, receipts, paid bills, and warranties. For more sensitive documents, use a fireproof safe. A safe should contain the following: enough cash for a few days' worth of food and shelter in case of emergency, insurance policy documents, copies of deeds and titles for your home, car, and other real property, copies of previous year's income tax returns, originals of wills and powers of attorney, backups of computerized financial records, and the key to your safe deposit box.

Another great tool to have is a shredder. Use it to destroy all unnecessary personal and financial documents, which will help protect you from identity theft. Shred anything that includes account numbers, passwords, contact and identity information, especially your social security number. Specific items to shred include: ATM receipts, account statements, canceled and voided checks, credit reports, employment pay stubs and records, pre-approved credit card applications, and expired passports and visas.

An important part of managing your money is streamlining your personal finances. After all, the more income and paperwork you have, the harder it is to keep it all straight. An easy solution is to sign up for online automatic bill pay. Not only will online bill pay cut down on mail bills that can get misplaced, it can also help you prevent late payments, which will help you avoid fees and keep your credit history positive.

If you have a checking account, monitor your account carefully. You should always know your account balance, if checks are outstanding, and when automatic payments are due to be withdrawn. This way you'll avoid being charged for bounced checks. In your checkbook register list every transaction you make, including deposits, checks, ATM withdrawals, and debit card purchases. Compare the information you have recorded in your checkbook register with the information on your account statement. Reconcile any differences immediately, and contact your financial institution if you notice errors.

Cutting spending waste. Next, let's look at how you can cut spending waste. So what exactly is waste? It's spending money on things you don't really care about or need, simply because you're not paying attention to your shopping habits. You can increase your spending and savings power by identifying where waste lives in your budget and taking steps to eliminate it.

First, track your spending for at least a month. This is important because you need to know where your money is going before you make positive changes. When tracking accurate figures are important, here are four ways to track your spending. Number one, write down and record every purchase you make, including the date, item and cost. Add everything up at the end of the day. Number two, keep receipts and add those at the end of the day. Number three, use debit cards. When your monthly statement is available see how much you spent with your debit card. Number four. Monitor your ATM use. Become aware of how often you use an ATM and how much you take out each time. Write down what you're spending the cash on as well.

If you have a computer, with expense tracking software, input the information you've gathered. These programs can be very useful. They have preset categories that you can individualize for your lifestyle, helping you to conduct precise and long-term tracking. But remember these tools only work if you use them consistently.

After you've tracked your spending for at least four weeks examine your findings. If you're like most people, you'll be able to find areas of wasteful spending fairly quickly. To begin eliminating waste sort out your wants from your needs. Expenses that you can't live without such as food, shelter, transportation, and utilities should always take priority over expenses such as gifts, vacations, and entertainment.

Building a budget. Now that you've tracked your spending, you'll want to use your results to build a budget, which will help you make the most of every penny you earn. A budget will also keep you on track with your goals. Though everybody's budget is different, there's one consistent rule: expenses should never exceed income.

So, let's start with your income, the amount of money you receive each month will determine what you can afford to spend and save. Add up your monthly income after taxes and avoid overestimating. Remember it's better to have money left over then be caught short at the end of the month.

Next you'll want to list your current monthly expenses. A good way to do this is to list current and proposed expenses. For your current expenses write down your monthly obligations as they are now. Don't forget periodic expenses that come up once in a while, such as gifts, weekend trips, or vehicle maintenance costs. For these expenses, total what you think you spend on them in a year, then divide the number by twelve. For example, let's say you buy birthday gifts for seven people each year. Each gift is approximately $15 or $105 for the year. Divide that by twelve and you'll get an average of $8.75 a month for gifts.

Now add up your current expenses and subtract your income. If on paper you have money left over, but in reality, you are living close to the edge or even falling behind, you're probably missing something or your figures may be wrong. Examine your budget again and make corrections.

Once you have an accurate idea of where all your money is going, it's time to make changes for the future, especially if you're expenses are greater than your income. Your options include, increasing your income, decreasing your expenses or a combination of the two. Think about how you spend your money and keep in mind the things you need versus the things you want.

For your proposed expenses, you'll need to actively decide where you want your dollars to go. For example, let's say you spend $200 a month on lunches and you don't want to do that anymore. If it's realistic for you to pack a lunch at least half the time, you can reduce the expense to $100. This new figure is a proposed expense and can be written on a separate column next to your current expenses. Also in your proposed column, enter the amount you have earmarked for the things you want to save for. These are the things you listed as your financial goals. Consider saving for these goals as a monthly expense and pay them as you would any other bill.

If you have credit card balances or unsecured loans, include those payments into your budget as well. Figure out the amount you can realistically pay each month and commit to never going under that amount. Since interest rates for this type of debt are often, it makes sense to pay it off as quickly as possible.

Sticking to your budget can sometimes be a challenge. If you're having a difficult time curbing your spending try the following tips. Avoid places where you know you have a hard time controlling spending. Write a list of what you need before shopping and buy only what's on it. Reward your efforts with an occasional, yet affordable, reward. If you're on the verge of splurging, seek the support of a friend who knows what you're trying to accomplish. Use a credit card only when you can repay the balance in full by the due date. Use debit cards to help you track spending. Before you buy anything, determine if it's a need or a want.

Saving money. Finally, we're going to talk about saving money. While saving money may seem difficult, or even impossible, all it takes is a commitment and a smart plan.

Like any financial challenge, the first step is setting a goal. An excellent goal is to save 10% of your monthly net income. For example, if you make $1,500, ideally you would put $150 into a savings account. Of course, not everyone can set aside 10%. So, if money is tight, start with whatever you can afford, even if it's only a few dollars.

If saving money is difficult for you, try these tips. Use automatic transfers from your checking to your savings account. Save all or a portion of each raise you receive. Deposit bonuses, tax refunds, and cash gifts from birthdays, holidays, and other special occasions into savings. Save all of your loose change. Once you've paid off your car or other loan, put the same amount in savings. Save even if you have debt. If your debt carries a high interest rate, concentrate on repayment but find a sensible balance.

When developing a savings plan, include money for an emergency fund. Having 3-6 months' worth of living expenses set aside will help you in the event of an unexpected job loss or medical expenses. Good places to keep your emergency fund include: a savings or share account. These are insured accounts and allow you to withdraw funds, penalty free, at any time. A money market deposit account is also insured and can provide higher earnings than a savings account though the number of allowable transactions is limited. A money market mutual fund is not insured, but low risk and typically offers higher earnings than a savings or money market deposit account. You can access your money anytime without early withdraw penalties.

And that's all for today's podcast. I want to thank you for listening. This is Katie saying goodbye.

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