HOMBRE
FOR MEN OF PASSION

Publication: Hombre
Date: December 29, 2014

15 Tips to Help You Get Back on the Path to Financial Responsibility)

If you're mired in debt and unable to save a cent, you're well acquainted with stress, worry, and shame. But the thought of digging out is so overwhelming that, frankly, you'd rather push it away and drown your woes in (yet another) $5 latte. Taking control of your finances is far more rewarding than sticking with the (unsustainable) status quo, says Donna Skeels Cygan, author of The Joy of Financial Security: The art and science of becoming happier, managing your money wisely, and creating a secure financial future (Sage Future Press, www.joyoffinancialsecurity.com)

"Action empowers and energizes," she says. "When you start taking the first steps toward smart money management—once you start living mindfully and deliberately rather than trudging ahead on consumer autopilot—you'll be surprised by how good it feels."

Here, Cygan shares 15 suggestions to help you build a more financially secure future:

First, get clear on what you're spending now.

Most people have no idea where their money goes each month. So Step One in your financial recovery plan is to track your spending. How much are you spending on eating at restaurants? On entertainment? On car payments? How much are you charging? (And how much are—or aren't—you saving?)

Identify weak points in your current budget.

Getting a clear picture of your current budget will show you where changes can, and should, be made. Are constant car payments keeping you from contributing to your 401(k)? Is your family paying for extra cable channels and smartphone services despite the fact that your emergency fund is nonexistent? Is that new outfit you're wearing paid for…or will you get the credit card bill for it in a few weeks? Asking yourself questions like these will be uncomfortable, but they'll lead to positive changes.

Get serious about paying down debt.

Debt is the root of most, if not all, of your financial stress—and getting rid of it is an important step toward financial security. So stop procrastinating, get out your calendar and bank statements, and make a plan. If you're not sure where to start, it's generally a good idea to focus on debt that carries the highest interest rate—perhaps a car loan or credit card debt.

"Where there's a will, there's usually a way," Cygan notes. "Most families can cut expenses somewhere and put those funds toward debt. And if your budget is already trimmed down to the essentials, consider getting a second part-time job, just a few hours a week, and putting that money toward debt reduction."

Commit to saving today. (If you don't, it won't happen.)

Of course, your ultimate goal is not just reducing what you owe but building up a surplus in your savings account and investment portfolio. But first you must make a conscious effort to start saving. Don't just make a mental commitment. Say it out loud. In fact, write it down. Do it now. What gets prioritized gets done.

"People tend to think of saving in vague terms," she adds. "They have this half-formed idea that they'll save 'someday' when the kids are out of daycare or the car is paid for—but that magical someday never comes. There's always something else to buy if you aren't committed to saving."

Hold a family meeting to set some long-term financial goals. (And get specific with your strategy.) Maybe you'd like to save more for retirement, set up college savings accounts for your kids, and beef up your emergency fund. To make sure your long-term financial goals actually happen, you and your family need to sit down and figure out how you're going to get from here to there. Specifically, how much money do you want to put into your Roth IRA each month? What other expenditures will you need to adjust to ensure that happens?

At the same time, consider what really, truly brings you joy.

How we spend our money says a lot about our values and priorities, Cygan points out. Take some time and think about what's really important to you and your family, and embrace the (possibly liberating!) responsibility of reordering your life. With your values in mind, it may be less difficult than you thought to get rid of unnecessary and unwanted items, obligations, and self-imposed responsibilities.

"This will free up literal and figurative space for you to make new and wonderful changes, which will probably involve spending more time with the people you love," Cygan says. "Don't forget: Psychology research shows that improving our relationships with others is the number-one way to increase our happiness."

Rethink what you're calling "necessities."

For example, do you really need the expensive cable package with all the movie channels, or would you be able to get by with basic cable? Does your 12-year-old really need a cell phone with a data plan? In fact, extreme as it may seem, do you truly need the big house you're living in, or would downsizing to a more modest home work just as well for your family—and far better for your budget?

"Often we think we need things just because everyone else seems to have them," says Cygan. "But this is nothing more than peer pressure. There really are very few true needs. The rest are just wants. And when we really think about what brings us joy, we usually realize we don't want our 'wants' as much as we thought we did."

Make sustainable short-term changes.

If you were somewhat surprised (or shocked, or horrified) by the state of your monthly budget, you might be inspired to make changes. But Cygan cautions you to start small. In other words, don't cancel your cable subscription andvideo streaming service in a fit of frugality. Your willpower might last a few days, but you're not likely to live long-term with no TV. Instead, start by cutting out your premium channels, for instance. Or cancel your cable altogether and start tackling the Netflix watch list you've been building up.

"The idea is to make smart adjustments in your lifestyle, not to turn your life upside down overnight," Cygan comments. "Small is sustainable—and baby steps in your budget do add up!"

Start paying attention.

A lot of our spending tends to happen while we're asleep at the wheel, so to speak. We sign up for expenses like cell phone plans, insurance policies, and Internet services…and then forget about them. (If payments are set up for autodraft, we may completely forget about them.) Take a closer look at these regular expenses. Is there a more affordable option out there? Are you paying for features you don't use? No, spending an evening researching insurance policies and cable-phone-Internet bundles might not be fun, but it might just save you a few hundred—or even a few thousand—dollars a year.

"Other ways to pay attention include watching sales circulars and using coupons," says Cygan. "Buy what's on sale instead of what catches your eye. Eat what's in your freezer instead of ordering a pizza. Dig through your closet the next time you have a wedding to attend instead of rushing out to buy a new dress—something in there will surely work just fine."

Pay in cash whenever you can.

Research has shown that we spend roughly 15 percent more when we pay with a credit card as opposed to using cash. If you have to reach into your wallet and count out bills in order to pay for a meal, a new shirt, or the latest gaming system, you might just decide that it isn't worth the money after all.

Spend some time thinking about value.

Does paying for a pair of big-name shoes make you happier than wearing look-alike knock-offs? Can you really taste the difference between name-brand and store-brand? It may turn out that paying more for the best of everything is making you miserable when the bills come in. If you can shave some cents off price tags, you might just end up with a lot more peace of mind.

Avoid seasonal entitlement traps.

We work (really) hard throughout the year, so it’s easy to convince ourselves that we “deserve” a lavish vacation each summer and a no-holds-barred holiday celebration. But the truth is, you don’t need to spend a fortune to relax, have fun, and make great memories with your family.

“You might find that a more financially sane approach lets you focus more on each other—and that your former traditions were cash drains that never really lived up to the hype,” says Cygan.

Focus more on experiences and less on things.

From eating at expensive restaurants to making sure our homes are decked out with flat-screen TVs and sound systems, most of us don’t mind pulling out our wallets in the name of enjoyment. (And often, we don’t worry about the price tag until it’s too late.) But psychology shows that experiences are always more impactful on our happiness than things. Do some soul searching before you get out the credit cards. For instance, cooking a meal together as a family might bring all of you more joy than piling into the car and ordering from yet another overpriced menu.

Get real about kids’ needs.

Stylish tween fashion. Electronic gadgets and all their upgrades. Summer camps. Traveling sports teams. Music, dance, and gymnastics lessons. Be honest: Is an alarming percentage of your budget going toward your kids’ activities and desires? And how much enrichment are your children really receiving? The truth is, well-meant expenditures that were supposed to make your kids happy and fulfilled add up quickly and often leave kids themselves feeling overstressed and overscheduled (not to mention entitled).

Don’t hesitate to call in the professionals.

If you’re not sure where to start, which budget changes would be most effective, or how best to begin paying down debt, talk to a financial advisor. Many brokerage firms provide helpful information on their websites, but it is usually more helpful to sit down with a live person. Surf on websites for a financial advisor near you. These will lead you to fee-only financial advisors who won’t be trying to sell you something. In addition, some of the advisors will work on an hourly basis, which may be a good fit for your needs. “Your financial advisor can help you make sound financial decisions now and in the future,” Cygan notes. “And remember, the more honest you are about your current situation and your financial goals, the more helpful your advisor can be.”