



Controlling Finances

In these trying economic times there is one word that comes to mind when concentrating on a family's money flow. Well two actually – *More* and *Control*. Putting the two words together actually works within the best interest of the household when a family exercises *more control* over its money. Therefore the following steps are crucial in order to get the most from a family's income:

1. Set short and long-term goals
2. Plan spending and saving
3. Build financial security
4. Avoid excessive consumption
5. Re-evaluate spending and saving as conditions change.

A money control system based on a **Budget** or **Spending Plan** can reduce or eliminate many money concerns and help a family meet its financial needs.

A plan for spending and saving not only shows the family's projected income and expenditure, but it also looks at goals set, it shows and builds financial security and avoids excessive consumption. Once constructed, the family will need to analyse the plan and perhaps look for alternative ways to increase income or decrease expenditure.

In addition, the family must protect what it owns by avoiding misuse of assets and making use of insurance to guard against the risk of loss. The family can also increase total income by using personal resources such as time, ability and materials on hand instead of money whenever possible. By continuing to evaluate and follow the spending plan, a family will be better able to take charge of its money.

Now how families spend money is an indication of their values and goals. No one can tell a family how to spend its money or what their lifestyle should be. Each family needs to decide how its income is and should be allocated. Family members must work on the plan as a team. A great deal of discussion is necessary so that individual differences can be heard and common goals identified.

The whole family should be included in the budgeting process, since every decision either helps or hinders achievement of individual goals. Take time for a family discussion of this important phase of the budgeting process.

The objective of the plan is to help the family reach its goals, not to make the family follow confining rules. For the plan to work, each family member must practice money

control and stick to the plan. However, a spending plan does not need to be a straightjacket and should actually be fun. Don't get discouraged if the first plan doesn't work. Rework the plan to fit the family's changing needs and desires. Review or analyse it periodically to be sure that the plan continues to help the family manage its income effectively to reach its goals.

Long-term goals and objectives can give overall direction to your financial planning. These goals are usually set for five to 10 years or more in the future. Stock investments or the purchase of a house might be long-term goals. Keep in mind that many factors will influence these plans. Be willing to be flexible and make adjustments as needed. **Intermediate** goals should be obtainable within one to three years. A dream vacation or a new kitchen may be intermediate goals. **Short-term** goals are those attainable in the next three months to one year, such as buying a new appliance or shopping for clothes.

Both intermediate and short-term goals are often a part of a long-term goal (such as saving a portion of funds each year for college education). For example, a long-term goal of saving for a college education may be broken down into annual goals of saving \$500 for each child in a college fund.

When writing your intermediate and short-term goals be specific in dollar amounts so that you can easily measure your progress in achieving your long-term goals. Being in charge of spending involves always knowing how much is being spent and on what items. This is where a good system of record keeping makes all the difference in the world.

Evaluating your family budget allows you to compare actual amounts with the planned or budgeted amounts, to see where you are in the budgeting process. The more frequently you make such checks, the better the overview of your progress in reaching both long and short-term goals. Making necessary adjustments will make your goals more realistic and attainable.

Evaluation is a continual process. No one budget will be the perfect budget. The budgeting process might be referred to as a financial map: you need to determine where you are going (set goals), plan your route (budget) and make adjustments along the way (evaluate). In order for the budget to work well, it must be realistic. This means you must determine realistic estimates for both income and expenses, realizing that there are often conflicting needs and wants within the family, and that external factors can affect your budget. Some of the factors you need to consider when developing your budget:

- Inflation and economic conditions (fluctuations in the consumer price index, interest rates, inflation, taxes).
- Personal spending style (rate, patterns of spending, conflict of styles within the family)
- Opportunity cost (the cost of giving up one option for another reflects personal tastes and preferences)

Revision of your original estimates is often necessary and can help in identifying your family's priorities. The following suggestions can help in getting the most for your family's money:

- Develop a family system for handling money, which involves everyone's cooperation.
- Be realistic about needs, demands and what the family can afford. Plan and purchase basics first.
- Establish a habit of planning ahead for long-range and short-term goals. Be prepared to take advantage of special sale prices on planned purchases when they do occur (a savings of 25 percent or more may be realized).
- Become informed about the market situation, availability and prices of products, including seasonal values.
- Practice sound shopping habits and try to get the best buy. Make a habit of doing pre-shopping research.
- Use and care for goods to get the maximum service with a minimum of repairs and maintenance costs.
- Use ability, talent and time to perform as many services as possible at home rather than buying these services.
- Use credit wisely and keep credit costs to a minimum.
- Keep accurate records.
- Don't become addicted to such items as labels, prestige stores, specialty shops and gimmicks. Evaluate quality of product as well as price.
- Be alert to fraud and exercise consumer rights and responsibilities in the selection, purchase and use of goods and services. It is estimated that the average consumer loses 5% of their income due to unwise consumer habits.
- Study habits of family members. Identify and eliminate waste such as buying convenience or luxury items or overbuying in quantities. Avoid spending on impulse, misusing goods and discarding useful items.
- Keep accurate records of how money is used. Periodically, maybe quarterly, evaluate your progress in using money, and make adjustments.

By following these simple rules, your family will be on the road to **wealth and good financial health.**

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