

Productive Leaders

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Quick Reality Check on Finances



Are you stressed about money? 64% of Americans are.

Do you argue with your significant other about money? It is the number one reason that couples argue.

Are you saving enough money for retirement?

Almost half of Americans have nothing saved for their golden years. And for those between the ages of 55-64 who have savings, they only have about \$104,000, which amounts to [about \\$310 per month](#) - not a lot to survive on in America.

Reality Check: We can and need to be better about our finances.

How can a normal family be better with their finances?

1. **Plan your finances** so everyone knows where the disposable (after tax) income goes. Write it down. This is the basis for the spending plan. Know how income comes in every month, and note what you plan to spend, then fill in actual numbers at the end of the month. Need help? [Try this interactive budget spreadsheet](#) – it even does the math for you.

Reality check: If you don't plan your spending, you have a spending problem.

2. **Track every penny you spend for a month** and see what you discover. Most people learn they spend money without realizing it. Most people also learn they spend money they don't want to tell their spouse/family about, such as coffee out or lunch with friends. Couples often don't tell their spouses the true cost and frequency of "nice to have" expenditures, such as personal grooming, sports equipment, or gifts for other family members.

Reality check: To create a spending plan that works, be completely honest about tracking spending, and then develop a plan that maximizes your short and long-term happiness.

3. Start with where you live. **Housing costs should be no more than 28%** of AGI and that includes rent or a mortgage payment, gas, electric, water, sewer, trash, homeowners' association dues, and routine home maintenance. If you are renting, set aside money for the down payment on your future home.

Reality check: If your housing costs are consistently and significantly more than 28% of your adjusted gross income, consider moving and downsizing to contain costs.

4. **Can you afford the car you drive?** Are your car payments stressing you? Many people have the car they want instead of the car they need. Most cars are in use less than 4% of the time. Many families are downsizing to just one vehicle and taking car services instead. When car payments, maintenance, insurance, gas, parking, and repairs are included, owning multiple cars may not be cost effective.

Reality check: You need transportation. That doesn't always mean a car. It might mean public transportation and Uber or Lyft services.

5. **Wants or needs?** Know the difference between something you really need and something you simply want. If you can get it at a mall, it is probably a want, not a need. Understand that ANY meal at ANY restaurant (even drive through) is a luxury.

Reality check: If you don't need it to survive, it is a want.

6. **Pay it forward - to your retirement.** Planning for retirement is more important than savings for your child's college fund. I know - you want to be a great parent, but your child can borrow money to go to college. Many parents are saving education money for children who will never attend college, and they are risking their own retirement in the process. I just talked with a 56 year-old dad with 2 college-aged children. He has not saved even one penny toward his retirement, and 19% of what he makes is going toward funding his kids at college. Big mistake.

Reality check: You cannot borrow money to retire.

7. The best way to live stress-free regarding money is to have tough, honest conversations that clarify expectations, create goals that everyone in the family works toward, and plan for what you truly want.

You work hard for your income. **Make sure you are mindful about your spending.**

Reality check: You are responsible for your own financial wellbeing. Start now.

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Personal Finance Focus!

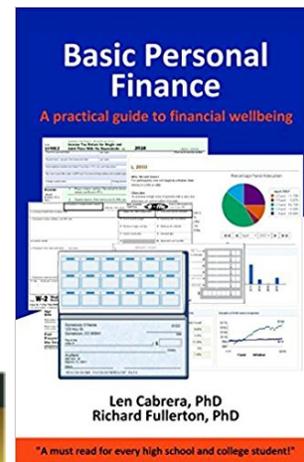
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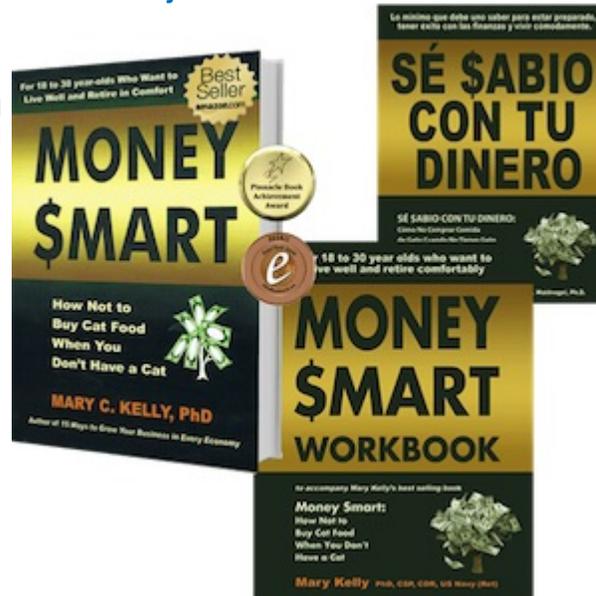
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Mary C. Kelly



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