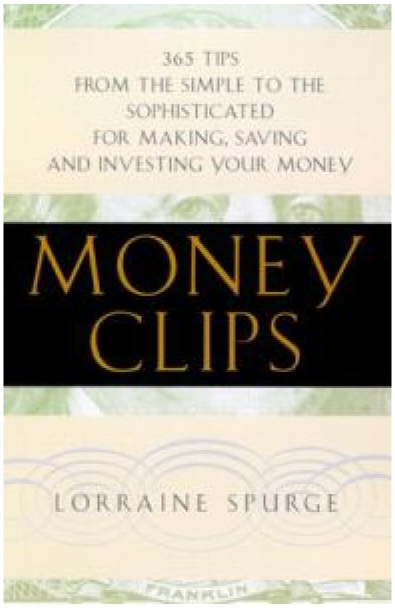

Book Money Clips

365 Tips From the Simple to the Sophisticated For Making, Saving, and Investing Your Money

Lorraine Spurge
Hyperion, 2000

Recommendation

Lorraine Spurge presents a series of tips, primarily directed to novices in the business or work world, on how to make money, save it and invest it. Her section on making money deals with finding a job you like, creating a family budget and buying a house. She discusses banking basics, different investments, kids' financial training, the stock market, taxes and long-term planning. Given the writing style and the focus on the family and kids, the book seems to be primarily directed toward women who are just starting their businesses or who hold entry-level jobs. Spurge's book will seem too basic to those who were not financially born yesterday. Many of the suggestions will seem obvious or repetitive of other manuals, like career-planning books such as What Color is Your Parachute. However, if you are newly hatched and blinking wide-eyed at the bright world of financial self-sufficiency, *BooksInShort* has just the book for you.

Take-Aways

- Love your work; the money will follow.
- Be ready to change with the times. Keep your skills continually upgraded so you can transfer them as you change careers.
- Get paid what you are worth by determining your value to your company.
- For successful money management, live within your means.
- Your net worth provides a snapshot of your financial position.
- To determine your net worth, deduct the value of your liabilities from your assets.
- Keep your debt at 20% or less of your annual take-home pay, excluding mortgage payments.
- Repay the debts with the highest interest rates first.
- Ask yourself: Are you more interested in current income or capital growth?
- Consider your risk tolerance, since investors typically need to take more risk to get higher returns.

Summary

Making Money

Before you can save or invest, you have to make money. Start by honestly assessing your situation at work and determine what kind of financial foundation you are building for your future. Ponder ways to turn what you love doing into a paying occupation. Consider where your skills are the strongest. Think about how your industry is doing this year compared with last year in terms of deciding where to invest your time and effort.

> "If you are determined to do what you love, and to share your gifts with others through your work, the money will come as a natural result."

Ideally, you should really love your work, because you will enjoy life more and do a better job. In fact, if you do what you love and use your work to share your gifts with others, then the money will follow as a natural result.

To assess yourself, think about your learned skills, personal skills, your favorite part of your past or current job, your hobbies, community interests and tasks you have liked doing the most. Research different careers and opportunities and use networking to get closer to the job you want. Interview professionals in a particular company or industry to learn about available jobs and skip the human resources department. Go to the person who holds the job you find of interest. After you have made contact, follow up with a phone call, card or letter.

Getting the Job and the Salary You're Worth

Customize your resume to suit the job you are seeking. Include information on your objective, employment experience, skills, education, interests, and related experience. Once you have the job you want, the following tips will help you get ahead:

- Put yourself in your boss's shoes and image what will help him or her the most.
- Take the initiative and go beyond your job description to seek out opportunities.
- Find a mentor who can give you advice and introduce you to others.
- Do your homework before a meeting, so you are fully informed.

> "Consider your net worth a barometer that should be checked every three months, similar to the way companies report to their shareholders."

To be ready to change with the times, stay prepared for a new job. On the average, employees will have eight career changes. Keep your skills continually upgraded, so you can transfer them as you change careers. Finding a new job is easier if you don't need one, since you will be under less pressure. Build transferable skills. Some ways to get paid what you're worth include:

- Determine your value to the company by looking at the going salaries for your industry.
- Take an impersonal approach when you discuss a raise.
- Know how to quantify your contribution to your company's bottom line.
- Practice asking for a raise by writing out the reasons you deserve more money.
- Consider perks as well as money, including interest-free loans, free financial planning, commissions, stock options and bonuses.

> "If your total debt is more than 20% of your annual take-home pay (excluding mortgage payments), you need to start cutting back now."

Many former nine-to-fivers make 20% to 40% more money as independent consultants. If you decide to work as a consultant, make sure you follow the rules and regulations, so you are safe from auditors. Carefully define the client relationship, ideally with a written contract that specifies terms and conditions. And, to make more money, get more education.

Managing Your Household Finances

Living within your means is the key to successful money management. To get a handle on this goal, first determine your net worth. This will provide a "snapshot of your financial picture." Add up the value of your assets and deduct the value of your liabilities. The total is your net worth. Your assets include:

- Cash.
- Investments and investment assets (stocks, bonds, mutual funds, IRAs, annuities).
- Property.
- Your home or other real estate.

> “Don’t pay more for a house than it’s worth. Check out comparable homes - the selling prices of similar homes in the area. Then, avoid paying more than 3% above the average price.”

Your liabilities include all of your short-term (bills, taxes, insurance payments) and long-term (mortgage, large installment loans) debt.

Commonly, your net worth will be half or less than your annual income or even a negative number, which is the case for most Americans. However, as you get older, you can get these numbers into a better balance by paying off some of your debts or cutting back on your spending. Ideally, you want a safety net of three to six months of living expenses, at least. Even better, build a cushion of a few years of annual income.

> “Calculating your net worth means more than just measuring yourself against the average statistic. It should set your overall guidelines - spending, saving and cutting back on your debts.”

Use your net worth to establish overall guidelines for spending, saving and reducing your debts. Check it every three months, like a quarterly report. Imagine yourself as the chief financial officer of your company, which is your family. List your income and then list your family’s essentials, such as the mortgage or rent, utilities and insurance. Last, add in the extras, such as eating out, vacations and entertainment. Ideally, don’t spend more than 30% of your take-home pay on your housing. Save at least 10% of your pay each month, but pay off debts first.

> “A good first step is to honestly assess your work situation and determine what kind of a financial foundation you are building for your future.”

The decision to rent or buy a home depends on your personal and financial needs. When you rent, you don’t have to drain your savings to make a large down payment and you have flexibility if you want to move. Alternatively, some advantages of owning are that your property will increase in value, and you can deduct mortgage interest and property taxes from your income tax. If you buy, don’t overpay. Avoid paying more than 3% of the average price in your area, because you may not be able to get a mortgage if you pay too much and you can lose money when you later sell your house.

> “The best time to find a new job is when you don’t need one. The reasons for doing this are clear: You have more time and less financial pressure to look for work when you’ve already got it.”

Once you buy a house, consider the different types of mortgages, including fixed-rate and adjustable-rate mortgages. With a fixed rate, your rate of interest will remain the same for the life of the mortgage, while an adjustable rate will vary based on the current market for borrowing funds. Be especially careful of teaser rates that are low for just a short time. Work out the long-term costs of your mortgage by calculating the trade-off between the interest rate and points, since points add to up-front costs. Thus, a lower-interest rate on a mortgage could cost you more if you have to pay high points when you get the loan.

> “Follow the debt guideline: The total amount of money you owe each month (not including your mortgage) should not exceed 20% of your take-home pay.”

Also be careful when you buy a car. Calculate your true costs for purchasing a car and paying off a car loan. Shop smart with all purchases. Don’t overbuy because items are on sale. Because credit cart interest rates are so high, keep your balance as low as possible. Don’t buy unless you can pay back the full balance when you pay the bill.

> “Try to limit your credit card spending to purchases that last - furniture, appliances, dishes, clothing.”

Teach your kids about money too. Give them help in making a budget, and set a reasonable allowance and stick to it. Give them a chance to earn more money for extra expenses. Teach them about shopping. Encourage their entrepreneurship, but keep it in check, so they don't sacrifice schoolwork and good grades to working for money.

Banking Basics

Be careful when you use credit. Keep your debt down to 20% or less of your annual take-home pay, excluding mortgage payments. If debt creeps higher, start cutting back. Choose the best credit card for you. If you usually carry a monthly balance, find a card with the lowest possible interest rate. If you pay your balance each month, don't worry about the interest rate. Instead, look for cards with valuable perks, such as frequent flyer miles.

> "Electronic banking's biggest benefit is that it will provide you with accurate records of your transactions and will simplify your accounting at tax time."

Recognize the different types and costs of credit. For instance, you will generally pay a higher interest rate to a finance company. If you have a loan secured by assets, such as a car or home loan, you will typically pay less interest, because of the collateral securing the loan. Your monthly payments will be less if the loan is for a longer term - but the loan will ultimately cost you more, because of the interest.

> "Learn the tricks to getting favored treatment at your current bank ... Show your loyalty by doing all your banking in one place. This includes your checking and savings accounts, safe-deposit boxes, CDs, and mortgages and loans."

First repay the debts with the highest interest rate. You can even use your savings to pay off high-rate debt. Other low-cost payoff strategies include borrowing against your life insurance policy, borrowing against home equity or selling something you don't need.

As for banking, compare bank fees and services at different banks. Restrict your ATM use if there are charges, and avoid going to the ATMs of other banks, since the transaction fees can run up. Shop for special checking account deals. With some, if you can maintain a minimum balance, you can get free checking, and even earn some interest. Your current banks will give you better treatment if you do more of your banking in the same place and establish personal contacts. Look into banking from home as a way to pay your bills electronically, manage your account and invest your money. This electronic approach will provide you with accurate records of your transactions.

Successful Investing

Finally, consider the different investment options. Start by deciding what kind of investor you are. Ask yourself what kind of return you are looking for - would you rather have current income, such as a dividend or interest payment, or are you more interested in capital growth as your portfolio grows in value through the years.

Consider your risk tolerance, too. Typically, you need to take more risk for a higher return. Don't take on additional risk, however, if you will worry too much over your investments.

Another consideration is how liquid you should be. You don't want to have to sell your investments. If you need funds for debts or purchases in the near future, such as loan payments or taxes, don't invest them in anything illiquid.

Diversification is a good investment strategy. Consider forming an investment club if you are a small investor. In general, avoid bank CDs, since they have a low return, though they are quite safe. When you buy a stock, stick to fundamentals, such as the price, earnings record and P/E ratio. Avoid getting caught up in glamor stocks.

Mutual funds are a good investment if you are short of time, because you have the advantage of having experts making investment decisions for you. Money market funds are especially good for first-time investors, since they're the safest and most stable mutual funds.

To stay knowledgeable about a stock, read the company's annual reports. Other sources of information include online news services and research reports from your broker.

Lastly, save money by learning the rules for paying taxes. For instance, set up a 401(k) or IRA as a tax-free savings account. Write off any job-search and job-related expenses. Factor taxes into your investment decisions and use a tax advisor to guide you in making decisions. You can use long-range planning to guide you in how you save, manage your money, invest and save on your taxes.

About the Author

Lorraine Spurge began her career as a secretary and went on to the highest ranks of the investment world. She is credited with raising more money for American businesses than any other woman on Wall Street. She has been a consultant for numerous companies, including MCI, Time-Warner, Mattel, Chrysler, Viacom and Revlon. Today, she heads her own firm, Spurge Ink!, which publishes business, career and investing information for individuals.