

Sit down with the family to make sure you're all on the same page.

photo by Chris Fritchie

Getting Financially Fit

By Wendy Crooks

SO YOU'VE MADE the usual New Year's resolutions to get fit or to organize your house and your life, or both. You may have even broken those resolutions already. With the current state of the economy, you may have thought a lot more about the condition of your finances than the condition of your waistline. Rather than running marathons these days, you find yourself running numbers. You are trying to take a closer look and see about making some changes that will bring financial gains or at least keep you from losing ground. The problem for many is knowing what to do first. How do you get started? Actually, you already have. Making the decision to get financially fit is the first step.

According to Michael Gladwin, a financial planner with AXA Advisors in Plano, the next step is figuring out what your actual financial goals are. He adds that there are times when enlisting professional advice might also be a good idea.

FINDING A FINANCIAL GUIDE

Mr. Gladwin says there are many factors to consider when choosing a financial advisor. Here are some recommendations.

- Interview more than one planner and do your homework before meeting with them.
- Look not only for competence but also for someone who meets ethical standards.
- Check into their background, especially for any law suits that may have been filed against them.
- Talk to friends or acquaintances to find out if they have a financial planner they're happy with.

Another key component, according to Mr. Gladwin, is knowing what to expect from your advisor. "Know how they are compensated and what affiliations they have with products," he says.

It is also important to be clear with your planner about what he can expect

from you. Some people want to be actively involved with every step and decision regarding their finances. Others want to know the basics of what's going on but prefer that the financial planner make most of the decisions. Then there are those who just want to know the bottom line; are they making money or losing money and why.

Besides choosing a financial planner, there are other steps you can take right now that will move you down the road to financial fitness.

GET OUT OF DEBT

It's more important than ever to pay off any debt you may have. Studies show that the average American owes \$8,400. The average interest rate on that debt is 18.9%. Although it's counterintuitive, Mr. Gladwin encourages people to pay off their lowest balance regardless of the interest rate. This is a practice he learned when he began his financial planning career teaching Dave Ramsey's Financial

Peace University classes at his church in Frisco. He agrees with Ramsey that paying off a balance quickly, motivates the person who is plowing through debt to continue the journey to debt-free living.

There is no painless way to dig out of debt. Many creditors have implied over the years that you can borrow your way out of debt using consolidation loans. These loans actually just move the debt around.

Unless spending habits are changed, the potential to get into even greater debt is always looming. Getting out of debt requires intentionality. You can wander into debt but you can't wander out of it.

COMMUNICATE

According to Mr. Gladwin, communication is also vital to a family's ability to establish a good financial plan. We've all heard stories of the spouse who hides credit cards, clothing, expensive purses or shoes, tools, electronics or golf clubs. Making a spouse accountable doesn't mean forbidding such purchases. If you're both truly dedicated to your financial plan, those purchases may happen sooner rather than later. If you're not married, Mr. Gladwin suggests finding a close friend or relative to serve as your "accountability partner" and then check in with them periodically.

THE 24-HOUR RULE

Mr. Gladwin also subscribes to the idea of the 24-hour rule. Begin by choosing what you would consider the amount of a big purchase, \$100, \$200 or greater. Once you've decided on the amount anything that falls into that price range is handled with the "wait and see" approach. When you come across something you think you must have, wait 24 hours before purchasing it. "Many times you will

talk yourself out of buying it," says Mr. Gladwin. Dave Ramsey teaches class participants to make all their spending intentional. His motto, "On paper, on purpose," demonstrates that concept.

KNOW WHERE THE GREEN GOES

The next thing you can do is track your



photo by Chris Fritchie

money. It is as easy as that. Look at where you are spending your money. Are you eating lunch out everyday? Consider taking your lunch more often. You will likely see the difference in your wallet and your waistline. Are you driving through for coffee several mornings a week? Add that up. What are you spending on gas? Is it possible to ride your bike to work or carpool with someone? Eliminating unnecessary expenses isn't easy; it takes a tremendous amount of will power and dedication, but over time it can be done. "It's a lifestyle change," says Mr. Gladwin.

THE "B" WORD

The word "budget" brings enough baggage with it to send even the most frugal into an emotional frenzy. It doesn't have to. A budget, or spending plan, can

be empowering. Make sure you are the one deciding where your money goes rather than giving in to impulse spending or pervasive advertising. Depending on which research you believe, Americans are exposed to anywhere from 247 to 3000 marketing messages per day. Having your budget in place and being committed to stick to it will help you say no when the urge to spend hits. If, after curbing your spending you still can't live within your budget, it may be necessary to get a second job temporarily to help meet your budget. "Short term pain can bring long term gain," says Mr. Gladwin.

SPEND LESS BY PAYING CASH

Another suggestion is to pick at least one category in your budget and pay cash for it. For example, budget a set amount for food and put it aside so that you can pay for your groceries in cash. A study by Dun & Bradstreet found that consumers spend 12 to 18 percent more with credit cards than when they use cash. According to Mr. Gladwin, "Emotionally, it just feels worse to hand over the cash." Hang on to that feeling and you'll be more likely to hang on to your cash.

GET EDUCATED

Sir Francis Bacon said it best, "Knowledge is power." Take a class or workshop and get educated in order to empower yourself to take control of your finances. Dave Ramsey's Financial Peace University classes are offered all over the country

at churches, businesses and other places in the community. See www.daveramsey.com for more information and to find a seminar near you. Crown Financial Ministries also offers financial classes. Go to www.crown.org for more information.

Basically, if you get a big refund each year you are allowing the government to use your money until tax time. Check into reducing the amount you are withholding.

LOWER YOUR TAXES

Everyone wants to pay less in tax. You may be able to do just that by adjusting your tax withholdings. Basically, if you get a big refund each year you are allowing the government to use your money until tax time. Talk with your human resources department to see about reducing the amount you are withholding. On the flip side, if you have to cut the IRS a check each year, put more money aside to do so. Not planning for expenditures like that often sends people deeper into debt.

CHECK YOUR INSURANCE DEDUCTIBLES

Another way you can help your financial future is by looking at your deductibles. "Sometimes raising your deductible is an easy way to save money on your car or health insurance premiums. It is important to have the deductible tucked away somewhere so you won't touch it, in case you have to use it," says Mr. Gladwin.

RETIREMENT AND THE SANDWICH GENERATION

As Baby Boomers age, more and more are finding themselves among the 20 million Americans caught between raising children and caring for elderly parents. Sociologists call these Boomers

the "Sandwich Generation." The unexpected responsibility of caring for parents and children simultaneously can ruin even the best financial plan. In many cases families are choosing a multi-generational approach to retirement planning. To devise a workable plan, talk to your parents about their financial outlook. "If they are willing to have that discussion, you should have it," says Mr. Gladwin.

PROTECT YOURSELF

As if establishing good credit, saving money and living on a budget weren't enough, you also need to ensure you keep the good credit you've worked so hard to obtain. Identity theft is growing at an alarming pace, but there are steps you can take to protect yourself.


- Shred documents with personal information before discarding them.
- Check your credit report frequently.
- If you have reason to believe your identity has been compromised call the credit bureaus and lock down your credit until your identity is verified.

When checking his credit Mr. Gladwin pulls from one credit bureau every four months. This way he can get a picture of what his credit report looks like more frequently. There are some companies that, for a price, offer to take that burden off of your hands. LifeLock, Debix, LoudSiren and TrustedID are a few that offer credit protection services. While these companies may certainly help you, nothing is foolproof. As the economy continues to decline, criminals seem to get more creative, making it difficult for the good guys to stay one step ahead. The good news is that, if your identity is stolen many of these companies will clean up the mess for you as part of their agreement.

Whether you are just starting out, already approaching retirement or somewhere in between, the choices you make today will definitely affect your financial health tomorrow. Having a plan and sticking to it is the key. According to Mr. Gladwin, "Staying the course works over the long run."

Wendy Crooks is a freelance writer living in Plano.

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