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Personal Management

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Editorial Comment:

Since this column is concerned with personal matters I shall be violating professional and technical writing standards by adopting a less formal style, including the use of the first and second person form. My personal objective in editing this department will be to learn as much as possible about a variety of matters that affect you, and me, as a woman, worker, investor, family member, loved one, provider, and unique person. Sharing these discoveries with you is my second objective and it can be better achieved with your help. If you have concerns that you feel may apply to other readers as well please drop a short note to offer your suggestions.

The first few columns will deal with financial security, starting with the basics of earning, and saving, and then with investing in stocks, bonds, real estate, objects d'art, jewelry, or tax shelters. The preservation, use, and transfer of acquired assets through wills and trusts will receive our attention. We shall explore methods of building a future for the well-loved youngsters in our lives, and the possibilities for better care of aging dependents, as well as strategies for our own pleasant retirement.

It is comforting to be financially secure, it is bliss to be both secure *and* happy so still other columns will treat topics of self-improvement through continuing education, psychological counseling, travel, and extra-career interests. Since change is the only constant in life we shall also investigate other areas such as career changes, job mobility, aging, marriage, divorce or widowhood, remarriage, or not marrying at all.

This initial column begins with the basics of personal security. Your personal goals are the major consideration. One woman may want to acquire enough wealth to retire at age forty-one; another may want to educate her triplets; still another may want to take a year off to cruise around the world. One common problem is our failure to clearly articulate our goals, even to ourselves.

Personal goals depend entirely upon your own personality, likes and dislikes. One excellent book[1] suggests you focus on your true heart's desire. Consider what you really want to do, without reference to the expectations of others. You can later adjust for family considerations. Remaining in a job you do not like because of financial obligations, social pressures, and an unchecked propensity to consume may enable you to survive but not to live comfortably and be happy with your life. As the years pass the only things you have to spend or misspend are money, love, time and effort. There are hundreds of books and articles on the middle-age syndrome and attendant feelings of uselessness. It seems to be a malady common to both men and women, whether career women or housewives. Some people dream dreams and others live them. Which do you want to do? For example, if you are thirty-six and want to get a degree in zoology but hesitate to do so because you will be forty-one by the time you get it, keep in mind that you will be forty-one in five years whether you become a zoologist or not.

One way to start is to assess your goals. Lakein[2] suggests you take two minutes and fill one page with every goal you can think of: money, career, physical, family, social, community, spiritual and personal. Then weed out and eliminate some of them that are totally unrealistic ("I want to be President in 1980;" "I want to marry Robert Redford") but you should do the revision and elimination in an additional two minutes. Now choose the three most important ones. For each of these three goals write down one thing to do next week for each one. This converts your goal plan into an action plan. If you do one thing each week toward each of these three goals, soon they will be accomplished or at least exhausted as possibilities, at which time you can redo the exercise and pursue another goal or two.

If your goals are too general ("I want to be happy," "I want to be successful") you may want to try another exercise. Answer this question: How would you like to live if you knew you had only six months to live? Contracting the time alternative will force you to establish priorities and to be specific.

Another suggestion[3] is to list twenty things you love to do. It may take a long time but the *only* criterion is that you must love to do all twenty things. Then do a series of eight things:

1. Put a dollar sign ($) next to the items that require an expenditure of at least $5 every time you do it (not counting the initial investment in equipment).

2. Identify which items you prefer to do alone (A), with people (P), or with a special person (S). (The special person can be a different person for each activity.)
3. Put a R next to each item that involves a risk, whether physical, emotional or intellectual.
4. Put an X in front of every item that you hope appears on the list of someone you love. (You can do the exercise with that person and compare lists when you are through.)
5. Note the last time when you did each of these things. (Estimation as close as a few months is all right.)
6. Place a number ten next to any item that would *not* have been on your list ten years ago.
7. Place a five next to any item that might not remain on your list after five years.

The final step involves reviewing your list. After completing and studying the list, make a series of "I've learned" statements about the exercise. These statements should have two first-person pronouns in them. Examples are "I was surprised to know that I like risky activities,"; "I was disappointed to learn that I prefer to do most things alone."

This exercise will help clarify in your own mind what you really like and what is important to you. From there, it is more clear what changes you have to make in order to live the way you want to and to do the things you want to do.

Almost invariably, women discover that at least some of their personal goals require money, and the accumulation of money requires effort.

Money objectives can be divided into short, intermediate and long-term objectives, but the basic financial requirements are to have a steady income, adequate insurance for disastrous events and adequate liquidity and emergency funds for short term emergencies. Insurance will be the topic of a future column.

Assuming you have a job which provides a steady income, the first consideration is acquiring (probably through saving part of that steady income) enough assets for liquidity and for meeting your declared objectives. Regardless of your personal circumstances and objectives, the major problem is in making sure that your steady income exceeds your expenses.

Budgeting Income and Expenses

An important first step is preparation of a balance sheet. List all of your assets at fair, or current, market value and all of your debts. How do you honestly shape up? Your net worth may be impressive, but the mink coat and designer originals in your closet will hardly pay your tuition to Karate school (if that is one of your objectives) and your expensive household furniture cannot be readily converted into a one-way ticket to Zanzibar to study mating habits of fruit flies.

How do your debts shape up? Do you owe money on your condominium, rental property and business? Or on your furniture, last year's vacation loan and fifteen credit cards? What are your monthly payments?

The preparation of an income and expense budget may be even more agonizing but be brutally honest with yourself. In preparing a one-year budget do not forget those expenditures that occur only once a year or so such as automobile insurance, additional income taxes due, and Christmas presents. Pay particular attention to the timing of your expenses and plan ahead. One good approach is to make a worksheet by listing every check written in the past year. It will serve as a guide for future planning. Categorize all the common expenditures like food, rent, auto expense, gifts, and clothes, and carefully analyze the miscellaneous category. Then conscientiously code your expenses as fixed, semi-fixed or discretionary. The first two categories may be combined as "committed expenses" for simplicity.

If a large excess income emerges from your budget, congratulations are in order for you, but check your math just to be sure. If you have more expenses than income now is the time to do something about it. There are only two ways to increase your savings (ignoring a windfall, a sugar daddy or a miracle): either increase your income or reduce your expenses. We shall concentrate on reducing your expenses. With a properly coded budget the obvious area of concentration your discretionary expenses and luxuries.

At this point a common reaction is "I cannot reduce my expenses. With my salary and commitments, I barely can make ends meet." Anyone who is reading this *can* reduce her/his expenses. The recent Nobel Prize winning economist, Milton Friedman, made his reputation, at least in part, with studies which led him to refute the Keynesian concept of propensity to consume. Dr. Friedman says that the old idea that "the more you make, the more you save" is a myth. He maintains, with impressive and convincing data, that people save about the same proportion of their income regardless of the level of their income. It is not suggested, however, that you adopt the extreme behaviour of that eccentric who lives in poverty, eats garbags scraps, wears rags, and has (it is discovered upon death) $60,000 stashed in a mattress. That makes good newspaper copy, but a wasted lifetime.

If you are really honest with yourself you could, within one year, reduce your expenditures by 20 percent. Many budget-cutting ideas are quite simple: ride the bus to work; carry your lunch in your briefcase (easier for dieters, better for your body anyway); do your own nails and hair; cut down on eating out; spend a weekend at free entertainment functions (check out the events at colleges, universities, churches, civic centers); get a library card and read; walk in the park; donate time and effort rather than money to charitable institutions. It is fun to make up your own budget-cutting ideas and exercise your ingenuity.

Do you really know where your money goes and how you became so far in debt? A quick test is to look at the balance on all your charge cards. If you cannot reconstruct what constitutes the balance within $10 and/or if any charges are over two months old, you are not managing your debt well and must take drastic action if you sincerely want to control your life and finances. Don't be embarrassed at this point, however, you are in good company. Our business training and backgrounds do not make us immune to this common problem. We are as vulnerable as those less privileged.

There are several measures you can take. One is to go to your credit union or bank and take out a loan for the entire balances of your accounts, pay them off, and repay the loan at the lower interest rate in as large a monthly payment as you can manage. Depending upon your state of residence, the finance charges on charge cards run from 12 percent (stated as 1 percent per month to make it appear smaller) upwards. The most common rate is 18 percent (1½ percent per month). The really important step is to destroy all your credit cards. Otherwise, the temptation is to start charging all over again (after all, all the balances are now zero), run up another unmanageable debt and wind up in even worse shape. Don't even trust yourself to just leave them at home. It was your spontaneous, even compulsive, spending that led you into this predicament in the first place.

If your balances are relatively small, simply lock your cards away in your safe deposit box until all balances are zero and start at that point to pay every credit card balance in full every month. If you find your balances creeping up again, destroy the cards. If you absolutely must have a charge card for business travel purposes, retain only one card upon which the balances cannot be deferred, such as American Express or Diners' Club.

If you cannot get a bill consolidation loan at a lower interest rate destroy your cards immediately, reduce your expenditures as drastically as possible, and pay off the charge cards as fast as you can. Allocate the largest monthly amount you possibly can to paying these off. You cannot begin to get your financial affairs in order until these old, high interest rate debts are paid. It is quite painful because you probably don't even remember the benefits from those expenditures that are causing such strain now. The very best that can be said of this situation is that you will learn a lesson, however belatedly.

If misuse of your charge cards is your biggest problem another effective, if drastic, measure is to cash your salary check(s) for one month and pay all bills with currency. If certain bills have to be mailed, go buy postal money orders. The process of going around town and physically handing money over for bills (be sure to get receipts) will have quite an impact on you as to how much money you make and spend. During this month, pay cash for *all* expenditures, including rent and gasoline.

Under normal circumstances, you deposit your salary and either charge or pay by check the bulk of your expenditures. This can build up a rather remote attitude of money. "Funny money" (checks and credit cards) is much easier to spend thoughtlessly than "real" money. This technique of using money has been used successfully by many credit advising agencies — not to be confused with little loan shark companies with names like the Friendly Credit Advisers, who often get you into worse trouble and who take over the finances of people on the verge of bankruptcy. Reputable agencies may also take away all your credit cards for the duration of getting your finances straightened out. It is critical to keep track of every dollar spent during this month. Not only will you gain insight and respect for your money, you will know exactly where it goes. If you are amazed to discover that you spend $168.14 per month on cosmetics, you can watch yourself and reduce such expenditures.

Once you have your income and expense budget in shape you can make critical decisions about how you can reduce your discretionary expenditures to create funds for saving, investing and attaining your goals. You may even want to change your lifestyle to reduce your committed expenditures in the future. Best of all, you will have taken command of your finances and be ready to take on the responsibility of increasing your assets and security, the topic of the next few columns.

Notes

[1]Thomas Porter and Durwood Alkire, *Wealth, How to Achieve It* (Reston, Virginia: Reston Publishing Company, Inc., 1976), p. 310.

[2]Alan, Lakein, *How To Get Control of Your Time and Life*, (New York: McKay, 1973).

[3]Don Briggs, *Breaking Out*, (New York: McKay, 1973), pp. 215-16.

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