8 Tips for Financial Success

A solid grounding in fiscal responsibility is basic self-defense. Taking the time to learn and practice saving and budgeting, managing credit — controlling our personal finances rather than vice versa — will pay off in the long term. The following tips are reminders of how we can control our finances and improve our financial success.

Choose Carefully.

1. Every decision has a cost, so be sure to consider your options.

Too often, people make decisions without thinking through the consequences. For example, a consumer buys something they feel they must have using a credit card, but doesn't consider what it will take to pay off the debt. Or, as has happened often lately, a consumer buys a house without fully understanding the terms of the mortgage loan. When you choose between two things, you automatically give something up. A decision to buy an expensive car is a decision NOT to buy everything else that the money could have purchased. Too often, that only becomes clear when the car payments are due and many other things have to be sacrificed to make them. Before making that impulse purchase, be sure to think about the cost of your choices.

Invest In Yourself.

2. Education and training is your investment in you.

Education and training is an important investment in you and your family. Investing wisely in higher education is one of the best financial decisions you can make. More education means higher earnings -- for life. Studies show that more education leads to bigger paychecks. So, the more you learn, the more you earn. Over a forty year career, these additional earnings really add up. Just by staying in school and graduating, workers earn an average of $6,000 more per year, or $240,000 more in their lifetimes. That's a quarter-million dollars just for finishing high school. Add a two-year Associate Degree and the lifetime earnings jump to $480,000 more than the high school dropout will earn. Think about it - that's a cool half-million dollars for finishing high school and going to college for just two years. Four-year degree stats?

Plan Your Spending.

3. Know the difference between net and gross.

First-time workers often experience shock after receiving their first check. Income taxes, social security, and Medicare are just some of the deductions to which most workers contribute. When joining the work force, make sure to develop a spending plan that takes into account the fact that approximately one-third of your earnings will be deducted from your paycheck.

Save, Save More, and Keep Saving.

4. Practice saving, not spending.

Many people consider themselves to be spenders, not savers. "I'll start that savings account soon" or "I like to spend money" are common excuses. We all know there are more ways than ever to spend your money. Look at saving as spending—on yourself. Everyone needs a nest egg or rainy day fund, and the easiest way to start is to start small. Save $100 or even just $50 per month by having funds automatically deducted from your paycheck and placed in a separate, interest-bearing savings account. Soon you'll have a special savings fund that can help you absorb unanticipated expenses.

Put Yourself on a Budget.

5. Budget earnings to better plan for spending.

Financial success refers not so much to earning money as it does to making wise choices about how to use the money you earn. A budget is important for you and for your family. Budgeting helps you to better plan and control your family's spending. Planning enables you to extend your buying power. A budget doesn't have to be complicated. All it takes is writing down how much comes in every month and how much must go out for rent, bills and food. What's left goes into discretionary spending and savings; gaining awareness of where your money goes is key to exercising control over your spending.

Learn to Invest.

6. Investing is critical.

Many people feel "investor" is not a word that applies to them. Instead, images of Wall Street suits and wealthy celebrities like Donald Trump, Oprah or Warren Buffet spring to mind. In reality, anyone with a retirement account is an investor, which means most Americans are investors. That's important to understand because many people working today will not receive a defined-benefit pension, which means they need to save significant sums of money to finance their retirement. For most of us, just putting money in a savings account won't be enough. Investing is an essential tool for growing your money faster than the rate of inflation. Diversified instruments like target date retirement funds, index and mutual funds make investing easier than ever. To learn more, start at the SEC's investor education website at: http://www.sec.gov/investor.shtml

Credit can be Your Friend or Enemy.

7. Credit can work for you and against you.

Without credit, most families would not have homes or cars. If used properly, credit can be a powerful tool to help obtain the things you want. Unfortunately, credit can sometimes be too easy to get. As a result, on average, Americans hold 4.3 credit cards and the percentage of people delinquent on their credit cards is rising steadily. Another fact is that many people are not aware of the exact credit terms of their mortgage loan. While credit can be a great friend, it is very important to know the terms before you borrow and to be sure that credit is the best way to purchase a particular item. Don't become a credit junkie. If you are in serious credit difficulties, seek help from any of the qualified and accredited credit counseling services.

Nothing is Ever Free.

8. If it's too good to be true, it's too good to be true.

It's best to assume that an offer or advertisement that "sounds too good to be true" – especially one from a stranger or an unfamiliar company – is probably a fraud. To find out if a company is legitimate, look it up using a reliable source such as the phone book, directory assistance, a California government agency such as the Department of Financial Institutions or the Department of Corporations, or the Better Business Bureau. Do not rely on the contact information in unsolicited emails or letters. Even if the organization is legitimate, most "free" offers are really enticements to buy something. When an ad says, "Buy two, get one free," realize that you are paying more than you probably would; the third item is NOT free. Any sales pitch that uses word "Free" is a red flag.

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