Family Financial Education Foundation Edition 4, Volume 2

How We Make the Most of Our Money

When we talk about saving or preserving our money, we generally think of putting money in a savings account to earn interest, but there are many other ways to think about saving:

In-kind savings: Rapidly rising prices can decrease the value of money that is in a savings account. When inflation is high and prices rise continually, or when people live in an area where access to a bank is difficult, they sometimes save commodities rather than cash. Farmers may save grain. Ranchers may save cattle or sheep, which produce offspring and by-products. Even food storage by an individual or family is a form of in-kind saving as it saves the person or persons from paying higher prices a year in the future. Recently, many people began buying up large quantities of rice and flour for fear food would become too expensive to buy. Some people invest in jewelry, artwork, antiques, or coins and save them for several years until their value increases substantially. The value of some of these commodities increases more rapidly than cash in a savings account, but a good deal of personal knowledge or advice from a trusted resource is often required to benefit from saving such commodities. The disadvantage of saving commodities rather than cash is that some commodities can be hard to convert to cash quickly when an emergency arises.

Cash savings: It's a good idea to keep some cash where it is readily

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Making Your Money Work for You

Saving is most easily defined as keeping something valuable now to use in the future. Saving takes discipline, sacrifice, and planning.

- Discipline: controlling the desire to spend your money right now.
- Sacrifice: going without things you want now so you can save the money for later.
- Planning: knowing how to prepare for future events and how to set a savings goal.

Reasons to Save

Everyone can save. Some people have fewer resources than others and may only be able to save small amounts infrequently, but there are ways for everyone to save something. Everyone has a reason to save, but not everyone has the same reasons. One of the more universal reasons to save is to protect yourself from future financial disasters. The future is unpredictable and illness and disability that sometimes accompany old age can be costly. While the attitude to "live for today" that was advocated in the Sixties and Seventies was appealing, many are finding that it can make life tomorrow very miserable. ■

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available for unexpected immediate needs. The advantages of cash are that you can carry it with you, and it can be traded for just about anything. Cash at home is easily accessed, but that also means it's easily accessible to other people besides you. If there is a bank conveniently located, it is best to deposit most of your emergency cash there and just keep a small amount at home.

Savings accounts: Probably the most common and easiest to understand, savings accounts can take many different forms. In addition to the standard deposit account, IRA, universal life insurance, and CDs (certificates of deposit) are all ways to save. Savings accounts pay a fixed interest rate on a lump sum of money. Generally, the longer you are willing to leave the money in the account, the higher the interest rate you receive.

Cooperative savings groups: An increasingly popular way to make the most of your money is by organizing a group of people who have the same or similar financial goals as you have. When people don't have the resources to save enough to invest significantly, they sometimes form a "cooperative savings group." By saving as a group, they can pool their monies and thereby accumulate a larger amount of money more quickly to make an investment.

Money groups: Another new group concept that is gaining momentum is the "money group." Rather than being a group that forms to pool assets and invest together, a money group is a place where you can learn from others and discuss together the many things there are to know about money. ■

How to start a money group:

Information provided from Oprah.com (http://www.oprah.com/article/money/personalfinance/guide_howto)

- **Pick your members.** Include people who do different things and have different life experiences. Mix working women with stay-at-home moms, singles with marrieds, entrepreneurs with corporate types, younger with older. Those with kids and those without. They'll bring different life—and money—experiences from which everyone else will be able to learn. You want to aim at having about 8-10 people at every meeting.
- **Gather everyone together for your first meeting.**
- **Decide if you want a leader.**
- **Pick some topics.** You'll find some people are most concerned about retirement, others college, others real estate, and still others the more emotional sides of money.
- **Appoint one member to be in charge of each of the upcoming topics.** The member in charge should circulate articles (not books) on the topic and come prepared with a book-club-like list of questions to get the conversation started.
- **Invite experts.** There are probably plenty of brokerage firms and financial planners in town that would love to introduce their services.
- **Start tracking your finances.**
- **Set measurable goals.** Before the meeting ends, go around the circle one last time. Everyone needs to state a goal—out loud—to be recorded by themselves and the group leader.

Structure your meetings with a welcome and opening. You may want a standardized motto that everyone repeats together. Then perform a warm up. Everyone will state where they are with their current financial mood, and what goals they have made progress on. Ask some of the following questions: Did you have any noticeable lapses that you'd like the group to weigh in on? How much debt have you repaid? How much have you added to your savings and have you added to your earnings in any way? Then start a sharing portion of the meeting. Share your research on good resources for saving money or learning more about personal finances. Before closing the meeting make sure everyone has set a goal to accomplish before the next meeting. ■

Money Groups

Money can be a tough subject to discuss with friends, or even family members. We are hesitant to discuss our wages, what we paid for our house, or how much credit card debt we have. A money group can make it a little easier to talk about these topics.

You may have participated in a book club, or a dinner club, or you may have a favorite group of traveling companions. A money group is much like these other groups. It's a bunch of people whose company you enjoy that you get together with on a regular basis to discuss topics that concern money. It can include many things: life insurance, college expenses and how to pay for them, and even explore how spouses can agree on how to manage their money.

A money group can provide a place where you can learn from each other and discover information and opportunities that you would not otherwise be aware of.

In today's world, the number of money topics available is very large. A money group can provide a place where you can learn from each other and discover information and opportunities that you would not otherwise be aware of. You can also dispel the fear of talking openly about your financial situation. Like anything else that causes anxiety, getting money concerns off your chest can be a great stress reliever. Just finding out that you're not the only one who doesn't know what a 401(k) is will make you feel a lot better.

Who Should Be in Your Money Group? A few people probably popped into your mind assoon as you started thinking about this. You could approach it the same way you would a book club or a traveling group. Variety is a good thing—variety of vocations and variety of experience. Mix singles and couples, parents and non-parents, working women and stay-at-home moms, grandparents and thirty-somethings. Each one will add something different that the rest can learn from. A dozen members is probably a good place to start. Remember that not everyone will be able to attend every time you meet.

Who's in charge? It's not necessary to have a leader. If you're all on a similar level when it comes to financial matters, then don't have just one leader. Take turns leading the discussions from week to week. If one person in the group is an obvious expert, then ask if that person would be willing to lead the group. Also, individual topics can be assigned to different members to research and bring in information for their assigned meeting. Don't have the meetings too frequently. People will get tired of the commitment. Once a month is a good place to start.

What do you talk about? It might be a good idea to get everyone's input on topics at your first get-together. Refreshments always make people comfortable so you might want to have some on hand. Or have everyone bring a little something if you don't want to do all the work yourself. As people throw out ideas, make a list. Let everyone vote on which ones they want to discuss. You could give people more than one vote if you have lots of topics to choose from. Count up the votes and make a list according to votes of the order in which you will discuss each topic.

To really make it worthwhile, you could ask the discussion leader for each meeting to find an article that could be distributed ahead of time so group members are ready to discuss when they get there. You can even invite guest discussion leaders now and then who are experienced on a topic you want to know about. ■

Setting Goals

The most important thing you can do when putting your money to work for you is to set realistic, well-defined goals. The first step to good financial health is knowing what you want your money to do for you. Much research has been done on why some people are financially successful and others are not. All the statistics show that people who can clearly identify their financial goals and outline a clear plan for reaching them end up with a better financial status than those who don't.

This might be a good topic for your money group. Let everyone brainstorm together what good financial goals might be and then have each person define what their own personal goals should be. Work together on helping each other develop a plan for reaching those goals. Declaring that you want to be rid of $20,000 in credit card debt in one year may not be a realistic goal. Ask the older members of your group to share what they have learned about the money necessary to have a successful retirement. Ask those who have children in college to share what is the financial commitment necessary to do that. What about life insurance? What about health insurance? Will your home be paid for?

Take out a paper and pen and start defining your financial goals today. This can include getting out of debt, saving for your kid's education, having enough money for retirement, or even planning for a nice vacation somewhere. Planning well will also help you avoid falling for the latest get-rich-quick scheme. Ask for advice from those you trust before taking any drastic steps. ■

Cooperative Savings Groups

In 2006, Dr. Muhammed Yunus received the Nobel Peace Prize for his work in microcredit finances. An innovative concept for helping the very poor improve their financial health, microcredit organizations provide small loans, as small as $20, to people—mostly women—who then use the loans to develop a way of supporting themselves and their families. The loans are paid back as the borrowers are able. It's a concept that has seen great success and many people in third-world countries have been given their first chance ever to improve their financial stability.

Since many people in the US do not have microcredit loans available to them, a new idea has developed in recent years in the form of cooperative savings plans. The group shares the risks, and they can rely on each other for help when an emergency arises. Some groups purchase property, some commodities, and some purchase a business and share the operating responsibilities.

Profits from the venture are distributed based on the contribution each member made. When considering a savings group, each member of the group should express their goals and expectations clearly and specifically. "To save for retirement" is not a clearly defined goal. How much and by when should be part of the definition.

Savings groups are usually more successful when the members of the group already know and trust each other. Unlike the money group, the more similar group members' interests, goals, backgrounds, and incomes are in a cooperative savings group, the less likely they are to quarrel and the more likely they are to make decisions that benefit everyone. Many cases involve paying money into a cooperative to purchase property, etc. Members of a successful savings group generally have the following characteristics:

- A common bond
- Clear objectives
- Agreement to follow the established rules
- Honest and willing to work hard to achieve the objectives
- Participate in regular meetings and decision-making
- Demonstrate necessary leadership or team-member qualities
- Keep accurate records of their activities
- Maintain a Money Market account
- Invest in stocks, bonds, mutual funds, etc.

If the people you are considering including in your savings group don't share these qualities, you may want to reconsider whom you will invite. Notice that a large income is not a requirement.

The most successful savings groups have eight to fifteen members. Decide how often the group will meet, how much each member can contribute, what the rules and regulations will be, and who the leaders will be and for how long. When you first begin your group, keep it simple. If you are successful, and bigger goals are established, be sure to get good advice from an accountant or financial advisor so you can make the most of your investment. ■

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