DOLLARS & Sense

Family Financial Education Foundation

Edition 7, Volume 8

Three Keys To A Strong Marriage

COMMUNICATION

1. Invest in your marriage—spend time together! Investing in your relationship can do more to help with money issues than anything else. Often when couples fight over money, money isn't really the problem; the relationship is, and money becomes the weapon. Money fights can be a biproduct of relationship neglect. If the relationship is in trouble, you may want to see a counselor and work together to repair your partnership. Invest in your marriage—spend time together, having fun and communicating. It need not be expensive; time together is the most important investment!

2. Discuss major purchases with your partner before you make them. Set a key purchase amount with your partner in advance. It may be $100 dollars or $1,000, whatever you're comfortable with as a couple, and whatever makes sense within your budget. If you're about to make a purchase that's above the agreed upon key amount, wait until you've discussed it with your partner, and come to an agreement. The idea is to avoid spending surprises, which can lead to conflict.

3. Don't keep secrets! We've all known someone who has lied about how much they spent on something. Don't let it be you! Honesty is an important part of building trust, especially with your partner. When it comes to money, you want to share it with someone you trust! Be open and honest about your earnings and spending, even if you make a bad choice or mistake, it's always better to be honest about money.

4. Understanding what influences your thinking and behavior about money. We all different when it comes to how we think and behave about money. Inherently women have different financial goals than men. With open communication these differences create a complimentary balance vital to achieving financial health. It's essential you take time to understand, or at least accept, the influences shaping the way you and your spouse view and use money. Your parents, upbringing, gender, religion, personal experiences, education, and susceptibility to marketing messages are a few of the primary influences shaping the way you view and use money. Understanding how they affect you and your spouse's thinking and behavior is essential when communicating about money.

PLANNING

5. Create a spending plan together. When you and your partner have a healthy, open dialogue about money, there aren't many surprises (except maybe birthdays and holidays!) Work

(Continued on page 4)

Money and Marriage

The whole point of marriage is to be happy together, however, if you and your partner don't agree on money issues, it can cause big problems now and in the future. Many studies show money is one of the top reasons for divorce in this country. It's complicated by different backgrounds, personalities, beliefs, principles, and attitudes about money and marriage. It's true that…

"Many marriages would be better if the husband and wife clearly understood that they are on the same side." —Zig Ziglar

By using some basic money and relationship guidelines and talking openly and honestly with your spouse, you can reduce the risk of conflict and create a good partnership with money and marriage, and create a sound financial future! ■

Principles of Financial Health

Have you heard of the Ten Commandments, or even read your employee guidelines at work? Did you know the U.S. Army has seven "Army Values" or principles of character soldiers are taught to live by? Many aspects of life use principles and guidelines to be successful—the financial world is no exception. Learn key financial principles to follow if you want financial health. By living them, you can avoid financial bondage and enjoy financial freedom!

Principles are natural laws or fundamental truths. Once learned and put into practice, you can make the universe work for you instead of against you!

Real Life Example: Tom's father was a pilot and he wanted to impress him by building his own plane. He'd waited two weeks for his first radio-controlled airplane kit to arrive in the mail. He carefully read the instructions and spent several days secretly assembling his new airplane. Sadly no matter what he did, he couldn't get his plane off the ground! He finally gave up and showed it to his father. His father took one look at the plane and knew what was wrong; the wings were put on upside down.

He showed Tom how to fix it and explained the principle of lift and that aircraft wings are curved on top and flat underneath. This causes the air to flow over and under the wing in a way that lifts up the plane. Not only did Tom fix the wings, he also used the principles of flight to modify his plane to fly even better! He was successful because he learned and used true principles of flight.

Financial principles affect your life everyday—whether or not you know it. They're universal. You can choose to follow or ignore them. But be warned—ignoring them could lead to debt, stress, and financial bondage. So choose wisely!

Four powerful financial principles that lead to financial freedom:

1. Live on Less than You Earn. Your financial health and ultimate financial success depends on your ability to apply this one important principle. If you are spending more than you make you cannot apply the powerful principles that follow.

This can be difficult if you fall into the "buy now, pay later trap". Advertisers annually spend billions trying to convince you that happiness can be found with more things, nicer clothes, faster cars, newer furniture and better vacations than you already have. So how much is enough?

Two Important Questions— 1) Is it worth the price? 2) Does it fit my values and help me achieve my goals? Carefully considering every purchase helps you gain control over your spending and teaches you to live on less than you earn!

Planning and Tracking—What is your income, where do you want it to go and how you track where it went are essential elements to living on less than you earn.

Gratitude—Focusing on what you don't have always leaves you wanting more. Being grateful for what you're already blessed with enriches your life and helps you focus on what's important. Consider how you think about and use money. Remember your needs, wants, and dreams and keep them inline with your spending.

2. Pay Yourself First. Building financial freedom, security, and wealth requires that you invest in yourself first. Before paying for current needs, wants, and dreams, pay yourself first. Make it automatic! Each month, a portion of all that you earn should be systematically directed into interest-bearing savings vehicles.

3. Put the Power of Interest to Work for You. According to Albert Einstein, "Compound interest is the greatest invention known to man." But it's only great if you're on the receiving end, NOT paying it! The wealthy understand this concept.

Anytime you borrow money, you pay back more than you borrow in fees and interest. Interest compounding on itself; building interest on interest. Invest your money in ways that earn YOU interest. In other words, make your money work for you instead of for someone else!

Remember "Interest never sleeps nor sickens nor dies: it works on Sundays and Holidays. It never takes a vacation. Once you're in debt, interest is your companion every minute of every day and night…and whenever you get in its way…it crushes you." —Anonymous

4. Exercise Financial Discipline— Be Consistent! The secret to financial health and wealth is nothing more than consistently applying sound financial principles. If you consistently discipline yourself to live on less than you earn, pay yourself first and put the power of interest to work for you, time and simple mathematics take over and you will become wealthy.

For most people financial self-discipline and consistency is the most challenging principle to put into practice. It's not just what we know but what we do that leads to financial health and wealth.

When you consistently apply these four simple yet proven principles, you'll free yourself from debt—end the worry over money—and build wealth. It can all be yours when you understand the power of financial principles! ■

Your Savings Plan

We all want to save our money for something. Whether it's our children's education, a new home or car, a better education, retirement—everyone needs to put money aside for the future. At one time or another most people need money for all or most of the following:

- Emergencies
- Buying a Home
- Retirement
- College Fund
- Children's Weddings
- Vacations
- New Car
- Financial Freedom

One of the most basic, but crucial steps in building a good savings plan is to start tracking your expenses. Think about the money you bring in and compare it to the money you're spending. What is different between wealthy people and most others? Wealthy people understand the powerful principle of paying themselves first and they apply this principle consistently in their lives. They save and build their wealth while reducing their debt.

In a healthy savings plan, you should be "paying yourself" or saving 20% of your income. In other words, save or invest 20% of the money you make instead of spending it on more expenses.

What is compound interest?

Are you paying interest or earning it? Did you know the more money you invest each month in savings – the more it earns for you? It's called compound interest, and the secret is in putting the power of interest to work for you. It's called "compound" because you earn interest on your investment and interest on your interest…your money compounds and builds on itself! The more you save and the longer you save it for, the greater it grows.

With the power of interest on your side, you can move quickly on your journey to financial health. Saving only $100/month, your interest earned went from $3,528 in ten years, to $17,103 in twenty! Now that's putting your money to work for you.

Wealthy people understand the powerful principle of paying themselves first and they apply this principle consistently in their lives.

What if you save as little as $100, or as much as $300 per month? Compare ten and twenty years of savings on the chart below. You'll notice the time and your investment only double in size, but your interest earnings increase nearly five times!

Double Your Money…with the Rule of 72!

The Rule of 72 shows how long it will take your investment to double, depending on the length of time and the interest rate. You can calculate the time needed to double the value of an investment by dividing 72 by the annual interest rate. For example, an annual interest rate of 8%, will double an investment every nine years. For a specific time frame to double your money in, you divide 72 by the number of years to get the interest rate needed to meet your goal. For example, to double your savings in 12 years, divide 72 by 12 and discover you need an interest rate of 6% to meet your goal. It's called the Rule of 72, and it works!

There are 4 major steps to a sound, balanced savings plan:

1. Save $1,000 for emergencies. This is the minimum you need in your "emergency fund." This is the fund that will keep you from using credit cards when money is tight. Also, if you dip into this fund, replace the money as soon as possible so it's there when you need it!

2. Pay off your debt. Paying off all your credit card debt is the best way to begin building your wealth. Every penny you have to pay in interest from a credit card or other debt takes away from your real savings plan! Once you have paid off your credit card debt, take the same amount of money and put it into your savings. This helps you build your Security Fund quickly.

3. Build Your Security Fund. Once you have $1,000 in your emergency fund and have paid off credit card debt, you need to develop your security fund. Basically, it's a fund that will cover 6 months of your basic needs such as food, shelter, clothing, car payment and insurance, and utilities. It's not meant for vacations! You should pretend it's not even there until you really, really need it.

(Continued on page 4)

USE THE POWER OF COMPOUND INTEREST

MONTHLY SAVINGS $100		Interest Rate of 5%		
Number of Years	5	10	15	20
Your Total Investment	$6,000	$12,000	$18,000	$24,000
Total Interest Earned	$861	$3,528	$8,728	$17,103
TOTAL SAVINGS	$6,861	$15,528	$26,728	$41,103

MONTHLY SAVINGS $300		Interest Rate of 5%		
Number of Years	5	10	15	20
Your Total Investment	$18,000	$36,000	$54,000	$72,000
Total Interest Earned	$2,402	$10,585	$26,187	$51,310
TOTAL SAVINGS	$20,402	$46,585	$80,187	$123,310

Three Keys To A Strong Marriage

(Continued from page 1)

together to determine your needs and wants, then set your goals to meet them. Once you've agreed on your financial goals, spending limits, and how much you need to live and to save, then you can work together to accomplish anything.

Creating a spending plan or "budget" together for both short- and long-term goals improves communication and understanding. It not only brings financial rewards, it increases the bond between you and your spouse as you work toward your goals together. Time well spent!

6. Personal Expense or "Fun Money." Both partners need a certain amount of money to spend however they wish. It gives you freedom from explaining or justifying every little expense. You can buy something, save it, or give it away! The amount isn't as important as the principle of some personal freedom. Agree together on a monthly amount that each of you will have for personal expenses that you need not account for.

7. Re-write your spending plan a couple of times a year. Things change. Jobs, spending, the price of gas—they all change over time. The same spending plan won't work forever. Do whatever makes sense to you as a couple, but having pre-planned "money meetings" to discuss finances and re-write your spending plan is the best way to keep your goals current and fresh in your mind and actions. Plan to review it monthly, quarterly, or at least every six months.

COOPERATION

8. Work together to get out of debt and build wealth. Two people working together can accomplish much more than if you're pulling in different directions. Now that you've made a plan together, stick to it. Review it together to watch your progress and make adjustments where needed. Share in the satisfaction of milestones like paying off a debt, saving, and building your wealth.

9. Every action has a reaction. Understand that any action you take, good or bad, has an impact on your spouse. This includes the choices you make with finances. Remember if you're living independently without being accountable to each other, it's time to reconnect!

10. Agree to disagree. It would be unrealistic to think two people always agree on every issue involving money in their marriage and family life. Expect disagreements, and they won't come as such a shock. The key to marriage (and the money involved) is a strong partnership. If both partners are prepared to discuss issues calmly, make sacrifices, and compromise when needed, it's amazing how easy it can be to work through differences.

Everyone wants success in their marriage and money. Working together, spending together, and saving and playing together are great ways to make that happen. ■

Find more great money saving ideas on our web site, FFEF.org

Your Savings Plan

(Continued from page 3)

4. Build Your Wealth. This is the longest step. If you've taken the first three steps, then you're ready to begin building the wealth that will finance your dreams.

Make it Automatic

Now that you know the 4 Steps to Saving, make it automatic by setting up automatic transfers and drafts to the savings vehicle of your choice. Set it and forget it. Automating your savings plan and forgetting about the money that is going to your savings is the easiest way to be consistent and disciplined with your savings plan.

Now what about the bills you get every day in the mail? Don't get discouraged. A positive outlook and a balanced savings plan can empower you to overcome your financial obstacles. And don't forget about compound interest! With your new plan in place, you'll be pleasantly surprised at how good it feels to watch your debt (and your worries) disappear. ■

Business Hours!

Monday-Friday: 7:00 a.m.-7:00 p.m.

Saturday: 8:00 a.m.-12:00 noon

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