

Introduction to Money Management

Do you know people who handle money carelessly? Lots of seemingly smart people are clueless about where they stand financially. There is Beverly, a professional woman, who calls the bank every two or three months to find out what the balance is in her checking account. Beverly uses her debit card almost every day but doesn't keep track of her usage very well. What Beverly still hasn't learned is that people at her bank don't know what Bev's real balance is either, because they don't know all of her debit card purchases that have yet to be processed or checks she has written that have not been cleared. Only Beverly knows that. Beverly may want to start regularly checking her balance and purchases online to get a better grasp of her spending and balance. And then there is Ben. Ben actually believes that he can write checks as long as he has blank ones to be used. Ben has been heard to say, "Why would the bank give me blank checks if I'm not supposed to use them?" Ben needs to realize that he can't spend more than he has, and has to learn to budget to live within his means.

You don't have to be like Ben and Bev. You can get on the fast track to wealth by becoming good at managing money. To manage your money well, you need to know some basic information, use some common sense, and then take action. We recommend three steps.

First, get a grip on your spending. How can you do that? Set up a budget. Make a list of your income and expenses. Then subtract your expenses from your income. If you have any surplus cash, plan how you will use it. Do this each month. Now is the time to get started investing in a mutual fund or brokerage account.

Second, get to know the various services offered by financial institutions in your community. Checking accounts are among the most common financial services people use, but there are many others including ATMs, online banking, direct deposits, savings accounts, credit cards, installment loans, student loans, retirement accounts, and certificates of deposit. Among the many types of financial institutions, three important ones are commercial banks, credit unions and brokerage firms. Open an account now at one or more financial institutions by going directly to the institution or even setting one up online (you will need an adult to help). There are many online options to compare services, fees, and technology components for every financial service you can imagine. Start with checking and savings accounts, but don't wait!

Finally, learn how to protect yourself against risk. All choices involve risk, but some risks are greater than others. Buying insurance is a common way to reduce risk. There are many kinds of insurance to consider including auto, health, renter's, homeowner's, life, and disability. The type and amount of insurance you need will change as you get older and the value of your assets increases.

The best thing about these three tips and others covered in these lessons is that none of it is overly difficult. It might take some work, but you can learn this stuff. Your efforts now can have a big payoff later.