

A valuable resource and method for handling your money.

How To Manage Personal Finances

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How To Manage Personal Finances

Introduction

This book is about our method of handling personal finances and enjoying our lifestyle while raising a family with five children and not going broke! We have included some tips, where appropriate, that have helped us remember simple, yet significant, issues. Our planning has helped keep us afloat even through a 15 month layoff period!

Chapter one lays down a **foundation**. It covers the **rationale** and the attitude one brings to the process. Since every household is unique, some differences need to be recognized.

Chapter two is all about **the process of making a plan**. It presents an overall game plan based on a simple concept; the book provides some samples, examples, and a few format suggestions. The results expected here are that you will be able to prepare your budget/plan. Some misconceptions about budgeting are covered, as well as why you should bother making a budget. **This book is not just about budgeting**. Budgeting only provides a measurement and a roadmap to accomplish your financial and fun goals while you deal with reality.

Chapter three covers the effort required to “**work the plan**”. There is logic and a strategy to paying the bills, and dealing with reality. The **Margin Test scheme** will verify that your resources can (or cannot) get you from one paycheck to the next. It will help you find out if you have a dilemma (ahead of time) so you can decide how to deal with it.

Chapter four provides discussion on **spending and cost topics** that may help to change some spending habits or reduce costs that can easily break your plan!

Chapter five covers a meaningful **measure of your financial health**, and several other topics that everyone should be aware of. Your circumstances may place more importance on some items than others.

Chapter six has been written for the situation where the reader is already in **financial trouble**. It covers a brief assessment method and some ideas for beginning of a recovery plan.

Chapter 1

Your Attitude is important

Your attitude toward managing money is important. Your success takes commitment, and determination to accomplish a change (to make the process work for you). By making the process work, we have been able to accomplish many of our goals.

Your attitude is what you bring to the table to deal with these issues. It determines your perspective and your motivation for making “the plan” work. We have found it useful to remember the following perspective towards motivation:

There are three kinds of people in the world: (Kudos to: John W. Newbern)

1. People who **MAKE** things happen.
2. People who **WATCH** things happen.
3. People who **WONDER** what the hell happened?

We have always been achievers and we always strive to be in the first group by **setting goals and determining what it will take to make them happen**. Goal setting can become part of your attitude. It is the spark that lights the fire of motivation. In any endeavor, you need to be motivated to be successful!

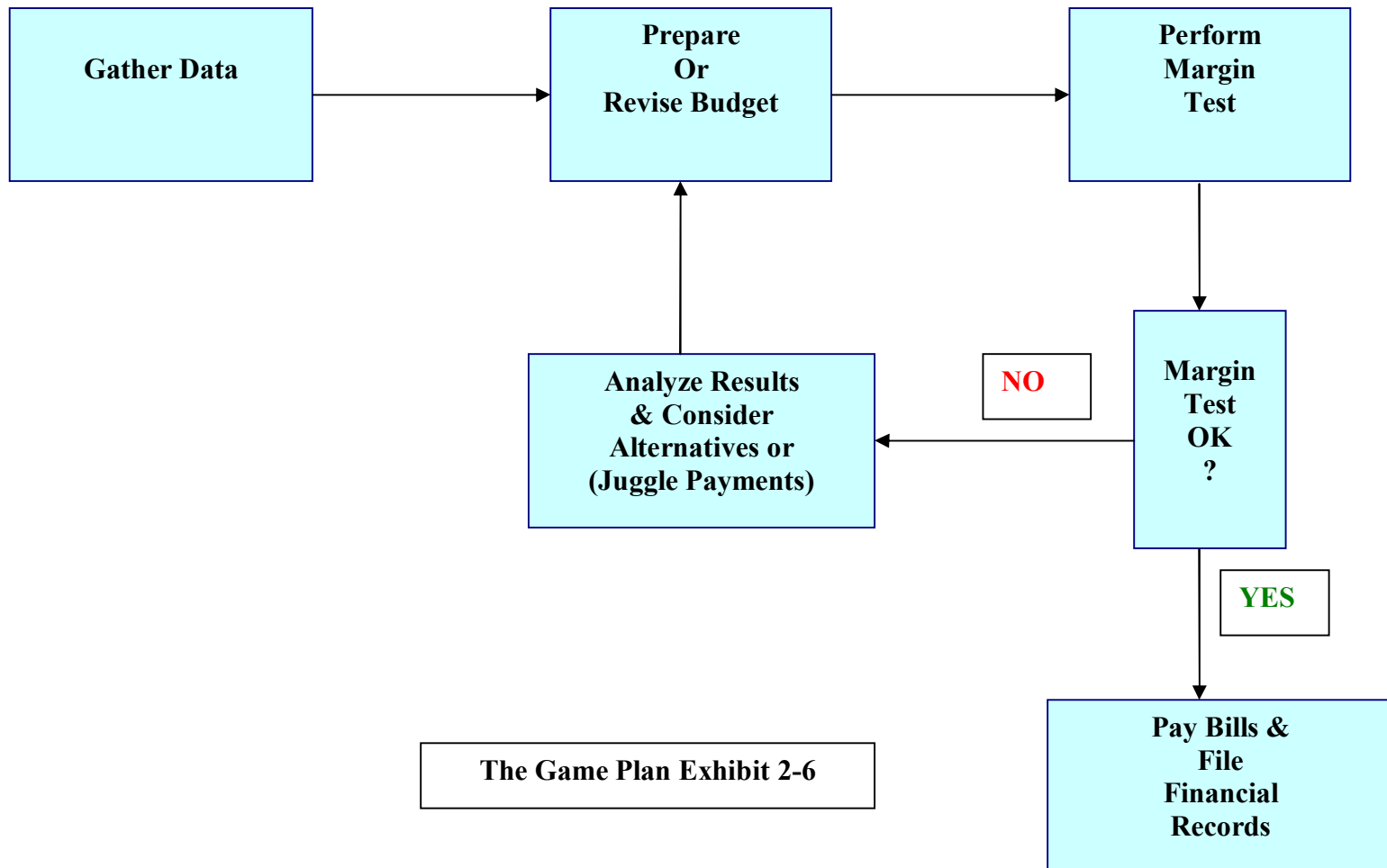
It is also important to **check your resources and limitations**. If you can't do some of what is required, and/or can't learn how to accomplish one or more of the steps, try to find someone who can. This book provides one method to accomplish the goal of improving how you manage your money.

Lastly, those **people in the first group don't give up** until they have exhausted everything they can think of to accomplish a goal.

The second group has the people who watch what is happening and criticize or complain about what is happening, but usually don't do anything about it. They are the spectators. Unfortunately, many people fall into this group. One of my former bosses gave his people a guiding thought that can be useful in getting people out of the second group into the first. He noted that **“concern without action is wasted energy”**.

The third group represents the ones who have not been thinking very much about the future. The time when they have this “WONDER what happened” epiphany is relevant, if it gets them started towards better money management. **It is never too late**. Now is the time to begin getting your financial health under control.

Documenting budget/plan shows you where you WANT your money to go, but to help stay within your money resources an overall plan is needed. We call this overall process “The Game Plan” it is easily represented and remembered using the diagram shown below.



It shows the sequence of events and where everything fits together. This is the framework for maintaining some control over your finances. The execution of the plan should include everything you do that involves money. The subject boxes will be covered in more detail later. The Margin Test is the substance of Chapter 3.

Hopefully this will provide an image to put in your head as a general guide. This represents a mind-set that can be a reference when thinking about money management.

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