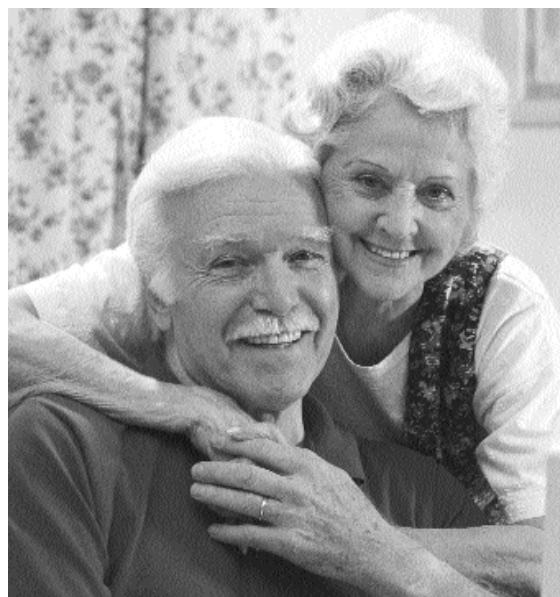


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Right about now, if you are like most people reading this book for the first time, you probably are feeling a little nervous. It's a very good time to reconsider your budget, look for ways to increase contributions to your pension plan and to build your savings. It's even a better idea to eliminate your consumer debt. (If you carry balances, you are paying an average of 19% a year!) It's not too late--just start doing it now.

The chart below is a good tool for checking your "Financial Net Worth," which is the sum of all of your assets (things you own) minus all of your liabilities (debt you owe). Using this chart quarterly, you can determine if your net worth is increasing or decreasing. Adding to savings and retirement plans will help increase your net worth, but so can buying a house. Of course, you will have a mortgage to pay, but over time, you may build equity in the house. Additionally, as the house value appreciates, your total assets, and therefore your net worth, will increase. By checking every quarter, you can see if your financial decisions are creating more or less wealth for you. If you net worth goes down, you may need to speak with a credit counselor. If your net worth is going up, then you are probably making good financial decisions.



Your Financial Net Worth

Assets	Amount	Liabilities	Amount
Checking Account	\$	Negative Overdraft Protection Balance	\$
Savings Account	\$	Credit Card Balances	\$
Cash on Hand	\$	Installment Loans	\$
Certificates of Deposit	\$	Past Due Utilities	\$
Investments-Market Value	\$	Past Due Medical	\$
Stocks and Bonds	\$	Delinquent Alimony/Child Support	\$
Mutual Funds	\$	Personal Loans	\$
Fair Market Value/Home	\$	Mortgage	\$
Fair Market Value/Rental	\$	Second Mortgage	\$
Market Value/Auto 1	\$	Loan Amount/Auto 1	\$
Market Value/Auto 2	\$	Loan Amount/Auto 2	\$
Other Vehicles	\$	Delinquent Taxes (Federal, State or Property)	\$
Cash Value/Annuities <small>(market value of household items)</small>	\$	Student Loans	\$
Savings Bonds	\$	Other Liabilities	\$
Personal Property	\$	Other Liabilities	\$
Other Assets	\$	Other Liabilities	\$
Total Assets	\$	Total Liabilities	\$

Total Assets [\$]	- Total Liabilities [\$]	=	\$	Net Worth
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The Bottom Line

Notes:

Use the table in the paragraph below to compare your monthly net income with your monthly expenses. Subtract your expenses from your income. Do you earn more than you think you spend or do you think you spend more than you earn?

If your expenses exceed your income, chances are you are using credit to supplement your income, which will lead to serious financial stress down the road. It's

Monthly Net Income	
Monthly Expenses	
Surplus/Deficit	

The Bottom Line

time to reevaluate your wants and your needs, reduce some expenses and look for ways of increasing your income. (This is sound financial advice in any case.) If it looks like you really earn enough money to cover all your expenses but you often seem to be playing catch-up, it could be that you inaccurately estimated your expenses. It may also be simply a matter of managing your cash flow, which means paying more attention to your income profile.

Accumulate enough savings to cover your expenses for several months so that you are always ahead and can pay your bills when they arrive.

If you've been using credit to buy things you can't afford, you will need to tighten your belt until you can get out of debt.

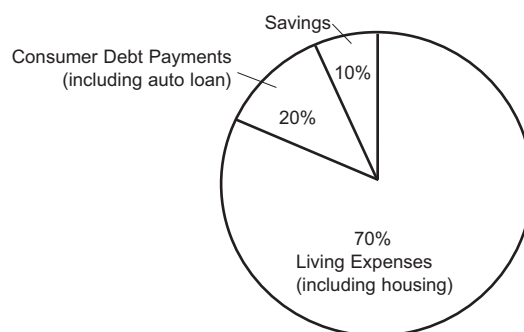
How Much Should I Spend?

There is no right or wrong answer to how much you spend on each item. You must distinguish your *wants* versus your *needs*. *Needs* are those things you must have to lead a healthy life. *Wants* are those things that make life better but, if necessary, you can live without them. However, needs aren't the same for everyone.

For example, we all need to eat. Eating out is more expensive than cooking at home or bringing your lunch to work. Some of us who eat out a lot can cut down on that because eating out is a luxury. Others *need* to eat out because of their work schedule or business commitments. What is a luxury for one may be a need for another.

Your budget has to fit your lifestyle, but your budget is limited by your income. You may need to make some changes in your lifestyle, but any changes you make have to be made willingly or, like most people, you simply won't stick to your budget.

Experts suggest that we should live on no more than 70% of our net income (including housing). At least 10% should be dedicated toward savings and no more than 20% should be spent on consumer debt such as credit cards and car loans.



The Ideal Spending Plan