Financial Strain and Pressures

A LIFE EFFECTIVENESS

Copyright ownership:

Australian Institute of Professional Counsellors Pty Ltd ATF AIPC Trust ACN 077 738 035. This document is copyright protected under the Berne Convention. All rights reserved. No reproduction or distribution without express permission.

Australian Institute of Professional Counsellors
Head Office 47 Baxter St.
Fortitude Valley, QLD 4006
www.aipc.net.au

This document is protected by copyright and may not be distributed, reproduced or copied either in part or in whole nor used for financial gain without the express approval in writing of the owner of the copyright.

All Case Histories in this text are presented as examples only
and any comparison which might be made with persons either
living or dead is purely coincidental

Financial Strain and Pressures

A LIFE EFFECTIVENESS

CONTENTS

Introduction 3
Tips to Help Reduce Spending 5
Making a Few Changes to Help Reduce Financial Stress. 6
A Seven Step Action Plan to Reduce Credit Card Debt 9
Balance Sheet 9
Daily Spending Habits 11
Cash flow Statement 12
Journaling 19
Retail Therapy 23
How to Protect Yourself and Start Saving Now 27
Suggested Five Point Plan For Your Income 28
I Bargained With Life For a Penny 29
Resources 30
References 30
Recommended Reading 31

Introduction

Events such as September 11 or the Bali bombings, drought, job retrenchments, a stock market crash, inflation, an investment disaster or overspending on credit cards—whatever the cause, economic upheaval is impacting many couples and families. Financial pressure can place individuals and families at a greater risk for depression, anxiety, anger, thoughts of suicide and physical illness.

Marital conflicts and family violence may increase, as well as feelings of helplessness. Drugs (illegal or prescription) and alcohol use may worsen. Children may display aggressive behaviour or even the opposite—constant crying and clinginess.

If you are a victim of financial stress, your only solution to the problem is to balance incomings and outgoings. This balancing act can take two forms:
(1) either increased income or (2) decreased desired outgoing. Debts you owe must be paid out of present and future income. Can you reduce your debts in the future? To reduce your debts in the future, it may be necessary to reduce your expectations for your style of living. Are you willing to make that choice?

When:

- you have done everything possible to increase income, such as getting another job, putting another family member to work, working longer hours, getting a raise, or getting higher returns on investments;
- you've stretched your income through better buying strategies - planning ahead, buying only at sales, comparing prices, using vouchers and refunds, buying only quality merchandise, and using it properly;
- you've substituted every other resource - your time, energy, skills, and abilities for money and still feel pressure,

you may be ready to look at your basic lifestyle and decide to get just as much out of living but without the need buying. Living a simpler lifestyle requires planning, decision-making, and more cooperation among family members.

But it can result in a calmer, happier family life and a feeling of greater value from the money you spend.

It won't occur unless you take some special steps to identify why you can't live within your income, and unless you make changes that will put less demand on financial resources. And, it won't occur unless you have the personal strength to stick with the decision you have made.

Many ideas are available for coping with financial stress. Magazines, newspaper and other media all suggest ways to save money while shopping. A simpler lifestyle might require that you not make certain purchases at all. And, if your 'desire' spending is reduced you may be able to balance it with your income.

Tips to Help Reduce Spending

Consider the following tips to help you reduce spending:

- Think about the basic values you believe in, and define them for yourself. You might even write them down, and discuss them with other family members to see if they hold the same values. If health is a value you believe in, should you buy products to consume that would be harmful to the health of the family? If integrity is another of your values, should you make debts you may not be able to pay? Put each of your buying decisions to this type of test - will buying and using the product or service help you live by the values you profess?

- When you consider buying a new item, think about what you already have. Especially in buying appliances, do you have to have every new appliance on the market? Do you already have something that does essentially the same thing? Apply this thinking to each purchase. Ask yourself this question, "What do I already have that could serve the same purpose?"
- Be aware that certain purchases require upkeep, maintenance or further
- accessory items that continue to drain the family budget.
- Are you willing to learn new skills to provide for family needs?
- Do you have the courage to say, "We can't afford it" to some purchases?
- Think along the lines of: "Would it make me feel better to go into debt for this item?" OR "Would it feel better to think about having this item in my life at a future date when circumstances permit?"

Making a Few Changes to Help Reduce Financial Stress.

There are actions couples and families with children can take to cope with financial stresses and the challenges that arise from these pressures.

Act immediately. If a person is retrenched from a job, family income generally drops dramatically. Shock and disbelief are common first reactions. At such a time it is important to avoid withdrawing or becoming isolated. Instead, take a constructive approach. A displaced worker, for example, could immediately take advantage of unemployment benefits and other employment services.

It is important to bring a family together to explain the family's situation. Children will know when there are difficulties at home so leaving them out of a discussion will only increase their anxiety. By discussing coping strategies together, a family can create a survivor attitude and a supportive environment.

One of the first things a family needs to do is to prioritise and decide what things constitute essentials and what are extras. Then a family can budget for important things such as a mortgage, health costs, electricity and gas, and food and delay or eliminate non-essential items.

Keep children involved. It is important to let children actively contribute to a family during this time. For example, if a mother has to work longer hours because a father is out of work, and she is the one who normally fixes the meals, parents can encourage their children to help prepare dinner. Making sure that children continue with their household chores helps give them a sense of normalcy over the situation.

It is important to remember that they are also learning how to handle frustration and crisis. By watching how their parents act in such a situation, children are learning about coping skills.

Take care of one's self. When in the middle of a financial, personal or family crisis, maintaining control is important. Staying healthy boosts the endurance and energy needed to deal with problems and stress. When stressed, there is a tendency to neglect health habits, which can then lead to more stress.

Eat well, get enough sleep, exercise to relieve stress, and limit the use of alcohol. A family could also take long walks to benefit their health and increase their time together.

Maintain routines. Keeping family routines such as eating together, participating in youth activities and maintaining family rules and school expectations can give the family a sense of stability and can reassure children. Families should also continue outside activities when possible and affordable. However, they may need to be lower-cost alternatives. Instead of eating out at a restaurant, perhaps a homemade picnic at the beach could be considered. Continuing activities can also help a family maintain a support network with others.

Minimise anxiety. Remember that other people have been in similar situations of economic upheaval, and, as hard as it is, they have learned to overcome their difficulties. Don't keep anxiety and anger bottled up. Talk with someone trusted and close about feelings of anger, confusion and fear. Family members and others can help in times of stress.

Try to take one thing at a time. There may be many changes to face, but it is not beneficial to try to resolve all problems at once. Solving one problem at a time gives a sense of control over the situation.

Keep occupied, active and involved. The loss of a job can result in extra time to think about troubles. Naturally, time is needed to plan for the future and to find a new job, but consider spending some of the extra time helping neighbours, friends, your child's school or on a community or church project. Doing something for others will not only help them but will also help to build personal feelings of self-worth.

Coping with the stress and pressure of reduced income is not an easy task for individuals or families. There are no easy answers or quick cures. However, by reducing and prioritising spending as quickly as possible and working within a family to establish priorities, making decisions and minimising anxiety, individuals and families can help strengthen and prepare themselves for the future.

A Seven Step Action Plan to Reduce Credit Card Debt

First of all, it is important to know what you are doing with the money you have so that you can gain a clear understanding of where you are right now. To most people, the idea of filling out a Daily Spending Habits Sheet, a Balance Sheet or a Cashflow Statement is about as enjoyable as having a tooth pulled. However, if you don't feel like doing this assignment, then that is the reason you MUST do it – it is vital to your financial betterment.

Step 1: What level of debt do you live with?

It's time to put a figure on your debt and get real about taking action. Do you know how much living with debt is costing you?

Balance Sheet	
CASH ASSETS	
Savings accounts	$
Cheque accounts	$
Term deposits	$
Life insurance cash values	$
Cash management accounts	$
Total cash assets	$
Other	
INVESTED ASSETS	
Superannuation	$
Stocks/shares	$
Bonds	$
Managed funds	$
Real estate	$

Partnerships	$
Art/coin/stamp collections	$
Other	$
Total invested assets	$
MATERIAL ASSETS	
Residence	$
Cars/Boats/Motorbikes	$
Personal property (jewellery, art, etc)	$
Total material assets	$
TOTAL ASSETS	$
LIABILITIES	
Credit cards	$
Car loans	$
Personal loans	$
Home loans	$
Miscellaneous loans	$
Investment loans	$
Total liabilities	$
NET WORTH (total assets minus total liabilities)	$

Step2: Track your daily spending

It's time to cut back on the extras. Use the following worksheet to find big savings where you least expect them! It is time to start paying you.

It is so easy to be indifferent over the spending of a few dollars per day when the reality is you could be making big savings. Fill out the following 'Daily Spending Habits' sheet to determine just where your money is leaking out day by day.

Daily Spending Habits			
Day	**Items I Bought**	**Cost**	**Did I really need? Y or N**
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

Add this up for a 10 day period, multiply it by 3 to get a monthly figure, and then multiply that figure by 12 for the amount of money you have spent over a year that perhaps could have been more wisely allocated to benefit your financial goals.

Now complete the Cashflow Statement to understand exactly where your income becomes our outgoing.

Cash flow Statement

INCOME	
Gross salary/wage	$
Interest/Dividends	$
Commissions	$
Net rental income	$
Miscellaneous	$
Total income	$
FIXED EXPENSES	
Income tax	$
Home loan(s)	$
Car loan(s)	$
Personal loan(s)	$
Credit card 1 (minimum)	$
Credit card 2 (minimum)	$
Credit card 3 (minimum)	$
Rates	$
Insurances	$
Super contributions	$
Miscellaneous	$
Total fixed expenses	$
VARIABLE EXPENSES	
Food	$
Transportation	$
Clothing/personal care	$
Entertainment/holidays	$
Medical/dental	$
Utilities	$
Charitable giving/tithing	$
Miscellaneous	$

Total variable Expenses	$
TOTAL EXPENSES	$

Step 3: Learn how to manage your credit cards

We sometimes don't realise that the small amounts of money we can find in our week can make a big difference if we paid them off a credit card. With this plan, taking an extra $10 a day, you can pay off $8,000 in credit card debt in just 3 years.

Lower Your Interest Rates

Call your credit card companies and tell them that you have received offers for cards at lower rates and ask them to lower your rate. If you have always paid regularly, they are likely to negotiate. If the company says no, tell them that you will be closing your account this week and transferring your balance to a competitor who offers better rates. So that there is no doubt about your seriousness, tell them the name of the competitor you have in mind. (It shouldn't be difficult to come up with a name, since you are probably constantly getting applications in the mail from credit card companies who want you to transfer your balances to them.) You can ask to speak with a supervisor. Supervisors have the authority to give you a lower rate right there on the phone. In many cases, you can cut your rate in half simply by asking.

The Credit Cards to Pay Off First

When you have a lot of credit cards, figuring out how to pay them all off can be pretty daunting. Is it best to pay a little on all of them at once? Or should you concentrate on one card at a time? And if so, which one goes first? Follow these next steps and your credit cards will be paid out quickly.

Here, the basic idea is to reduce the amount of debt you are carrying on the credit cards you have as fast as possible. Why is this important?

- The fewer credit cards you have and use, the better!

- The more credit cards you have, the greater the chance you have of being billed with late fees (up to $39 a month), over the limit fees (up to $35 a month) and annual fees on your cards that can range from $25 a month to $200 or more.
- Getting the amount of cards you have paid off is a huge emotional boost. You'll see yourself making progress quickly!

Make a list of the current outstanding balances on each of your credit card accounts.

1. Divide each balance by the minimum payment that particular card company wants from you. The result is that card's payout number. For example, let’s surmise that your outstanding VISA balance is $600 and the minimum payment due is $60. Dividing the total debt ($600) by the minimum payment ($60) gives you a payout number of 10.
2. Once you have figured out the payout number for each account, rank them in reverse order, putting the account with the lowest number first, the one with the second lowest number second, and so on.

Example:

CARD	BALANCE	DEBT/PAYMENT	PAYOUT NUMBER	ORDER
Visa	$600	$60	10	1
M/Card	$775	$65	12	2
Store Card	$1150	$35	39	3

3. You now know the most efficient order in which you should pay off your various credit card balances. Take half of the money you have been able to find in your ‘Daily Spending Habits’ and apply it to the card with the lowest pay out figure. For each of your other cards, you make only the minimum payment.
4. Once a card is paid off, close it! Of course, when you get to paying your last credit card off, it is OK to keep that one account open – but make sure you pay the balance off **every** month.

5. Finally, ask the credit card companies to waive your annual fees on the cards you have, whether you use them or not.

You should continue doing this until you have paid off your way to being debt-free!

Step 4: Stop spending

The quickest way to get yourself back on the right path is to stop spending. Making small changes can help in a big way. Use these suggestions to help cut back so that you can move forward!

- Don't carry credit cards in your purse (only debit/ATM)
- Write cheques or pay cash
- Turn down credit line increases
- Create specific funds in accounts for special occasions, such as Christmas presents, holidays, anniversaries, etc.
- Tell friends what you're trying to do to rally support
- Don't run up bills that you can't pay in full at the end of the month
- Pay credit card bills on time to avoid late fees
- Make no more than one ATM visit a week
- Don't be seduced by credit card offers such as frequent flyer points
- And always, always, always pay off more on your credit cards than you spend each month!

Step 5: Create a monthly spending plan

Use the Cashflow Statement worksheet to create a budget that you can stick to—and save with—every pay.

Assigning Pay to Expenses

If you get paid more than once per month, the next step is to determine which bills to pay from which pay. Verify the due dates on your bills and plot them on a calendar. Then pay as many bills on time as possible from each pay. An expense like groceries should be allocated based on pay periods. For example, if your monthly plan is $800 and you're paid fortnightly on the 1st and 3rd week of the month, you can allocate $400 per pay.

If you and your spouse agree to a cash allowance for personal expenses, use the same process to determine how much cash each person needs for lunches, fuel/fares, personal care items, hairdressing, etc.

Remember, fine-tuning your spending plan is a process. If the plan you put in place for one month doesn't work, it doesn't mean you should quit the plan. It means you should continue to tweak the plan and figure out how to make it work to accomplish your goals. Plus, just doing this exercise will inevitably make you more conscious of how you choose to spend your money and how motivated you are to pay off your debt.

Step6: Make some tough decisions

Whether it is selling your assets or getting a second job, sometimes you have to make big choices to get out of debt.

What if you've gone through the first five steps and you can't free up enough money to start repaying your debts in a big way? Then you have three choices.

1. You can consider whether the more expensive items in your life—your home, your cars, private schools—are truly necessary.

2. You can go through your home and your possessions to see if there is anything of value to sell.

3. You can earn more money, either on your current job or—more likely—by taking on a second one.

The other alternatives? Credit counselling and bankruptcy—but you're not there yet. For now, let's see what you can accomplish on your own.

Step 7: Prioritise your debts

By now, hopefully you've found some extra money. So, the next logical question is where do you put it? Where do you put it so that it will make the most difference in paying off those loans and credit cards, but also in your life?

You've already been given a plan for paying back your credit cards. Sometimes though, those cards should not be your top priority. Here's why:

You have two types of debts.
Secured debts are those that have assets backing them up—they can be repossessed or taken back. They include your home and your cars.

Unsecured debts are those with no assets backing them up. If you don't make a payment on your credit card, the bank is not going to come and take back the blue jeans you bought at the mall. It might make your life miserable to have a collector call you at all hours, but the credit card company is not going to take away your place to sleep or your transportation to work.

1. **Your secured debts need to be at the top of your priority list.**
2. **Debts for which your wages can be garnished.** These include your HECS fees or any child support payments. If you don't satisfy these, your wage is at risk.
3. **Any services you need to continue using.** If you are not paying your health care practitioner's accounts, that particular practitioner is not going to be willing to see you again. That's a problem if you're relying on that practitioner for care for a chronic condition.
4. **Unsecured debts such as credit cards.** Once you've satisfied all of these urgent debts, you can begin to really focus on making headway with your credit cards. Use Step 3 to get them paid off as fast as possible.
5. **Family and friends.** Hopefully your family and friends are the most understanding of your creditors. Confirm your commitment to repay the debts, but make them a lower priority and choose accounts that can improve your credit rating first.

Earning More

You probably already work really hard, but sometimes the only way to actually get yourself out of that deep financial hole is by earning extra money. You may be able to do that at your own job.

- If it's been a year or more since you received a raise, it's time to ask for one. If you don't get it, ask your supervisor what you need to do to increase the size of your wage.
- You may need to get a second job. According to the Bureau of Statistics, about 4 out of 10 people get a second job to help with the family income or to pay off debt!
- If it's been a while since you raised your rates or raised your prices, do so today by 10%. That's the easiest way to increase your income.

A Debt Journal

Does the thought of making big choices overwhelm you? Are you wrestling with a difficult decision? Start writing about it in a Debt Journal.

Journaling

Journaling in a Debt Journal serves two purposes. It is a way of tracking the development of our consciousness and often our feelings and it also tracks our daily spending to help us be more aware of where the leaks are. It enables us to not only record our journey but also to write down our Goals and our Plans on how to reach those goals.

The journal is a very powerful tool which assists us in recording the details of our spending and our perceptions and feelings at the time. The Journal, as the name implies, leads us on a journey which helps us to reveal our true selves. We are not simply recording our experiences as in a diary. With a Journal, we are going beyond simply recording what "happens" in our lives to a process of transformation into our highest concept of ourselves and allowing a revelation to take place. A journal helps us to discover ourselves and our higher purpose. By combining the tool of journalling with all the other tools we have discussed, we will reveal the essence of who we are and dollar by dollar where every cent is spent.

The purpose of our journals is to help us to keep track of where we allow our money to go and to express our thoughts and feelings in a deep, intimate and personal way. Our journal may include descriptions of our daily interactions with others and the feelings that arise out of those interactions.

The key factor is to understand that we are a part of the equation. Events may happen far away from us, but our day to day personal experience is something we are taking part in. We can work through painful memories, or events in our lives, or scribe joyful experiences. Both painful experiences and joyful experiences give us a great insight into how we are living our lives and how we can make new more empowering choices in the future and be happy with the choices we made in the past that got is to the place we are today. All thoughts and feelings are important to the process of your journal and no entry is too big or too small.

Often people will ask questions of themselves in their journal such as:
"Why did I pay so much for…..?"
"Did I really have to have …..?"
and then as they add to their journal, they answer these questions and receive the revelation. The important thing is that we are able to express ourselves and allow for the journal to be part of our journey revealing our path and empowering us to see ourselves more clearly and make choices that are more empowering.

The depth of your writing is not as important as the process of putting pen to paper, or fingers to the keyboard and actually making the effort to keep track. Our goal is personal discovery and positive transformation knowing that: "as we change our minds, we change our lives."

Your journal should include your goals, wishes, desires and hopes as this will help you to develop a practical spiritually based plan to reach those goals. This is like a map, which will enable you to reach your destination. A map will have stopping off places on your journey to that destiny, just as your journal will include immediate, mid-range and long term goals which can be easily observed and measured.

A quote that can begin your Debt Journal is:

"Annual income twenty pounds, annual expenditure nineteen pounds nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds and six, result misery."
CHARLES DICKENS (David Copperfield, 1850)

Selling Assets

When large companies are looking to lower debt and maximise profits, one of their primary strategies is to sell assets. They can sell whole divisions, product lines, inventory, and equipment. You can do the same on a smaller scale. What possessions do you have that might be valuable on the open market? Which could you part with if it meant financial security? Your boat? Second car? Second home? Time share? Art or jewellery?

To get the most for whatever you're selling, you need to know what it's worth. If it's truly valuable ($5,000 or more), you should have it appraised for your sake and for tax purposes. If it's a household item that's not worth having appraised, you can get an accurate idea of fair market value by seeing what similar items are selling for through classified advertisements or on eBay.

If you find you have nothing big of value but lots of little things to sell, there's a solution…..

Have a garage sale.

- Don't just throw your junk in a pile and expect it to fly out of your garage or your yard. Approach it methodically and you'll earn more.
- Pick a date at least a few weeks away - Saturdays are best.
- Then, go through your house and decide what goes. If you haven't used an item in two years, you can live without it.
- Next, organise the merchandise—putting similar items together—so buyers can find what they're looking for. If you're selling clothing, put it on a rack or string up a clothesline and hang it for people to see.
- If you're not sure you have enough to fill your garage, ask a few other families in the neighbourhood if they would like to participate. In order to keep track of who has sold what, put different colour price tags on each family's items. Then make sure whoever's minding the cash tin knows the code.

- Don't forget to advertise by running ads in local papers and on the Internet (there are lots of free garage sale sites). (Suggestion: advertise it as an 'estate sale', 'liquidation sale' or 'private property sale' – by upgrading the name of your garage sale you can often dramatically attract more buyers and better prices).
- Donate all that you do not sell to your favourite charity such as the Salvation Army, your local church, St Vincent De Paul, the Red Cross or the Smith Family. No, it's not making you any more money, but after you have made all you can, it makes your heart sing to help someone else.

Retail Therapy

Why Do You Shop?

You've heard it called "retail therapy"—it really is often treated as a pick-me-up. People shop to fill the gap between who they are and who they want to be. In other words, it's a way to fill a void in your life. You believe life will be better and you will be different if you own those shoes or that pair of pants. You need to understand - it won't.

How to Resist: Understand the forces at work and your particular motivation for buying. Is your trip to your favourite store or website a result of a spat with your spouse or a particularly large number when you stepped on the scale? Did you just get a raise and feel you absolutely deserve to spend some of it immediately? Or, were you feeling lonely and are just so grateful to the solicitous salesperson who seemed to be the first person in a very long time to care what might make you happy? (Remember, that may be true, but it's also part of a salesperson's job.)

Psychologist April Benson gives all of her patients a laminated card with six questions on it to put in their wallet on top of their credit cards. She suggests pausing—a deep breath helps, too—every time you approach the register and asking yourself:

- Why am I here?
- How do I feel?
- Do I need this?
- What if I wait?
- How will I pay for it?
- Where will I put it?

You may just find you no longer want to buy.

Some of the most common reasons people shop:

1. Habit

Sometimes we shop because we have trained ourselves—like Pavlov's dog—to shop. Our favourite store just happens to be on the way home from work. So once a week we go in just to see what's new. We're never sure what we want to have for dinner, so we shop every day rather than once a week—and inevitably come out with items we didn't plan on buying.

The Internet is tailor-made for habitual shoppers. You can check the sales online just as easily and quickly as you can check your e-mail or your bank account. By the way, marketers really understand this. Once they have you flagged as a habitual shopper, they do whatever they can to increase the frequency that you shop and the amount of merchandise you buy. Websites for instance, send out bulk e-mails noting that a new line has arrived in store. Other retailers take a frequent flyer-type approach, where frequent customers are invited to shows, preview sales, special screenings of new items, and even given discounts to bring them back.

How to Resist: Generally, there's a chain of events that leads you to buy, such as always stopping in at the bakery on your walk between your office and your car. You've taken a number of steps in order. You left the office. You turned right. You passed by the window of the bakery, stopping to notice how the displays have changed since you walked by yesterday. You smell the latest batch of cookies and slices being baked. You glance at your watch and see you really don't have to be home for another 25 minutes and you stop in, where you inevitably have a cup of coffee and some of that freshly baked bun. What could you have done instead? You could have turned left. You could have stayed in the office for another 15 minutes so that you really wouldn't have had time to shop. You could have parked in a different carpark so that you would have to take a completely different path.

The key to resisting is recognising your behaviour patterns in detail so that you can change them.

2. Impulse

Modern stores are designed to implore you to look, touch, focus, to take your eye from the thing you need to other things you may very well want. Shopping is a conflict between desire and willpower. When our desire for things overwhelms our willpower, then we make an impulse purchase. It all tends to happen in the blink of an eye.

How to Resist: You are most likely to buy on impulse when their self-regulatory impulses are depleted. You may be tired from a long day at work. You may even just be tired from the previous hour of shopping. Or you may be worried about your kids or work. All of those kinds of stresses make you more prone to buy impulsively. Monitor yourself. Don't surf to your favourite website after you've had a glass of wine, a fight with your spouse or a particularly hard day. And don't visit stores when you know you're not at your best.

3. Compulsive Behaviour

The difference between impulse shopping and compulsive shopping is frequency. Impulse shopping happens when you find yourself, occasionally, faced with a purchase that's too tough to resist. Compulsive shopping is when you shop more often then you'd like, feeling unable to stop.

There are four basic types of compulsive shoppers.

- The first group shop as a way of getting back at another person, typically a spouse, with whom they're unable to communicate in any other way.
- The second group shop because the act of finding the right thing at the right price makes them feel important and gives their life meaning.
- The third group are people for whom compulsive shopping is just one in a series of compulsive behaviours like eating, drinking or drug abuse.
- The fourth group shops to boost their mood—although in a much larger way than the people in our first group. When a compulsive shopper prepares to buy, her mood rises steadily—her heart quickens, her palms sweat. When she makes her purchase, her mood plateaus, then it quickly falls off. Her good feelings quickly evaporate and remorse or guilt sets in.

How to Resist: There is no quick fix for compulsive behaviour. People who spend compulsively need to develop an emotional system that will help them tolerate distress in other areas of their lives. You may also need to seek professional help.

Some resources to consider:
Debtors Anonymous (www.debtorsanonymous.org). If there is no chapter in your area, try Gamblers Anonymous (www.gamblersanonymous.org). Although debt and gambling problems manifest themselves differently, they are actually fairly similar.)

4. Entertainment

There has to be something besides shopping that either gets people there or keeps people there longer. The result: for many people, shopping is all about a social experience. You meet your friend at the shopping centre because you want to be with her. You buy something together because that's something else you can share.

How to Resist: Delay, delay, delay. When you're shopping for entertainment, you tend to buy because you feel guilty about not buying. How can you spend nothing when your friend is already carrying four shopping bags and looks to be ready for more? How can you spend nothing when the salesperson has given you 30 minutes of her time?

To take the edge off, put the items you're considering on hold. If you're still desperate to have them tomorrow, you can always return to the store and buy them. Putting a little distance between yourself and the purchase will help you evaluate it more rationally. And besides, if the item is really for you, it will be there when you come back.

How to Protect Yourself and Start Saving Now

The other major key to staying ahead in your finances is saving. You need savings to keep you from sliding back into debt. Think about it: you're moving along, paying off your credit cards and making terrific progress. And your cat gets a nasty double ear infection. Between trips to the vet and expensive medications, this ends up costing you close to $200. Where is that money going to come from?

Unless you a reasonable amount of savings, you are probably going to put it on your credit card. Although you now know enough to put it on your lowest rate credit card, that purchase is going to set you back and impede your progress and it's going to make you feel rotten. That's why you need savings.

Turn Protection into Profit

- As you start to pay off your debts, siphon off a chunk of money each month—3–5% is a good start but aim for 10%—and put it into a higher interest savings account.
- Find the highest paying money market account you can find—until you've got a substantial emergency cushion equivalent to 3 to 6 months salary. That's your protection. If you get retrenched, if the dog gets ill, if your transmission dies, you'll be able to live and pay your bills without sliding back.
- Once you've got your emergency cushion, you can start investing that money in a portfolio of shares and mutual funds that can help you build a real foundation of wealth for your future.

Suggested Five Point Plan For Your Income

1. **DEBT REDUCTION** - A contribution of at least 10% of your gross income systematically reduces your income every month. This one step will have you completely debt free in 3 – 7 years (including your house and your cars).
2. **INVESTMENT PLAN** - An investment of at least 10% of your gross income systematically increases your wealth every month. (Many people say they don't even know this money is gone!)
3. **CHARITABLE GIVING** - A contribution of at least 10% of your gross income (tithing) is part of the responsibility and reciprocity associated with creating and being a good steward of wealth (and it's wonderful for your soul!).
4. **DEBT AVOIDANCE STRATEGIES** - Live by such strategies as only paying cash and maintaining tough restrictions on the use of credit cards.
5. **SPENDING THE REST** – 70% of your income should be enough to give you a wonderful, joy-filled life while still being able to fulfil all your commitments and save for your future.

In Summary: it truly IS just that simple – learn to live on 70% of what you make and you will be debt free in 3- 7 years and on your way to becoming rich. What you do with the other 30% will make it so: 10% for your Investment Plan, 10% for your Debt Reduction, and 10% Charitable Giving.

One more suggestion – start NOW!

QUOTE:

'A man who both spends and saves money is the happiest man, because he has both enjoyments.'

Samuel Johnson

And remember to ask for your highest good – it really is there if you open up to the prosperity that abounds in our universe.

I Bargained With Life For a Penny

(Anon)

"I bargained with Life for a penny,
And Life would pay no more,
However I begged at evening
When I counted my scanty store.

For Life is a just employer,
He gives you what you ask,
But once you have set the wages,
Why, you must bear the task.

I worked for a menial's hire,
Only to learn, dismayed,
That any wage I had asked of Life,
Life would have willingly paid."

Resources

MoneyCare: A financial counselling service operated by the Salvation Army

Ph: Sydney 02 96335011

Brisbane 07 32226642

Canberra 02 62473635

CreditLine financial counselling (a free service)

Ph: 1800 808 488

www.wesleymission.org.au/centres/creditline

Credit Rating: Check your own credit rating at www.credref.com.au

Personal Investor: (a magazine that has an interesting interactive toll to help you find the best bank for you) www.personalinvestor.com.au

Bankchoice: www.bankchoice.com.au

Australian Society of Certified Practising Accountants: www.cpaonline.com.au

Australian Taxation Office: www.ato.gov.au

Australian Financial Services Directory: www.afsd.com.au

Financial Planning Association of Australia: www.fpa.asn.au

References

Campbell, Susan M.: (1995) *From Chaos to Confidence*. New York. Simon & Schuster

Getty, J. P. (1986). *How to Be Rich*. Berkeley Publishing Group

Burley, J. (2000) *Australia's Money Secrets of the Rich*. Treasure Chest Unlimited

Bach, D. (2005). *Start Late, Finish Rich*. Broadway

Recommended Reading

Ponder, C. (1962). *The Dynamic Laws of Prosperity*: Prentice-Hall.

Hill, N. (Reprinted 1983) *Think and Grow Rich*. Fawcett Crest/Ballantyne Books

Stanley, T. & Danko, W. D. (1996) *The Millionaire Next Door*. Sydney: Harper Business

Orman, S (1997). *9 Steps to Financial Freedom & Take Care of Your Money*. Parade

Burley, J. (2000). *Australia's Money Secrets of the Rich*. Treasure Chest Unlimited

Kiyosaki, R. (2000*). Rich Dad, Poor Dad*. Warner Business Books