South Carolina Consumer Affairs Report

SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS, P. O. BOX 5757, COLUMBIA, S. C. 29250 1-800-922-1594

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MONEY MANAGEMENT BEGINS WITH YOU

No two people spend their money in exactly the same way. Each one has his own values - things he considers important - which influence his decisions. For instance, one person may have the ability and desire to sew and cut down on clothing costs in order to spend more on a family vacation. Another will live in modest circumstances to put money aside for educational purposes. A working wife or mother may spend more on convenience foods because she wishes to save time. What is essential to one individual or family may be an extravagance to another. Consider the qualities which make you or your family different from any other person or family. These qualities are: your income, your assets and debts, your place in the life cycle, your health, your ambitions, your attitudes, your talents and personality, the type of work you do, the number, age and sex of the members in your family, your tastes, what is important to you, and the part of the country in which you live. These are a few of the things that influence your life style. A guide for spending and saving is a personal matter. There should be no feelings of guilt or frustration if family or personal spending differs from other families or from average budget tables. Your plan should serve you.

YOU AND YOUR MONEY NEEDS

Needs and interests change as individuals and families move from one stage of living to the next. Consequently, demands on income also change. Generally, income begins low and rises steadily until retirement, while needs mount as children grow and lessen as they leave home. The following stages and demands upon income are characteristic of the life cycle of most individuals and families. - The demand is comparatively light during courtship and early marriage years. - It grows heavier as the family grows. - It is moderately heavy during the years children are in high school. - It is heaviest during the years children are in college. - When parents are no longer responsible for their children's support, demands may lighten. As a rule, family income also is rising during the years when demand increases and for many families it nears its peak during the years children are in high school and college. However, peak demands sometimes come before peak income. When you consider your place in the life cycle, it becomes possible to predict individual and family needs and, to some extent, the rise and fall of income. Once money needs become clear and peak income is estimated, families and individuals can plan ahead realistically in order to meet their expected expenses.

PLANNING IS IMPORTANT

Almost everyone would like to have more money; however, most consumers must get along on what they earn. Some seem to get along better than others. They are the ones who have learned to make their dollars buy what they need and want. But for many other consumers money is a problem. They find themselves constantly "running short" or in serious financial difficulties, even through they may earn enough to provide a good living. Whether you have a lot of money or just a little, a sound plan for spending and saving is the key to having your dollars buy what you need and want before they disappear in unexpected ways. A money management plan can help you do several things. These include - Living within your income. - Planning for today and tomorrow. Reaching financial goals. - Spending more effectively. - Evaluating alternative ways of spending your money. - Reducing haphazard or impulsive spending. - Developing confidence, independence and resourcefulness in handling financial problems. A plan for spending and saving possesses no magic. It cannot change the amount of money you have to spend. It cannot make you save. Neither can it eliminate all financial crises. But a spending plan can increase your ability to have those things that are most important in life. A good money management plan should be a general guide - not a detailed accounting of every penny spent. In fact, the simplest plan that adequately serves the individual or family using it will usually be the most successful because it is easily understood and requires a minimum of time and effort. The goal of a spending and saving plan should be to help you get the most long-term satisfaction from the use of your income.

INCOME AVAILABLE

The first step in setting up a money management plan is to find out exactly how much money you have to spend. Income includes money you receive in salaries or wages, bonuses, commissions, interest, dividends, rents, money gifts, tips, allowances, benefit payments, pensions, annuities - all of the money available to you and your family. When figuring the money that currently is yours to spend, however, do not include payroll deductions.

FIXED EXPENSES

Fixed expenses are those you have already promised to pay on specific dates and in specific amounts. For the time being you can do very little to change them. Fixed expenses such as rent or mortgage payments, utilities and installment debtors must be paid each month. Other expenses such as insurance premiums, taxes, school tuition and auto license plates may be paid only once, twice, or seasonally during the year. Payment for large periodic expenses frequently cannot be made from a single paycheck. Therefore, the secret of having money to meet these expenses when due is to set aside a certain amount each week, month or planning period. This allows you to "earmark" your money before you spend it in other ways. Even people who carefully plan daily needs often forget to put money aside for emergencies and unexpected expenses. Then the unexpected happens - a major appliance breaks down, the automobile needs repairs, one of the children breaks a leg and family finances are disrupted for months. Many authorities recommend an emergency fund of cash equal to two to three months' earnings or even more. This may or may not be practical or even possible for you. The amount you need in case of an emergency will depend on several factors - your job security, the amount of your income, the insurance you carry, your borrowing power, your assets and debts, and the condition of your car and major appliances. In any event, it is wise to be prepared. Determine how much you need in your emergency fund. Keep this money separate from your checking account in some form of savings that will earn interest but in a form that can be converted to cash without delay.

FLEXIBLE EXPENSES?

Flexible expenses vary both in amount and the planning period in which they are needed. Some expenses food, transportation costs, household supplies occur each week, month or planning period. Other expenses such as clothing, medical, dental, prescription drugs, entertainment occur periodically and may change seasonally. Because flexible expenses are not committed to a set amount, the majority of them can be reduced, postponed or eliminated on short notice to adjust your spending plan to unexpected circumstances. For instance, food costs can be reduced by buying less expensive cuts of meat or eliminating meat completely for some meals, buying fruits and vegetables which are in season and thus less expensive, buying fewer convenience foods, by eliminating snack foods, by taking advantage of advertised "best buys" when shopping, and by eating out less often. Clothing expenses can be cut by shopping carefully, buying during sales, delaying buying needed but not essential garments and remodeling or altering existing garments. Since flexible expenses vary greatly, many people forget about some of these costs. As a result, these are the expenses that can really creep up and cause financial headaches - the unexpected doctor's bill, contributions, gifts, clothing for a special occasion, repairs, extra food for entertaining. In addition, some families and individuals can spend as much as $25 to $50 a week on small items newspapers, magazines, cigarettes, gadgets for the house, supermarket items that aren't on a shopping list. In time, the sum of such poor shopping habits can equal a large amount. Be realistic when planning flexible expenses. Include everything that might come along and claim your dollars. This way, all necessary items become a part of your spending and saving plan. Which of the items below represent your flexible expenses? List each one which pertains to your situation and place a dollar amount next to the item. Add any items not listed. Some flexible expenses change seasonally such as back to school clothing for children and prescription drugs and mediations. Projecting these expenses on an annual basis allows you to anticipate and prepare for those changes: Food: Meals at home and meals eaten out. Clothing: New clothes and accessories, laundry, dry cleaning, repairs and alterations. Household Equipment: New appliances, remodeling or new furniture, repairs. Home Improvements: Maintenance, minor remodeling. Household Supplies: Cleaning supplies, small items for the home, first aid supplies. Household Help: Baby sitter, yard care, window washing, housecleaning. Gifts: Birthdays, weddings and anniversaries, religious celebrations, showers, illness, graduation. Transportation: Gasoline, repairs and upkeep. Contributions: Religious, charities, service groups, professional groups, fraternal groups, social clubs, schools and colleges. Health (Not covered by insurance) medical, dental, prescription drugs, medications. Personal Care: Grooming aids, barber shop, hairdresser. Entertainment: Extra food, theatre or concert tickets, tickets for other events. Recreation: Hobbies, vacation, sports equipment. Miscellaneous: Papers, magazines, stationery, postage, tobacco, or others.

BALANCING YOUR SPENDING PLAN

Once you have finished your estimating, it is time to make a trial plan by using the following form to see if your expenses and income balance.

	Item		
1.	Income		$______
2.	Total Fixed Exp	$______	
3.	Total Flexible Exp	______	
4.	Total items 2 & 3	______	$______
5.	Deduct item 4 from 1		$______

Does your income match your spending? Did you have money left over for goals? You're lucky if you balanced your budget on your first try. This is the point where most consumers have to stop and refigure. If spending exceeds income, go over your lists of expenses again. It may take a lot of juggling before you work out the best way of balancing your income and expenses, but you can learn by doing. With practice you will develop skill in managing money just as with practice you learned to read and write, to ride a bike, to drive a car. Each planning period will leave you feeling more confident. If you must adjust your budget, check your flexible expenses. Are there items which you can reduce, postpone or eliminate? For instance, are you paying for extra help or for special work that you or members of your family can do? Can you save dollars by doing a better job of planning clothing expenditures? Can you manage food dollars more economically? Can you find recreation that costs less? Can you reduce transportation costs realistically by carpooling? Also check fixed expenses. Is there anything which can be cut down even temporarily? Can you reduce insurance premiums by paying them semiannually or annually? Do you try to keep your heating/cooling bills to a minimum by practicing energy conservation? Can you change the schedule of payment for some bills? Note what time of year each payment is due. If several large payments fall due within a short period of time, you may be able to arrange a more convenient time for some of them. Stagger insurance premium due dates, medical and dental checkups and any other payments you can. Also analyze spending. Try to eliminate spending that fails to give satisfaction or bring you closer to your goals. Keep track of all spending for two or three weeks to find just where leaks exist. Then pay special attention to known trouble spots. Carry only as much money as you need each day. Extra cash in your pocket is often a temptation to spend. Use personal allowances to control spending. If each person has an allowance to cover necessary expenses and a few extras, each will learn to control his own spending leaks. Avoid idle shopping. Almost any time you wander through a store you can find something to buy. Use a shopping list and stick to it unless you find an exceptional value. If your spending plan still does not balance after you have explored every possible way of cutting expenses, you may have to think of ways to increase income to meet demands. The head of the household may be able to work overtime, find parttime work or even learn new skills to increase earning potential. In some cases, the wife and older children may be able to earn money through parttime jobs or hobbies. But it should be a family affair and all family members should contribute in thinking up ways to help put your spending plan into balanced smooth-running order.

STAFF NEWS

Kathleen Goodpasture Smith, Counsel to the Administrator of the S.C. Dept. of Consumer Affairs has resigned to accept a position in the Law Department of S.C. National Corporation. Mrs. Smith joined the department as a staff attorney in 1975 and has been Counsel to the Administrator since 1978.

Joan Galliart Cochet has joined the Consumer Advocacy Division of the S.C. Dept. of Consumer Affairs as a staff attorney. Mrs. Cochet received her B.A. degree in History from the University of Maryland and her law degree (Juris Doctor, 1980) from USC.

Natalie Jean Moore has joined the Consumer Advocacy Division of the S.C. Dept. of Consumer Affairs as a staff attorney. Ms. Moore received her B.S. degree in Economics and her law degree (Juris Doctor, 1981) from USC.

ADDENDA

Money does more for us than buy the goods and services we need and want. Money influences how we feel about ourselves and other people. It also has a great deal to do with our standard of living and our ambitions for the future. How well we manage money goes a long way in determining the personal satisfaction we find in living. Few people are born with the ability to manage money effectively. Usually, it must be learned and developed with practice just like most other skills. This issue of our newsletter contains some suggestions to consider in controlling your finances. If you apply these suggestions to your individual situation, they may help you meet your daily expenses, reach your future financial goals, and achieve the economic competence and security that contribute to better living.

Steven W. Hamm
Administrator

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