

TRI-STATE DEFENDER



A
REAL TIMES
NEWSPAPER

The Mid-South's Best Alternative Newspaper

November 20-24, 2004

Pg. 5B

BUSINESS & ECONOMICS

It's Your Money

By Walter Dawson

Having a budget for your family helps you keep them safe for the future.

A budget lets you watch every dollar you spend each month, keep track of where it goes, and change your spending habits.

Below is a list of items commonly included in a budget, but remember, every family's finances are different and yours may or may not fit this example. Still, if you see from this list that your dollars are being spent too frequently on things you don't need, then you can change your spending.

Ronnie Brooks and Cleo Hayes, two economics students at the University of Memphis, recently researched this topic and came up with this advice for the MemphisDEBT Collaborative:

1. Be realistic. Your "must-do" expenses such as taxes, rent, groceries and insurance, will probably account for 60 percent of your total income. (Perhaps a little higher or lower.)

2. Prepare for the unexpected. Set aside 10 percent of your income to cover irregular expenses, such as car repairs, replacement for a broken washing machine, or patching a hole in your roof. Deposit this money into a separate

savings account and withdraw it only when needed.

3. Save for major purchases. Put aside another 10 percent in either a money market account or a certificate of deposit, both of which pay higher interest. Buying a new car, couch, or furnace with cash can save hundreds of dollars in interest.

4. Don't forget the future. Another 10 percent goes directly into an IRA, 401(K), or similar tax-deferred retirement account. Or, if you have debts, put five percent in a retirement account and use the remaining five percent to pay down your debt.

5. Reward yourself. The final 10 percent is "fun money." It's yours to spend on life's little extras, such as dining out and entertainment.

The final thing a budget can do for you is to help you get the full value out of that dollar you worked so hard to earn. For example, instead of buying that 75-cents can of Coke at work, you can buy a cheaper brand and put the difference in your savings account.

Doesn't sound like much, but here is where the real secret of building wealth comes in: The money you save today and put to work for you drawing interest

will bring even more interest the next year and the next and the next.

In Memphis, there are free, nonprofit credit counseling agencies to help you plan your budget and your family's financial future. Call the MemphisDEBT Collaborative to learn how.

The information in this article should not be a substitute for the advice of a professional.

Walter Dawson, Manager, Publications for First Tennessee, is a member of the MemphisDEBT Collaborative, a group of 150 local nonprofits, governmental agencies, businesses and concerned citizens who are helping Memphians keep the money they earn. For free advice about your finances, you can call the collaborative at 507-6638. Or check out their Web site at www.memphisdebt.org.