



PERSONAL FINANCE GURU 2nd Edition

Master the Skill & Art of Living BIG on a Small Budget!

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PERSONAL FINANCE GURU 2nd Edition

Master the Skill & Art of Living BIG on a Small Budget!

Your Financial Future is Living One Day At a Time

Dear Friend,

Congratulations on making your wise decision in investing in this manual! You definitely know that the best person on the planet to take care of your personal finances is none other than yourself!

We've all been told to take things one day at a time, and this is of course the best way to live. Unfortunately, many people think that the 'one day at a time' theory includes their financial standing and future – and it doesn't.

When it comes to money, you really can't take things one day at a time. You must look ahead to the future, and set financial goals, and then create a plan to reach those goals. Once that is done, you start meeting those goals – one day and one step at a time.

Don't make the mistake of thinking that you will 'cross that bridge when you get to it.' When it comes to money, you simply cannot do that, or you will find that you will never reach your goals. You must look ahead and see where those bridges are, and start working out how you will cross them long before you get to them!

When you finish your education and go to work, you must look ahead to when you will marry. When you marry, you must look ahead to when you will buy a home and have children. You must look ahead to your child's education and their

wedding, and you must look ahead to your own retirement – even if it is fifty years away! All of this takes money, and it is money that you need to start gathering right away...not on the day that you need it.

In order to plan your financial future successfully, you really must make a basic plan for your life. That plan will most definitely change over the years, but the main parts won't change. For instance, the chances are very good that you will marry and have children.

You will almost definitely reach a point where you want to purchase a home. If you have children, they will absolutely need to be educated, and will most likely marry. You will definitely want or need to retire at some point. Those things are not likely to change in your life's plan.

So, think ahead through the coming years of your life, and make a financial plan that will help you obtain your goals. The rest of life, with all of its up and downs can then be taken in stride – one day at a time.

Within the coming pages, I'll show you quick & easy steps on handling your personal finances – in layman terms, of course. ☺

While some ideas and facts can vary from state to state (country to country), the concepts and ground rules of handling your personal finances are still the same.

All the best in stretching in every dollar you have!

The 6 Quick Ways to Take Control Of Your Finances

Use Common Sense

In as simple as it sounds, financial planning is really just a matter of using common sense. For instance, why would you pay \$20.00 when you could pay \$10.00 for the same item or results?

It's no more than a guess that you work very hard to earn your money – so you need to make sure that your money is working hard for you in return. That's one.

Money, when it is all said and done, is a means to an end. You work to make money; you take that money and use it to make sure that you have a place to live, a car to drive, food to eat, and clothes to wear.

And with luck, you take that money to enjoy some of the finer things in life. Many people believe that money is made to spend, and in a sense, that is validly true, and you will spend it – but not necessarily today.

If you are young, it is hard to imagine that you will reach a point in life when you can no longer work for your income. It may be a long way off, but that time will come, and you must be prepared for it. You cannot expect to start saving for retirement the year before you will need to retire!

The sooner you start saving and investing for your retirement, the better your retirement years will be – and that should be a major goal for everyone!

When you retire, you will start spending the money that you've worked all of your life to earn and save. With luck and planning, there will even be some or plenty left over to give your grandchildren or great grandchildren a good financial start.

Just because you make a lot of money, you don't have to spend a lot of money. We would all like to live rich and famous lifestyles, but it isn't very realistic. Common sense is best when it comes to money, so again, why would you pay more for something that you can have for less? If you are using common sense, you wouldn't!

If you don't have to spend your money, don't. It really is as simple as that. Instead, put that money to work for you, and have it make more money for you and your future.

Look For Savings

When it comes to your money, it is very important that you look for ways to save it wherever you can. In fact, even if you consider yourself financially well-off, you should still make it a habit to save money when you can. This is a great way to stay in good financial shape, and also a great way to get into great financial shape if you aren't quite there yet.

Start with your household bills, such as utilities. Turn lights off, cut down on long distance calls, and use less water. If you make a concentrated effort, and really pay attention to your monthly bills, you will see a big difference in costs. Make a list of all the ways that you can reduce your utility payments and household costs.

Use coupons, and take advantage of sales. If you need new bedroom furniture, don't just rush out and buy it. Instead, look for liquidation sales, over stock sales, or furniture stores that are going out of business. You will find remarkable

savings in this way. Use store coupons whenever you can. It takes a little time to clip them, but those small savings of a few cents here and there can really add up.

Make lifestyle changes that will make you healthier and richer. If you use tobacco or drink, think about how much money you spend on those habits. You must also include health care expenses that are related to those habits.

If you look at the big picture, you will find that your unhealthy habits cost a lot more than you realize! Break those habits and you will not only become healthier, your bank balance will be healthier as well.

Don't always buy the cheaper brand or version – it may cost you more money in the long run! Sometimes, buying off-brand items is a real savings especially when it comes to food items.

But sometimes, cheaper things mean lower quality. This can mean replacing items more often, which in the long run costs more money than just buying a higher quality item in the first place.

If you make a list of things that you commonly spend money on, and if you really think about it, you will find numerous ways to save money. Take those savings, and put them in a savings account, and you will be pleasantly surprised at how fast that balance grows!

Note: I know the idea of saving can be severely criticized by big time money makers but the truth is that saving your money is as important as making money. It's a shame some 5-figure income earners often don't bring those 5 figures home at the end of the month due to horrible financial planning.

While savings is not the end of the problem (in fact, just the beginning), it's a quick defense strategy you can implement almost instantly in contrast to making

money, which can take some time depending on the nature of your job or business.

Take Importance in Emergency Funds

Life throws things at us when we least expect it. It may be an illness, a car accident, or even a lay-off from a job. Whatever it is that life throws, you can bet it is going to cost you money.

This is why you need an emergency fund. Everyone should have at least three to six months of living expenses in a savings account that is reasonably easy to get to.

Saving up the money for your emergency funds is easier than you might expect. It all goes along with 'Pay Yourself First.'

Set a budget and determine how much you can put into a savings account. Until you have reached your savings goal of having three to six months of expenses in your savings account, save every extra dime that you can lay your hands on – even if this means not going out to a nice dinner or seeing a movie. Getting your emergency funds saved should be your utmost priority.

Once you have your emergency funds saved, preferably in an interest bearing pass book savings account, make sure that you leave it alone. Remember, it is only for emergencies. Needing to buy a new dress for a date is not an emergency. Needing to pay for car repairs, however, is an emergency. Really think long and hard before using your emergency funds!

When you must use your emergency funds, make sure that you replace those funds as quickly as possible. This probably means that you will have to really tighten your belt, and forgo the dinners and movies again – for a while. But when

you have an emergency, you will be thankful that you did save the funds, and you will realize just how important doing so really was.

Your emergency savings should not be invested. Again, it needs to be readily accessible, in a savings account. It is also a good idea to have a debit card for that savings account, in the event that your emergency occurs outside of banking hours.

However, use caution, and put that debit card away – **don't use it unless there is an emergency!**

And that reminds me...

Control Your Credit Card Usage

Credit is great! You can walk into a store and buy expensive clothes or gadgets, whip out your card, sign your name, and walk out without spending any money! What could be better then, thirty days later, the bill comes in the mail. As time goes on, the balance of that bill gets bigger and bigger – even though you are making the minimum monthly payments!

Before you know it, you owe thousands of dollars, your minimum monthly payment has risen to an unmanageable amount, and the credit card company is calling you daily about paying your bill. Your credit just became a nightmare.

Credit card companies work to make sure that you stay in debt. It is as simple as that. As long as you are in debt to them, they are making money – and the more debt you have, the more money they make.

They are not on your side. Sure, they made it easy to buy that new living room furniture. You have that fancy exercise equipment...and they helped you get it. But now, they want you to pay for it, with interest.

In spite of this, everyone needs one major credit card for a few good reasons. First, having a credit card and making your payments on time helps you establish credit. This way, when you go to buy your first home or automobile, you won't have any problems getting financed.

The second reason you need a credit card is for emergencies. If your hot water heater bursts, not only will it need to be replaced immediately, you may also need to replace some carpeting. If you don't have the cash to take care of this emergency, a credit card will come in handy.

Of course, the final reason you need a credit card is because everyone has one...no, not really...but we do live in a credit oriented world. You need a major credit card to rent cars, buy airline tickets, and reserve hotel rooms.

Using credit cards for these things is okay, but only 'reserve' with the card, and then pay cash. For instance, use the credit card to reserve the hotel room, but pay cash when you check out, instead of having the hotel charge your credit card.

Learn to keep your credit cards under control. Use them to fill up your car with gasoline once a month, and then pay off the balance right away when the bill comes. This will keep your card active, help you establish credit, and at the same time, **keep you out of debt!**

Take Your Financial Planner Seriously

There are professionals who help individuals like you plan their financial futures. They are called Financial Planners, and you may need one! A financial planner can help you set and reach all of your financial goals – for your entire life. When it comes to money, most of us are emotionally attached to it.

However, a financial planner is much more objective and can help to guide us in the right direction. It's like having a guardian angel.

First, a financial planner will help you create a financial statement to see where you currently stand. Then, they will help you set up a budget. Believe it or not, most of us really do need someone objective to tell us how, where, and when we should spend our money. Those who use financial planners often do **better financially** than those who do not use financial planners.

Before setting up a budget, the financial planner should discuss your goals with you. Do you want to purchase a house? When? Do you plan to have children? When? Do you want your children to attend college? What age do you want to retire? All of these decisions have a financial impact on your life, and they must be planned for in advance.

With your financial goals in mind, the financial planner will work with you to set up a budget that you can live with. That budget will incorporate your financial goals. The financial planner can also advise you on investing your money to reach all of your financial goals, within the time limits that you have set.

When choosing a financial planner, look for one that has the proper degree and credentials. They should be a **Certified Financial Planner** (CFP), and have several years of experience. Ask about their continuing education...you want a planner that keeps up with the changing times. Talk with the financial planner before hiring them, and make sure that you feel like they are putting your best interests ahead of their own interests.

Warning! Avoid financial planners that try to sell you financial products because they are in fact, just insurance sales people.

Know what is on Your Credit Report

Imagine that you have gone to apply for a home mortgage loan, and you are told that you were denied – because your credit wasn't good enough. Not knowing what is on your credit report ahead of time is a mistake that many first-time home buyers tend to make.

It is important that you know what is on your credit report, and you should get a copy of your report at least once each year – even if you don't intend to apply for any loans.

The first reason for needing to know what is on your report is to ensure that everything on it is right. The fact is that out of ten people, at least five will find errors on their credit report.

Those errors can keep you from getting loans or credit cards. They could even keep you from qualifying for some jobs! When there is an error on your report, you need to call the reporting agency and the creditor to clear up the problem as soon as possible.

Pulling your credit report is also a good way to know if you have been the victim of identity theft. Some errors may not be errors at all... they may be proof that someone else is using your information! Again, contact the reporting agency, the creditor, and if necessary, the police.

If you do have negative items on your credit report that are not errors, it is in your best interest to take care of those matters as quickly as possible. In many cases, you can call the creditor and work out terms with them, or negotiate a lower cost

for clearing up the debt. Most creditors will work with you if they see that you are making a genuine effort to clear up the matter.

Don't make the mistake of not having anything at all on your credit report. You want items on there, and you want them all to be good. Many would be lenders actually view some bad credit as being better than no credit at all! It's difficult to get credit when you have no past credit.

This is easily rectified by applying for and getting a major credit card, and making the payments on time.

If you have the cash to buy a vehicle outright, you are actually better off – from a credit standpoint – to finance the vehicle, and then pay it off early, after about a year. This will show positive credit on your report.

The Art of Budgeting

A carpenter uses a set of house plans to build a house. If he didn't the bathroom might get overlooked altogether. Rocket scientists would never begin construction on a new booster rocket without a detailed set of design specifications.

Yet most of us go **blindly** out into the world without an inkling of an idea about finances and without any plan at all. **Not very smart of us, is it?**

A money plan is called a budget and it is crucial to get us to our desired financial goals. Without a plan we will drift without direction and end up marooned on a distant financial reef.

If you have a spouse or a significant other, you should make this budget together. Sit down and figure out what your joint financial goals are...long term and short term. Then plan your route to get to those goals. Every journey begins with one step and the first step to attaining your goals is to make a realistic budget that both of you can live with.

A budget should never be a financial starvation diet. That won't work for the long haul. Make reasonable allocations for food, clothing, shelter, utilities and insurance and set aside a reasonable amount for entertainment and the occasional luxury item. Savings should always come first before any spending.

Even a small amount saved will help you reach your long term and short term financial goals. You can find many budget forms on the Internet. Just use any search engine you choose and type in "free budget forms". You'll get lots of hits.

Print one out and work on it with your spouse or significant other. Both of you will need to be happy with the final result and feel like it's something you can stick to.

Budgeting – It Can't Get Anymore Important!

No matter how much money you have, or how much money you don't have, you must have a budget. If you find that you don't have much money, a budget can actually help you save more money.

A budget will also help you become more aware of how much money you are unnecessarily spending each month.

Your budget can be very simple, or very detailed. People with a larger income tend to have more detailed budgets, but people with modest incomes will usually do well with a simplified budget.

Your budget can be typed in a document on your computer, written out on paper, or set up in a money management program on your computer. Whatever works best for you and your situation should be used. Don't make it harder than it has to be.

Starter tips: start by making a list of your income. Include all income that you know will be coming in, including income tax refunds and cash gifts that you know you will receive from Grandma at Christmas.

Some income will have to be estimated, and this is fine. After you know what is coming in, make a list of what is going out. Start with the basics.

Of course you know that you will pay utility bills, insurance premiums, a mortgage or rent. If you have credit cards, you know that you will have payments to make on those.

Outstanding loans must also be paid. List all of your monthly bills, but don't forget about those other expenses as well, such as groceries, gasoline, household items, and entertainment. Save these expenses for last, so that you can see how much you have to allocate to each expense – and then live within those allocated amounts.

At the top of your list, you should have **one very important bill** to pay... yourself. Pay yourself first!

Determine how much you can afford to save each week, and then take that money out first and put it in an interest bearing savings account. Do these before you pay any other bill on your list!

The Art of Spending Wisely

Budgeting is also known as “the art of spending wisely”.

Have you ever noticed that the things you buy every week at the grocery and hardware stores go up a few cents between shopping trips? Not by much, just by a little each week but they continue to creep up and up. All it takes for the price to jump up by a lot is a little hiccup in the world wide market.

Note the price of gasoline as it relates to world affairs. There is a way that we can keep these price increases from impacting our personal finances so much and that is by buying in quantity and finding the best possible prices for the things we use and will continue to use everyday....things that will keep just as well on the

shelves in our homes as it does on the shelves at the grocery store or hardware store.

For instance, dog food and cat food costs about 10% less when bought by the case than it does when bought at the single can price and if you wait for close out prices you save a lot more than that.

Set aside some space in your home and make a list of things that you use regularly which will not spoil. Any grain or grain products will need to be stored in airtight containers that rats can't get into so keep that in mind.

Then set out to find the best prices you can get on quantity purchases of such things as bathroom items and dry and canned food. You will be surprised at how much you can save by buying a twenty pound bag of rice as opposed to a one pound bag.

But don't forget that it must be kept in a rat proof container. You can buy some clothing items such as men's socks and underwear because those styles don't change. Avoid buying children's and women's clothing, too, as those styles change and sizes change too drastically. Try to acquire and keep a two year's worth of supply of these items and you can save hundreds of dollars.

Rebates: Rewards or Rip-Offs?

Rebates have become increasingly popular in the last few years on a lot of items and certainly on electronic items and computers. Rebates of \$20.00, \$50.00 or \$100.00 are not at all uncommon.

I've even seen items advertised as "free after rebate". Do these rebates come under the heading of "too good to be true"? Some of them do and there are

“catches” to watch out for but if you are careful, rebates can help you get some really good deals.

The way a rebate works is that you pay the listed price for an item then mail in a form and the bar code to the manufacturer and they send you a refund thus reducing the price of what you paid for the item except with a time delay of several weeks.

Rule #1: Rebates from reputable companies are usually just fine.

You can be pretty sure you will get the promised rebate from Best Buy, Amazon or Dell but you should probably not count on getting one from a company you’ve never heard of.

If you really want the product and are OK with paying the price listed then buy it but don’t count on actually getting the refund.

Rule #2: Check rebate expiration dates.

Many times products will stay on the shelf of a retailer after the date for sending in the rebate offer has expired so check that date carefully.

Rule #3: Be sure you have all the forms required to file for the rebate before you leave the store.

Rebates will almost always require a form to be filled out, a receipt for the purchase and a bar code.

Rule #4: Back up your rebate claim.

Make copies of everything you send in to get your rebate including the bar code. Stuff gets lost in the mail all the time and if the rebate is for \$50.00 it's worth the trouble to back up your claim.

Retail Therapy Quiz

Answer these questions truthfully:

- ☒ Does your spouse or partner complain that you spend too much money?
- ☒ Are you surprised each month when your credit card bill arrives at how much more you charged than you thought you had?
- ☒ Do you have more shoes and clothes in your closet than you could ever possibly wear?
- ☒ Do you own every new gadget before it has time to collect dust on a retailer's shelf?
- ☒ Do you buy things you didn't know you wanted until you saw them on display in a store?

If you answered **YES** to any two of the above questions, you are an impulse spender and indulge yourself in retail therapy.

This is not a good thing. It will prevent you from saving for the important things like a house, a new car, a vacation or retirement. You must set some financial goals and resist spending money on items that really don't matter in the long run.

Impulse spending will not only put a strain on your finances but your relationships, as well. To overcome the problem, the first thing to do is learn to separate your needs from your wants. Advertisers blitz us hawking their products at us 24/7. The trick is to give yourself a cooling-off period before you buy anything that you have not planned for.

When you go shopping, make a list and take only enough cash to pay for what you have planned to buy. Leave your credit cards at home. If you see something you think you really need, give yourself two weeks to decide if it is really something you need or something you can easily do without.

By following this simple solution, you will mend your financial fences... and your relationships!

Should You Be Making Your Budget Now?

You say you know where your money goes and you don't need it all written down to keep up with it? I issue you this challenge. Keep track of every penny you spend for one month... and I do mean every penny. You will be shocked at what the itty-bitty expenses add up to.

Take the total you spent on just one unnecessary item for the month, multiply it by 12 for months in a year and multiply the result by 5 to represent 5 years.

That is how much you could have saved AND drawn interest on in just five years. That, my friend, is the very reason all of us need a budget. If we can get control of the small expenses that really don't matter to the overall scheme of our lives, we can enjoy financial success.

The little things really do count. Cutting what you spend on lunch from five dollars a day to three dollars a day on every work day in a five day work week saves

\$10.00 a week... \$40.00 a month... \$480.00 a year... \$2400.00 in five years... plus interest.

See what I mean?

It really IS the little things and you still eat lunch everyday AND that was only one place to save money in your daily living without doing without one thing you really need. There are a lot of places to cut expenses if you look for them.

Tip: Set some specific long term and short term goals. There are no wrong answers here. If it's important to you, then it's important period. If you want to be able to make a down payment on a house, start a college fund for your kids, buy a sports car, take a vacation to Aruba... anything... then that is your goal and your reason to get a handle on your financial situation now!

Taking Your First Steps to Personal Finance Success

Buying your first car and getting your first “gas” credit card are usually the events that propel you into the world of “monthly bills”. Before that you rode your bike and had no clue what a “monthly statement” even looked like.

Of course, you had no clue either what to do with those statements so you tossed them on the table and didn’t worry about them. I’ll bet it didn’t take too long before you realized that you had better get a handle on things and get organized before you got into big trouble.

Just some simple organization will keep you out of trouble like bouncing checks and exceeding credit limits. It will, also, help you to immediately see when you are being charged for things you didn’t buy or letting fraud go by unnoticed.

Ideas on Helping to Organize Your Personal Finance for Success

Set up a filing system either hard copy or on your computer.

A hard copy file is easy to set up and stays at your fingertips for easy access. A basic filing cabinet costs about \$30.00.

There are a lot of good software programs for keeping financial records and you don't need an expensive one just for your personal needs. You do need to remember to back up this file.

Open your mail when it comes in. Put your unpaid bills in a designated spot so that when you are ready to pay them, they are all in one place.

Set a specific day and time for paying your bills and let nothing deter you from your appointed rounds.

Once every two weeks should be sufficient.

Balance your checkbook and do it often.

After every check written is not too often. It will prevent you from bouncing checks which is costly and unnecessary.

Banks charge up to \$35.00 for a bounced check and businesses charge up to another \$35.00 so that \$20.00 check you wrote when you only had \$19.95 in your account can cost you \$90.00 and a lot of stress.

Cleaning Your Personal Finance House

OK, you have let your personal financial situation slide a little...or maybe a lot. It's time to clean the house but where do you start?

The very first step is to ask yourself some simple questions.

Do you open your bank statements and bills the minute they come in the mail or throw them aside and do a Scarlet O'Hara, "I'll worry about that tomorrow"? Without looking at your bank balance, can you say within \$10.00 what your

balance is right now? Do you know what stocks and/or bonds you are invested in? Can you say with certainty how much you spend on gasoline or entertainment in a month? You do...you don't...no clue? Yes, you need help and you need to get your financial house in order.

Tip: the Internet can help. There is a mountain of financial information out there on the net and all you have to do is look for it. Use any search engine you like and type in "Personal Financial Help". Follow those leads until you find programs that can help you get a handle on all things financial. There are a lot of very good ones...some free...some not. Some sites will even help you make a budget you can live with. When you have less income than out-go, making more money isn't always the answer.

The answer is **usually managing the income you have better, more efficiently and wiser**. Here are three simple rules to follow:

1. **Save first.** When you get your paycheck, before you spend one penny on anything else set aside a few dollars in a savings account. I call that, "Pay yourself".
2. **Budget your necessities.** Necessities are food, clothing, shelter and transportation...not necessarily in that order. Shelter includes utilities.
3. **Subtract #1 and #2 from your total paycheck.** The remainder is all you have left for entertainment. Stick to this plan and your financial house will soon be in order.

Personal Finance-Personal Debt

We have become a nation of spenders. Most American households have more debt than they can pay on a good day and the loss of a job or a second income can be devastating.

In a recent survey 5% of households said their debt was “a heavy burden” and 4% were behind on at least one debt commitment. 20% of people say that they neglect checking their bank balances because they “are too scared to find out how much money they have”... or maybe that’s “don’t have”.

We have used our credit cards to buy groceries, gasoline for our cars, clothing that was over priced, and entertainment we couldn’t afford. Something must be done if we are to get control over our personal financial situation and there are ways to do just that.

If you find that you just have more debt and more monthly payments than you can meet for whatever reason, there is help in the form of Consumer Credit Counseling Service (CCCS) and websites such as “lower my bills” and “money net” It will take time but you can get out of debt. Staying out of debt is another matter.

You must make a budget. You must know exactly what your checking account balance is at all times. You must never make “spur-of-the-moment” purchases... PLAN all expenditures for clothing, household goods, entertainment, etc.

Take the time and put forth the effort to learn to do things for yourself that you hire others to do for you. This can save you hundreds of dollars a year... maybe thousands.

Invest in some good Personal Financial Management Software for your computer and learn to use it effectively. There are a lot of different programs out there.

Learn to do comparison shopping and use those coupons that come in the Sunday paper. Spend your money with a plan and don't plan to spend all of it.

Planning for Long Term Care Needs

You are taking a huge risk by not being financially prepared for long-term health care. Those have been there know.

Middle income families are the ones who can be hit the hardest if they don't plan for the impact of long-term care for themselves and their dependents. Higher income families can afford it and lower income families can qualify for government assistance. Middle income families bear the financial burden themselves.

In a recent survey, it was found that nearly three-fourths of middle incomes Americans were concerned about needing long-term care in the future but only one-fourth had actually purchased long-term care insurance.

Does that mean that even though we are concerned, we prefer to just stick our heads in the sand and hope for the best?

"Hoping and praying" isn't a plan considering that one out of every five Americans over the age of 50 will require some level of care in the next year of their lives. The average cost of a nursing home is \$55,000.

If you are 65 or over and on Medicare, don't think that Medicare will cover long-term care...it doesn't. Part B provides for a few days of therapy and rehabilitation...after that it comes out of your pocket.

The reason given in the survey for not having long-term care insurance was that it was too expensive. But is it *too expensive*?

It wouldn't take long for retirement nest eggs to melt away when paying over \$50,000.00 a year for a nursing home or more than \$20,000.00 for assisted living facilities.

You should ask yourself if you would rather pay several thousand dollars a month for long-term care or a fraction of that to protect your assets with long-term care insurance.

Many times younger people think it is too soon for them to worry about long-term care insurance and older people think it's too late...neither is accurate.

Busting the Credit Card Myth

You can find lots of misinformation about money and credit and especially credit cards. **Misinformation is misfortune**, so arm yourself with the truth before you tackle the credit card demons!

Myth #1: “It’s all my fault I got into this credit card mess!”

The truth: It may not be your fault at all. Credit card companies really are out to get us. You probably just got caught in the trap.

Myth #2: “Credit Cards are what got me into debt.”

The truth: Spending is what got you into debt. The credit cards just made it easier.

Myth #3: “My credit rating is destroyed forever and there is nothing I can do about it.”

The truth: If you have a job and are willing to work at it, you can get your credit under control and your credit rating restored. Rebuilding your credit requires that you do three things; pay your bills on time, look for better options and learn about money and credit.

Myth #4: “It’s fine to give my credit card number for identification as long as I don’t authorize a charge.”

The truth: NEVER give your credit card number for identification purposes. For that matter, you need to guard all of your personal information like a ferocious tiger.

Unless you initiate the phone call, do not give your name, address, phone number, social security number, credit card number or driver's license number to anybody. All of this information can cause your identity to be stolen or worse.

Myth #5: "If I pay off a debt or cut up a credit card, this information is removed from my credit report."

The truth: When you pay off a past due debt it actually restarts the time period that it can be reported in your credit history. Cutting up a credit card does not close the account. You must call the credit card bank to close an account under all circumstances.

Then there's the Urban Credit Legend

Urban legends are just a fact of computer life. There are the old ones that have been around for years and new ones that pop up everyday. It's the modern version of gossiping over the back yard fence and most of them are false but harmless. When it comes to the urban legends about credit they really, however, they are harmful.

"You can pick a lock with a credit card" may be true but it's a bad idea...you could mess up the card. Use a butter knife or a piece from a plastic milk bottle. But what were you trying to pick a lock for anyway?

These are a few urban legends that can hurt you.

Legend: Cutting up a credit card closes the account.

Wrong! You must call the lenders phone number on the back of the card to cancel the account...so piece that card back together and get the phone number, make the call and cancel the account.

Legend: Closing an account removes it from your record.

Wrong! Credit reporting agencies are a rather unforgiving lot and they have memories like proverbial elephants. Accounts remain on your credit report for seven years even the ones you have closed.

Legend: Even good credit information drops off your report after seven years.

Wrong! Unlike humans, credit reporting agencies remember the good stuff forever (even if the accounts are closed) and forget the bad stuff after seven years. Unless, of course, you believe this

Legend: Paying off an old delinquent account improves your credit.

Wrong! Paying off an old delinquent debt actually starts that seven year clock ticking again.

Legend: Car dealers need to run your credit before you take a test drive.

Wrong! This is a fast one pulled by those super duper 60-day wonder salesmen. Don't believe a word of it. You have not yet applied to buy anything and there is no reason for to check your credit until or IF that time comes.

Credit Card Banks really are Out to Get You

Their objective is to make as much money off you as they possibly can legally. It isn't your imagination and you aren't being cynical. They are out to get you and its getting worse by the day.

In 1978 there were fifty credit card issuing companies that accounted for 50% of the credit card market. Today there are only four companies that control 65% of the same market. Those four are American Express, Bank of America, Citigroup, and JP Morgan Chase. MBNA was the fifth but it has just been gobbled up by Bank of America. Less competition is never good news for consumers.

Already these giants sign you up for card with a 0% introductory offer and then that rate goes up quickly and steeply. In that itty-bitty fine print you didn't read it says that the credit card company can do that with only a 15day notice. The period between a purchase and the time your interest starts is no longer 30 days either.

It's been shrinking at an alarming rate. The fees you are charged for paying the bill late or going over your credit limit have exploded. The average penalty rate is around 24% but some are as high as 35%. Yes, the lack of any serious competition between credit card companies is hurting all of us.

What is a consumer to do? We are a nation addicted to plastic spending. When we make a purchase we just automatically reach for a credit card to pay for it. We use them to buy groceries, pick up our laundry and buy a hamburger. We need to break this bad habit, over-come this addiction and start using our credit cards wisely.

Suggestion: cash a check at the bank and pay cash for everyday purchases. Use your credit cards only when necessary and avoid paying high interest and fees.

Finding Out Your Credit Rating

You can find out what is in your credit report. Usually there is a small fee involved but not always. Banks and other lending institutions use the information in your credit report to decide whether or not to make you a loan and what interest rate to charge you so having a good credit report is important. So, you ask, what exactly is in my credit report?

The answer is: everything that matters.

Your name, current address and phone number and marital status are there of course. The name of your current employer, your current income and your employment history is there, as well.

All of your debts and your payment history, any loans you have defaulted on, the total of all debt on credit cards, bank loans and mortgages are included. If you have had any judgments against you in court, those will be there.

Lending institutions view this information in different ways. Some place more importance on one thing... some on another.

They all combine the information on your credit report with the information on your loan application and come up with a credit score number. If that number is below what they have set as acceptable they will do one of two things:

1. Deny your Loan Application, or
2. Make the loan at a higher interest rate.

When shopping around for credit do all the research about the lending institutions that you are considering as you can.

Every time you make an application for a loan, whether you obtain the loan or not, that information will be included in your credit report. If there are too many applications for loans in your report, lending institutions see that as a red flag.

Attention! The information in this manual is NOT financial advice. It is information only and should be considered as such.

Estate Planning at its Simplest

Even just a few years ago, estate planning was a matter handled in the brick and mortar world for our assets, which existed in the brick and mortar world.

However, so many of us now have assets that exist out there in cyber space like online businesses, bank accounts, stock accounts, etc.

Without the knowledge that these things exist and the passwords to access them, they will be lost to our heirs unless we include them in our estate plan and give the information for accessing them to our executors. Our computers can also have more value than just the value of the machine if things are stored on it.

A professional journalist or photographer for example may have articles or pictures stored that can be sold. Nobody, however, will know how to access these things unless we leave instructions for finding them after our inevitable death.

Laws covering digital assets lag far behind and will continue to do so for years to come so the best thing we can do is take care of them with our estate planners, executors and in our wills.

First, create separate email accounts for your online business and your personal business and make sure that your executor has the passwords to access your business email account. If you have sensitive personal information stored online, you can arrange for your executor to delete it upon your death.

Doing something as simple as writing down the information about your online business, bank accounts, stock accounts, etc. and including passwords, putting it

into an envelope and marking it, “to be opened only after my death”, and giving it to your executor could solve the problem.

Make provisions in your will to renew URL’s after your death. You wouldn’t want your heirs to lose myfamilybiz.com because nobody knew it was time to renew your subscription and, also, make provisions to pay your suppliers and/or employees for your online business.

The Objective of Estate Planning

When you go to an estate planner you need to think about what it is that you really want this estate plan to say about you.

Choosing the right estate planner is vital to this process. When you first meet with a potential estate planner, ask him what he thinks his job description is where you are concerned. If he says, “To save you as much in taxes as I can” keep looking. This isn’t the planner for you.

The Mayo clinic says that the real end-of-life questions are:

- What is the meaning of life?
- Did I make a difference in the world?
- What is my legacy to my family?

When you approach making your estate plan with these questions uppermost in your mind, you will make the estate plan that is right for you.

Tip: Avoid lawyers and estate planners who define estate planning as saving taxes. Look for a professional who is not only technically proficient, but who also

understands the human nature of estate planning and will consider your life wishes before tax saving strategies.

The estate planner you choose needs to be able to focus on your goals. It is certainly the responsibility of an estate planner to discuss tax effects of decisions we make, but their first duty is to understand what our desires are and then guide us to the best decisions to achieve our goals with the tax repercussions a distant second.

Taxes are too often the overriding factor in planning and we want planners who focus on our legacies.

Our estate plans are what will be left for our heirs...and our heirs are our families and friends. We want them to remember who we were and what we thought was most important... not by how much we paid or avoided in taxes.

Making a Will

Making a will is the first step in estate planning. Where do you start? You start by making a list of the people and organizations you want to remember in your Will. You, of course, want to provide for your dependents first but then you can get as creative as you wish.

You can give items that are meaningful to family members or friends, honor a colleague or arrange gifts to organizations or charities that you believe in. Prepare the list and include addresses, phone numbers and Social Security numbers if you have them. Be accurate. Clearly identify not only people but organizations.

Many organizations have similar names so contact the organizations or charities and get specific information about their identifying names and addresses.

You will need to choose an executor or executrix to settle your estate and carry out your wishes. Choose this person or persons with care. You might want to name a family member and a lawyer or a bank or trust company. The executor's role is to file tax returns, invest assets, and setting values and selling property.

The job, also, includes submitting the Will for probate, safeguarding assets, paying your debts and distributing the remainder according to your wishes. The executor is entitled to a reasonable fee from your estate because the job is time consuming. Your executor should:

1. Be Trustworthy
2. Be willing and have the time
3. Be impartial to all beneficiaries
4. Have some business sense
5. Have some knowledge of estate law
6. Be younger than you

You should name an alternate executor in case the person you name dies before you and you should ask the person if they are willing and able to accept the responsibility.

Now that your decisions are made, the final step is to make an appointment with an attorney and have him write your Will according to your wishes. If you haven't written your Will, do so today.

How to Find the Right Estate Planner

Estate planners who charge little or nothing for their services should be avoided. It is most likely that they are making money for themselves by earning commissions on the investment products they recommend.

The estate planner you choose should be objective and offer more than just investment strategies and financial planning advice. You should ask questions before choosing your estate planner and the answers should plain to you...no beating around the proverbial bush.

Ask if he or she has worked with clients like yourself. I.e. If you are a teacher, has he/she worked with teachers? Has he/she worked with people who have your income level? Has he/she worked with people who share your goals? You are looking for an estate planner who has the experience you need to tap into.

Ask if he or she keeps up with relevant legislation, such as income tax laws, family law, and changes in probate regulations. These things change and the changes will affect the best course you should pursue over time.

Ask how he or she sets fees and earns income. Does he/she sell life insurance, mutual funds or other investment products? If this estate planner does, keep looking. You want objectivity.

Tell him or her that you want to set time lines and ask how he/she can help you meet those deadlines.

Ask if he or she can refer you to other professionals if the need arises... lawyers and accountants for example. Your estate plan is based upon many things that your attorney or your accountant handles for you.

The estate planner needs to be able to work with and consider information provided by these other professionals so that your estate plan is based on your needs and goals and changed as your situation changes.

Choose carefully and wisely.

Household Planning

That one really IS a “no brainer” and I hate that term. But think about it. In return for paying your rent, you get a place to live and a receipt.

In return for making a house payment, you get a place to live and acquire some personal worth in the form of equity. Buying a house is not out of the question for most people any longer.

The largest obstacle between renters and owning their own homes in the past has been the huge down payment requirements. While renters slowly squirrel away money, property values and mortgage rates climb and climb. Many people have spent years saving for that down payment without making a lot of progress but times have changed.

There are a lot of home loan programs available and down payments are less important now than they used to be. Many require only one to five percent of the down payment to come from the borrower’s own funds and some home loan products don’t require a down payment at all.

Of course a 20 percent down payment means that private mortgage insurance won’t be required but saving that much might be more of a challenge than a borrower can overcome.

A loan consultant can help to determine how much house a borrower should buy and what loan product would best suit their individual needs.

For low-income families there are non-profit organizations dedicated to affordable housing and offer payment assistance programs. In the early 1990s federal housing laws were changed to allow the non-profit groups to help low-income families fund down payments, closing costs and other upfront cash requirements.

The key for potential home buyers is to get as much information as possible prior to buying a home.

They can be sure to buy a property they can afford, improve their credit history so that they can get a better interest rate, and start to build a long term wealth potential for their family.

How to Add Value to Your Home Even Before It's Built

The time has come and now you are ready to have that new house built. It's a very exciting time but you need to make an important decision before the slab is even poured to be sure you are building in value.

That one thing is permanent **termite control**. This can add value to your home now and in all the years to come... right up until the day you decide the time has come to sell.

Termite control isn't a usual topic discussed between buyers and builders.... maybe it should be. When a house becomes infested with termites the value decreases dramatically and could make it undesirable to home buyers.

I am not a paid spokesman for this process and have no connection to it at all but I like it and think it is a great innovation. The system was developed by Impasse Termite systems.

It is a wall-to-wall termite protection built into the slab of a new home. It prevents termites from entering around plumbing and electrical pipes forever. It is applied before the slab is poured and the concrete is poured directly on top of it.

Impasse Termite Products are designed from a multi-layer “sheet” with an effective termiticide “locked in” between the layers. This innovative “lock-in” makes it an environmentally favorable product.

You only have one opportunity to add this value to your new home and that is before it is built so talk to your builder about this termite protection and protect the largest single purchase you will ever make... your new home.

Hidden Value in Your Life Insurance

The economy is tough right now, to say the least. We almost hate to open our mutual fund statements or go online to check the current value of our stocks and bonds because they seem to be headed straight down.

There is one asset, however, that may be worth more than you think it is and that is your **life insurance policy**.

A life insurance policy is an asset that can be turned into cash. There is now a secondary life insurance market in today's marketplace.

Institutionally funded provider companies purchase policies from seniors that they no longer want or need.

We, as seniors, can go through what is called a "life settlement valuation" to determine the value of our policies.

This is not for everyone but it could be right for you.

A life settlement only works if the insured person is 65 years old or older and the minimum face value of the policy is \$100,000.00 ... and some companies will only purchase policies with face values of \$250,000.00.

Men who are 75 and women who are 78 and own policies with face values of one to 10 million dollars are more likely to get solid purchase offers.

You will need to verify that the policies are in effect, assess the reasons why the policies were purchased and then decide if the reasons are still valid, hire a licensed life settlement broker and then evaluate the offers that are received.

This whole process usually takes 4 to 12 weeks depending upon the complexity of the policy and medical history of the insured.

It takes all of 30 minutes to complete the forms and about an hour to be educated to be able to convert this previously overlooked asset into cash. That might be an hour and a hold well spent.

Foundation in Investing

When it comes to investing, many first time investors want to jump right in with both feet. Unfortunately, very few of those investors are successful. Investing in anything requires some degree of skill. It is important to remember that few investments are a sure thing – there is the risk of losing your money!

Before you jump right in, it is better to not only find out more about investing and how it all works, but also to determine what your goals are. What do you hope to achieve with your investments? Will you be funding a college education? Buying a home? Retiring?

Before you invest a single penny, really think about what you hope to achieve with that investment. Knowing what your goal is will help you make smarter investment decisions along the way!

Too often, people invest money with dreams of becoming rich overnight. This is possible – but it is also rare. It is usually a very bad idea to start investing with hopes of becoming rich overnight. It is safer to invest your money in such a way that it will grow slowly over time, and be used for retirement or a child's education.

However, if your investment goal is to get rich quick, you should learn as much about high-yield, short term investing as you possibly can before you invest.

You should strongly consider talking to a financial planner before making any investments. Your financial planner can help you determine what type of investing you must do to reach the financial goals that you have set. He or she

can give you realistic information as to what kind of returns you can expect and how long it will take to reach your specific goals.

Again, remember that investing requires more than calling a broker and telling them that you want to buy stocks or bonds. It takes a certain amount of research and knowledge about the market if you hope to invest successfully.

Why You Should Invest

Investing has become increasingly important over the years, as the future of social security benefits becomes unknown.

People want to insure their futures, and they know that if they are depending on Social Security benefits, and in some cases retirement plans, that they may be in for a rude awakening when they no longer have the ability to earn a steady income. Investing is the answer to the unknowns of the future.

You may have been saving money in a low interest savings account over the years. Now, you want to see that money grow at a faster pace. Perhaps you've inherited money or realized some other type of windfall, and you need a way to make that money grow. Again, investing is the answer.

Investing is also a way of attaining the things that you want, such as a new home, a college education for your children, or expensive 'toys.' Of course, your financial goals will determine what type of investing you do. If you want or need to make a lot of money fast, you would be more interested in higher risk investing, which will give you a larger return in a shorter amount of time.

If you are saving for something in the far off future, such as retirement, you would want to make safer investments that grow over a longer period of time.

The overall purpose in investing is to create wealth and security, over a period of time. It is important to remember that you will not always be able to earn an income...you will eventually want to retire.

You also cannot count on the social security system to do what you expect it to do. As we have seen with Enron, you also cannot necessarily depend on your company's retirement plan either. So, again, investing is the key to insuring your own financial future, but you must make smart investments!

Determine Your Risk Tolerance

Each individual has a risk tolerance that should not be ignored. Any good stock broker or financial planner knows this, and they should make the effort to help you determine what your risk tolerance is.

Then, they should work with you to find investments that do not exceed your risk tolerance.

Determining one's risk tolerance involves several different things. First, you need to know how much money you have to invest, and what your investment and financial goals are.

For instance, if you plan to retire in ten years, and you've not saved a single penny towards that end, you need to have a high risk tolerance – because you will need to do some aggressive – risky – investing in order to reach your financial goal.

On the other side of the coin, if you are in your early twenties and you want to start investing for your retirement, your risk tolerance will be low. You can afford to watch your money grow slowly over time.

Realize of course, that your need for a high-risk tolerance or your need for a low risk tolerance really has no bearing on how you feel about risk. Again, there is a lot in determining your tolerance.

For instance, if you invested in the stock market and you watched the movement of that stock daily and saw that it was dropping slightly, what would you do? Would you sell out or would you let your money ride?

If you have a low tolerance for risk, you would want to sell out... if you have a high tolerance, you would let your money ride and see what happens. This is not based on what your financial goals are. This tolerance is based on how you feel about your money!

Again, a good financial planner or stock broker should help you determine the level of risk that you are comfortable with, and help you choose your investments accordingly.

Your risk tolerance should be based on what your financial goals are and how you feel about the possibility of losing your money. It's all tied in together.

Important! Stabilize Your Current Situation Before You Invest

Before you consider investing in any type of market, you should really take a long hard look at your current situation. Investing in the future is a good thing, but clearing up bad – or potentially bad – situations in the present is more important.

Pull your credit report. You should do this once each year. It is important to know what is on your report, and to clear up any negative items on your credit report as

soon as possible. If you've set aside \$25,000.00 to invest, but you have \$25,000.00 worth of bad credit, you are better off cleaning up the credit first!

Next, look at what you are paying out each month, and get rid of expenses that are not necessary.

For instance, high interest credit cards are not necessary. Pay them off and get rid of them. If you have high interest outstanding loans, pay them off as well.

If nothing else, exchange the high interest credit card for one with lower interest and refinance high interest loans with loans that are lower interest. You may have to use some of your investment funds to take care of these matters, but in the long run, you will see that this is the wisest course of action.

Get yourself into good financial shape – and then enhance your financial situation with sound investments. It doesn't make sense to start investing funds if your bank balance is always running low or if you are struggling to pay your monthly bills.

Your investment dollars will be better spent to rectify adverse financial issues that affect you each day.

While you are in the process of clearing up your present financial situation, make it a point to educate yourself about the various types of investments.

This way, when you are in a financially sound situation, you will be armed with the knowledge that you need to make equally sound investments in your future.

Determining Where You Will Invest

There are several different types of investments, and there are many factors in determining where you should invest your funds.

Of course, determining where you will invest begins with researching the various available types of investments, determining your risk tolerance, and determining your investment style – along with your financial goals.

If you were going to purchase a new car, you would do quite a bit of research before making a final decision and a purchase. You would never consider purchasing a car that you had not fully looked over and taken for a test drive. Investing works much the same way.

You will of course learn as much about the investment as possible, and you would want to see how past investors have done as well. It's common sense!

Learning about the stock market and investments takes a lot of time...but it is time well spent. There are numerous books and websites on the topic, and you can even take college level courses on the topic – which is what stock brokers do. With access to the Internet, you can actually play the stock market – with fake money – to get a feel for how it works.

You can make pretend investments, and see how they do. Do a search with any search engine for 'Stock Market Games' or 'Stock Market Simulations.' This is a great way to start learning about investing in the stock market.

Other types of investments – outside of the stock market – do not have simulators. You must learn about those types of investments the hard way – by reading. As a potential investor, you should read anything you can get your hands on about investing...but start with the beginning investment books and websites first.

Otherwise, you will quickly find that you are lost.

Finally, speak with a **financial planner**. Tell them your goals, and ask them for their suggestions – this is what they do! A good financial planner can easily help you determine where to invest your funds, and help you set up a plan to reach all of your financial goals.

Many will even teach you about investing along the way – make sure you pay attention to what they are telling you!

How Much Money Should You Invest?

Many first time investors think that they should invest all of their savings. This isn't necessarily true. To determine how much money you should invest, you must first determine how much you actually can afford to invest, and what your financial goals are.

First, let's take a look at how much money you can currently afford to invest. Do you have savings that you can use? If so, great!

However, you don't want to cut yourself short when you tie your money up in an investment. What were your savings originally for? It is important to keep three to six months of living expenses in a readily accessible savings account – don't invest that money! Don't invest any money that you may need to lay your hands on in a hurry in the future.

So, begin by determining how much of your savings should remain in your savings account, and how much can be used for investments. Unless you have funds from another source, such as an inheritance that you've recently received, this will probably be all that you currently have to invest.

Next, determine how much you can add to your investments in the future. If you are employed, you will continue to receive an income, and you can plan to use a portion of that income to build your investment portfolio over time.

Speak with a qualified financial planner to set up a budget and determine how much of your future income you will be able to invest. With the help of a financial planner, you can be sure that you are not investing more than you should – or less than you should in order to reach your investment goals.

For many types of investments, a certain initial investment amount will be required.

Hopefully, you've done your research, and you have found an investment that will prove to be sound. If this is the case, you probably already know what the required initial investment is.

If the money that you have available for investments does not meet the required initial investment, you may have to look at other investments. Never borrow money to invest, and never use money that you have not set aside for investing!

Retirement: It's All About Handling Your Golden Years

Planning for your retirement is an important part of your overall financial plan. Americans are living longer and longer yet saving less and less every year for those retirement years.

It's hard to think about reaching retirement age when you still have a growing family that has growing needs and you are watching the costs of sending them to college going up and up with no end in sight but you must think and plan for those retirement years starting now.

First you must determine what your income needs will be once you retire and enter your "Golden Years". Could it be 50% of what your income is now...or 75%? What expenses will continue and which ones will be reduced or eliminated entirely? Do you know?

It might seem ridiculous to go to a professional financial planner while you are still in your 30's and it's taking most of your income to just meet the monthly bills but you would be very wise to do that very thing. You need to make investments now to insure a secure financial future for you and your family. It isn't too early; don't let it become too late.

Your assets need to be diversified. Allocate your assets among cash reserves, bonds, annuities and stocks. Build a guaranteed income into your portfolio. Each person's situation is different.

Protect your assets with insurance. You, of course, must have health insurance, life insurance and your home needs to be insured, too, but you might, also, consider long term medical care insurance. If you buy into a long term care insurance plan at an early age, your premiums will be very low and your coverage will protect your assets when or if the time comes you need it.

Planning Ahead and Starting Now

Retirement may be a long way off for you – or it might be right around the corner. No matter how near or far it is, you've absolutely got to start saving for it now. However, saving for retirement isn't what it used to be with the increase in cost of living and the instability of social security. You have to invest for your retirement, as opposed to saving for it!

Let's start by taking a look at the retirement plan offered by your company. Once upon a time, these plans were quite sound. However, after the Enron upset and all that followed, people aren't as secure in their company retirement plans anymore. If you choose not to invest in your company's retirement plan, you do have other options.

First, you can invest in stocks, bonds, mutual funds, certificates of deposit, and money market accounts. (*This topic has been discussed in detail in another chapter.*)

You do not have to state to anybody that the returns on these investments are to be used for retirement. Just simply let your money grow overtime, and when certain investments reach their maturity, reinvest them and continue to let your money grow.

You can also open an Individual Retirement Account (IRA). IRA's are quite popular because the money is not taxed until you withdraw the funds. You may

also be able to deduct your IRA contributions from the taxes that you owe. An IRA can be opened at most banks.

A ROTH IRA is a newer type of retirement account. With a Roth, you pay taxes on the money that you are investing in your account, but when you cash out, no federal taxes are owed. Roth IRA's can also be opened at a financial institution.

Another popular type of retirement account is the 401(k). 401(k's) are typically offered through employers, but you may be able to open a 401(k) on your own. You should speak with a financial planner or accountant to help you with this.

The Keogh plan is another type of IRA that is suitable for self employed people. Self-employed small business owners may also be interested in Simplified Employee Pension Plans (SEP). This is another type of Keogh plan that people typically find easier to administer than a regular Keogh plan.

Whichever retirement investment you choose, just make sure you choose one! Again, do not depend on social security, company retirement plans, or even an inheritance that may or may not come through! Take care of your financial future by investing in it today.

Investment Vehicles You Can Use

Overall, there are three different kinds of investments. These include stocks, bonds, and cash. Sounds simple, right? Well, unfortunately, it gets very complicated from there. You see, each type of investment has numerous types of investments that fall under it.

There is quite a bit to learn about each different investment type. The stock market can be a big scary place for those who know little or nothing about investing. Fortunately, the amount of information that you need to learn has a direct relation to the type of investor that you are.

There are also three types of investors: conservative, moderate, and aggressive. The different types of investments also cater to the two levels of risk tolerance: high risk and low risk.

Conservative investors often invest in cash. This means that they put their money in interest bearing savings accounts, money market accounts, mutual funds, US Treasury bills, and Certificates of Deposit. These are very safe investments that grow over a long period of time. These are also low risk investments.

Moderate investors often invest in cash and bonds, and may dabble in the stock market. Moderate investing may be low or moderate risks. Moderate investors often also invest in real estate, providing that it is low risk real estate.

Aggressive investors commonly do most of their investing in the stock market, which is higher risk. They also tend to invest in business ventures as well as higher risk real estate. For instance, if an aggressive investor puts his or her

money into an older apartment building, then invests more money renovating the property, they are running a risk.

They expect to be able to rent the apartments out for more money than the apartments are currently worth – or to sell the entire property for a profit on their initial investments. In some cases, this works out just fine, and in other cases, it doesn't. It's a risk.

Before you start investing, it is very important that you learn about the different types of investments, and what those investments can do for you. Understand the risks involved, and pay attention to past trends as well. History does indeed repeat itself, and investors know this first hand!

Different Types of Bonds

Investing in bonds is very safe, and the returns are usually very good. There are four basic types of bonds available and they are sold through the Government, through corporations, state and local governments, and foreign governments.

The greatest thing about bonds is that you will get your initial investment back. This makes bonds the perfect investment vehicle for those who are new to investing, or for those who have a low risk tolerance.

The United States Government sells Treasury Bonds through the Treasury Department. You can purchase Treasury Bonds with maturity dates ranging from three months to thirty years.

Treasury bonds include Treasury Notes (T-Notes), Treasury Bills (T-Bills), and Treasury Bonds. All Treasury bonds are backed by the United States Government, and tax is only charged on the interest that the bonds earn.

Corporate bonds are sold through public securities markets. A corporate bond is essentially a company selling its debt. Corporate bonds usually have high interest rates, but they are a bit risky. If the company goes belly-up, the bond is worthless.

State and local Governments also sell bonds. Unlike bonds issued by the federal government, these bonds usually have higher interest rates. This is because State and Local Governments can indeed go bankrupt – unlike the federal government.

State and Local Government bonds are free from income taxes – even on the interest. State and local taxes may also be waived. Tax-free Municipal Bonds are common State and Local Government Bonds.

Purchasing foreign bonds is actually very difficult, and is often done as part of a mutual fund. It is often very risky to invest in foreign countries. The safest type of bond to buy is one that is issued by the US Government. The interest may be a bit lower, but again, there is little or no risk involved. For best results, when a bond reaches maturity, reinvest it into another bond.

Understanding Bonds

There are certain things you must understand about bonds before you start investing in them. Not understanding these things may cause you to purchase the wrong bonds, at the wrong maturity date. The three most important things that must be considered when purchasing a bond include the par value, the maturity date, and the coupon rate.

The par value of a bond refers to the amount of money you will receive when the bond reaches its maturity date. In other words, you will receive your initial

investment back when the bond reaches maturity. The maturity date is of course the date that the bond will reach its full value.

On this date, you will receive your initial investment, plus the interest that your money has earned. Corporate and State and Local Government bonds can be 'called' before they reach their maturity, at which time the corporation or issuing Government will return your initial investment, along with the interest that it has earned thus far. Federal bonds cannot be 'called.'

The coupon rate is the interest that you will receive when the bond reaches maturity. This number is written as a percentage, and you must use other information to find out what the interest will be. A bond that has a par value of \$2000, with a coupon rate of 5% would earn \$100 per year until it reaches maturity.

Because bonds are not issued by banks, many people don't understand how to go about buying one. There are two ways this can be done. You can use a broker or brokerage firm to make the purchase for you or you can go directly to the Government. If you use a brokerage, you will more than likely be charged a commission fee. If you want to use a broker, shop around for the lowest commissions!

Purchasing directly through the Government isn't nearly as hard as it once was. There is a program called Treasury Direct which will allow you to purchase bonds and all of your bonds will be held in one account, that you will have easy access to. This will allow you to avoid using a broker or brokerage firm.

Different Types of Stock

The different types of stock are what confuse most first time investors. That confusion causes people to turn away from the stock market altogether, or to

make unwise investments. If you are going to play the stock market, you must know what types of stock are available and what it all means!

Common Stock is a term that you will hear quite often. Anyone can purchase common stock, regardless of age, income, age, or financial standing. Common stock is essentially part ownership in the business you are investing in. As the company grows and earns money, the value of your stock rises.

On the other hand, if the company does poorly or goes bankrupt, the value of your stock falls. Common stock holders do not participate in the day to day operations of a business, but they do have the power to elect the board of directors.

Along with common stock, there are also different classes of stock. The different classes of stock in one company are often called Class A and Class B. The first class, class A, essentially gives the stock owner more votes per share of stock than the owners of class B stock. The ability to create different classes of stock in a corporation has existed since 1987. Many investors avoid stock that has more than one class, and stocks that have more than one class are not called common stock.

The most upscale type of stock is of course Preferred Stock. Preferred stock isn't exactly a stock. It is a mix of a stock and a bond.

The owner's of preferred stock can lay claim to the assets of the company in the case of bankruptcy, and preferred stock holders get the proceeds of the profits from a company before the common stock owners. If you think that you may prefer this preferred stock, be aware that the company typically has the right to buy the stock back from the stock owner and stop paying dividends.

When to Sell Your Stocks

While quite a bit of time and research goes into selecting stocks, it is often hard to know when to pull out – especially for first time investors. The good news is that if you have chosen your stocks carefully, you won't need to pull out for a very long time, such as when you are ready to retire.

But there are specific instances when you will need to sell your stocks before you have reached your financial goals.

You may think that the time to sell is when the stock value is about to drop – and you may even be advised by your broker to do this. But this isn't necessarily the right course of action.

Stocks go up and down all the time, depending on the economy...and of course the economy depends on the stock market as well. This is why it is so hard to determine whether you should sell your stock or not. Stocks go down, but they also tend to go back up.

You have to do more research, and you have to keep up with the stability of the companies that you invest in. Changes in corporations have a profound impact on the value of the stock. For instance, a new CEO can affect the value of stock. A plummet in the industry can affect a stock. Many things – all combined – affect the value of stock. But there are really only three good reasons to sell a stock.

The first reason is having reached your financial goals. Once you've reached retirement, you may wish to sell your stocks and put your money in safer financial vehicles, such as a savings account. This is a common practice for those who have invested for the purpose of financing their retirement.

The second reason to sell a stock is if there are major changes in the business you are investing in that cause, or will cause, the value of the stock to drop, with

little or no possibility of the value rising again. Ideally, you would sell your stock in this situation before the value starts to drop.

If the value of the stock spikes, this is the third reason you may want to sell. If your stock is valued at \$100.00 per share today, but drastically rises to \$200 per share next week, it is a great time to sell – especially if the outlook is that the value will drop back down to \$100.00 per share soon. You would sell when the stock was worth \$200.00 per share.

As a beginner, you definitely want to consult with a broker or a financial advisor before buying or selling stocks. They will work with you to help you make the right decisions to reach your financial goals.

Online Trading

The invention of the Internet has brought about many changes in the way that we conduct our lives and our personal business. We can pay our bills online, shop online, bank online, and even date online!

We can even buy and sell stocks online. Traders love having the ability to look at their accounts whenever they want to, and brokers like having the ability to take orders over the Internet, as opposed to the telephone.

Most brokers and brokerage houses now offer online trading to their clients. Another great thing about trading online is that fees and commissions are often lower. While online trading is great, there are some drawbacks.

If you are new to investing, having the ability to actually speak with a broker can be quite beneficial. If you aren't stock market savvy, online trading may be a dangerous thing for you. If this is the case, make sure that you learn as much as you can about trading stocks before you start trading online.

You should also be aware that you don't have a computer with Internet access attached to you. You won't always have the ability to get online to make a trade. You need to be sure that you can call and speak with a broker if this is the case, using the online broker. This is true whether you are an advanced trader or a beginner.

It is also a good idea to go with an online brokerage company that has been around for a while. You won't find one that has been in business for fifty years of course, but you can find a company that has been in business that long and now offers online trading.

Again, online trading is a beautiful thing – but it isn't for everyone. Think carefully before you decide to do your trading online, and make sure that you really know what you are doing!

Your Personal Investment Strategy

Because investing is not a sure thing in most cases, it is much like a game – you don't know the outcome until the game has been played and a winner has been declared. Anytime you play almost any type of game, you have a strategy. Investing isn't any different – you need an investment strategy.

An investment strategy is basically a plan for investing your money in various types of investments that will help you meet your financial goals in a specific amount of time. Each type of investment contains individual investments that you must choose from.

A clothing store sells clothes – but those clothes consist of shirts, pants, dresses, skirts, undergarments, etc. The stock market is a type of investment, but it contains different types of stocks, which all contain different companies that you can invest in.

If you haven't done your research, it can quickly become very confusing – simply because there are so many different types of investments and individual investments to choose from. This is where your strategy, combined with your risk tolerance and investment style all come into play.

If you are new to investments, work closely with a financial planner before making any investments. They will help you develop an investment strategy that will not only fall within the bounds of your risk tolerance and your investment style, but will also help you achieve your financial goals.

Never invest money without having a goal and a strategy for reaching that goal! This is essential. Nobody hands their money over to anyone without knowing what that money is being used for and when they will get it back! If you don't have a goal, a plan, or a strategy, that is essentially what you are doing! Always start with a goal and a strategy for reaching that goal!

The Importance of Diversification

“Don't put all of your eggs in one basket!” You've probably heard that over and over again throughout your life...and when it comes to investing, it is very true. Diversification is the key to successful investing. All successful investors build portfolios that are widely diversified, and you should too!

Diversifying your investments might include purchasing various stocks in many different industries. It may include purchasing bonds, investing in money market accounts, or even in some real property. The key is to invest in several different areas – not just one.

Over time, research has shown that investors who have diversified portfolios usually see more consistent and stable returns on their investments than those who just invest in one thing. By investing in several different markets, you will actually be at less risk also.

For instance, if you have invested all of your money in one stock, and that stock takes a significant plunge, you will most likely find that you have lost all of your money. On the other hand, if you have invested in ten different stocks, and nine are doing well while one plunges, you are still in reasonably good shape.

A good diversification will usually include stocks, bonds, real property, and cash. It may take time to diversify your portfolio. Depending on how much you have to

initially invest, you may have to start with one type of investment, and invest in other areas as time goes by.

This is okay, but if you can divide your initial investment funds among various types of investments, you will find that you have a lower risk of losing your money, and over time, you will see better returns.

Experts also suggest that you spread your investment money evenly among your investments. In other words, if you start with \$100,000.00 to invest, invest \$25,000.00 in stocks, \$25,000.00 in real property, \$25,000.00 in bonds, and put \$25,000.00 in an interest bearing savings account.

How to Choose the Right Broker for You

Depending on the type of investing that you plan to do, you may need to hire a broker to handle your investments for you. Brokers work for brokerage houses and have the ability to buy and sell stock on the stock exchange. You may wonder if you really need a broker. The answer is yes. If you intend to buy or sell stocks on the stock exchange, you must have a broker.

Stockbrokers are required to pass two different tests in order to obtain their license. These tests are very difficult, and most brokers have a background in business or finance, with a Bachelors or Masters Degree.

It is very important to understand the difference between a broker and a stock market analyst. An analyst literally analyzes the stock market, and predicts what it will or will not do, or how specific stocks will perform. A stock broker is only there to follow your instructions to either buy or sell stock...not to analyze stocks.

Brokers earn their money from commissions on sales in most cases. When you instruct your broker to buy or sell a stock, they earn a set percentage of the transaction. Many brokers charge a flat 'per transaction' fee.

There are two types of brokers: Full service brokers and discount brokers. Full service brokers can usually offer more types of investments, may provide you with investment advice, and is usually paid in commissions. Discount brokers typically do not offer any advice and do no research – they just do as you ask them to do, without all of the bells and whistles.

So, the biggest decision you must make when it come to brokers is whether you want a full service broker or a discount broker. If you are new to investing, you may need to go with a full service broker to ensure that you are making wise investments. They can offer you the skill that you lack at this point. However, if you are already knowledgeable about the stock market, all you really need is a discount broker to make your trades for you.

Investing Mistakes to Avoid

Along the way, you may make a few investing mistakes, however there are big mistakes that you absolutely must avoid if you are to be a successful investor. For instance, the biggest investing mistake that you could ever make is to not invest at all, or to put off investing until later. Make your money work for you – even if all you can spare is \$20 a week to invest!

While not investing at all or putting off investing until later are big mistakes, investing before you are in the financial position to do so is another big mistake. Get your current financial situation in order first, and then start investing. Get your credit cleaned up, pay off high interest loans and credit cards, and put at least three months of living expenses in savings. Once this is done, you are ready to start letting your money work for you.

Don't invest to get rich quick. That is the riskiest type of investing that there is, and you will more than likely lose. If it was easy, everyone would be doing it! Instead, invest for the long term, and have the patience to weather the storms and allow your money to grow.

Only invest for the short term when you know you will need the money in a short amount of time, and then stick with safe investments, such as certificates of deposit.

Don't put all of your eggs into one basket. Scatter it around various types of investments for the best returns. Also, don't move your money around too much. Let it ride. Pick your investments carefully, invest your money, and allow it to grow – don't panic if the stock drops a few dollars. If the stock is a stable stock, it will go back up.

A common mistake that a lot of people make is thinking that their investments in collectibles will really pay off. Again, if this were true, everyone would do it. Don't count on your Coke collection or your book collection to pay for your retirement years! Count on investments made with cold hard cash instead.

Long Term Investments for the Future

If you are ready to invest money for a future event, such as retirement or a child's college education, you have several options. You do not have to invest in risky stocks or ventures. You can easily invest your money in ways that are very safe, which will show a decent return over a long period of time.

First consider bonds. There are various types of bonds that you can purchase. Bond's are similar to Certificates of Deposit. Instead of being issued by banks,

however, bonds are issued by the Government. Depending on the type of bonds that you buy, your initial investment may double over a specific period of time.

Mutual funds are also relatively safe. Mutual funds exist when a group of investors put their money together to buy stocks, bonds, or other investments. A fund manager typically decides how the money will be invested.

All you need to do is find a reputable, qualified broker who handles mutual funds, and he or she will invest your money, along with other client's money. Mutual funds are a bit riskier than bonds.

Stocks are another vehicle for long term investments. Shares of stocks are essentially shares of ownership in the company you are investing in. When the company does well financially, the value of your stock rises.

However, if a company is doing poorly, your stock value drops. Stocks, of course, are even riskier than Mutual funds. Even though there is a greater amount of risk, you can still purchase stock in sound companies, such as G & E Electric, and sleep at night knowing that your money is relatively safe.

The important thing is to do your research before investing your money for long term gain. When purchasing stocks you should choose stocks that are well established. When you look for a mutual fund to invest in, choose a broker that is well established and has a proven track record.

If you aren't quite ready to take the risks involved with mutual funds or stocks, at the very least invest in bonds that are guaranteed by the Government.

Taking Care of Your Finances for Generations

As this manual draws to a close, I'd like to share with you on how you can pass on your legacy and wisdom of managing your finances and it's none other than:

Teaching Your Child Financial Responsibility!

It's a tough old world out there and the sooner you start teaching your child about personal financial responsibility the better. Children can learn the basics about money at a very early age.

Start when he is about 3 years old. Take him to the grocery store and explain, often and in many ways, that the money you and your mate earn while you are away working is what pays for the food that you are buying. Give the child a small amount of money, let him choose something he wants and pay for it himself.

Begin giving him a small weekly allowance when he 6 or 7 years old. Get him a piggy bank and teach him to save first, spend second...and then wisely. Give him small chores that he can easily manage and attach doing the chores to receiving the allowance. In other words, help him come to the obvious conclusion that work equals income.

Do not hesitate to withhold the allowance if the chores are not done and let him suffer the consequences. Don't provide him with the ice cream cone that he would have bought with his allowance had he done the work.

Pick a date, such as his birthday, to increase his allowance and the chores required of him.

By the time he is 12 to 14 begin encouraging him to earn extra money by getting some jobs on his own...such as mowing the neighbors lawn and, also,

encourage him to save for things he would consider long term goals such as buying a car.

A part-time job should be considered by the time he is 16. Be sure it's not one that will interfere with his school work.

After he graduates high school and is ready to start college, get him a pre-paid credit card. Explain that you can add money to it as required but, also, explain that you will be able to see exactly how the money is being spent and there are limits.

In Closing

Here we are finally at the end of this exciting personal finance guide! I trust you now have what it takes to be in command of your money and stretch every dollar you have effectively.

Having said that, all the best in living a happier life with money working for you!

Recommended Resources

Recommended Resale Rights Membership

MasterResaleRights.com/club -- heres your chance to join one of the fastest new product turnaround memberships today. Why wait until the end of the month? MRR add a product as soon as they get it!

Recommended Reading

[Edmund Loh's 8 Profit-Pulling PLR Strategies That Really Work!](#) – unlock the secrets to making money with Private Label Rights using 8 totally unique, killer strategies!

[19 Internet Business Models](#) – eliminate guesswork and discover what makes the world go round for Internet Entrepreneurs and copy their success business systems for your own in a flash – low cost, high profit!

All-in-One E-Commerce Solutions

[SOLOBIS](#) – all-in-one solution comes with unlimited web hosting, domain name, unlimited auto responders, broadcast feature, custom web builder, file manager, link cloakers, JV manager, 500+ beautiful web templates, online support team, and many more. No HTML and programming knowledge required.

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