MANAGING YOUR MONEY

Get Your Finances In Shape: There's No Time Like The Present

(NAPSA)—Each year, millions of Americans vow to improve their financial habits. And, often, this resolve slips. With the demands of an ever-changing economic environment, it's a great time to take more control of finances.

"Making a firm plan is a good way to bring discipline to our best intentions," said Liam McGee, president, Bank of America Consumer Bank. "It jump-starts a process that inevitably leads us to decisions and actions that improve our financial well-being."

Here are examples of non-intimidating steps toward improved financial habits.

TAKE AN INVENTORY

According to financial planners at Bank of America, there is an easy, two-step process for taking a financial inventory.

Develop four lists:

1) What you have (savings, investments, assets)

2) What you make (all sources of income—wages, interest, dividends, pensions)

3) What you spend (every item you spend money on—translate this into monthly line items). You may want to carry a spiral notebook around for several weeks to really gauge what your daily expenses turn out to be.

4) What you owe (all loans, credit card balances, debts)

Look at what these lists reveal to you. First, are you making more money than you are spending? Second, look at the lists to see what three to five financial goals you need to set for yourself for the year.

CONTAIN YOUR SPENDING

Make sure that your level of spending is within your personal means. Consider the following to help you do so.

Create a budget. Use the list of your *actual* monthly spending (from your financial inventory) to develop what you *want* to be spending each month. This will yield your 2004 monthly budget. Be sure to figure in the money you'll need each month to meet your saving, investing and/or debt management goals.

Try on financial responsibilities. If you are thinking of financing $3,000 at a rate of 15 percent, it might be helpful to know that it will take you approximately 24 payments of $152 per month to pay off the principal and the interest.

UPDATE YOUR MONEY MANAGEMENT SKILLS

Here are a few more pointers from Bank of America:

Homeowners can use their homes to manage money. A home equity line of credit can fund home improvements; help you pay for school tuitions or medical expenses; finance a car and do much more. In most cases, the interest you pay can be tax-deductible. And, while you are researching lines of credit, consider checking your credit history for inaccuracies—contact the three major reporting agencies.

A home can be a good savings vehicle, particularly in times of lower interest rates. A person with a $136,000, 30-year, six percent interest mortgage on a $170,000 house or condo could save $75,944 in interest by paying an extra $200 per month on his/her mortgage. He or she would own the house 12 years sooner.

It's helpful to plan for taxes. Consider moving your taxable investments to tax-exempt or deferred plans in order to grow savings more quickly and to hedge against inflation. A taxable $10,000 investment earning five percent per year will reach $26,875 in 30 years. The same investment will yield $44,677 with tax exemption or deferral—a difference of more than 50 percent.

SAVE FOR THE UNEXPECTED & THE EXPECTED

It's important to resolve to save for life's unexpected emergencies—such as loss of a job, health emergencies and use of medical and auto insurance deductibles. Consider the updated guideline of saving six months of expenses, and don't forget to plan for the smaller items that also add up: groceries, gasoline and more.

It's also important to save for the expected or the inevitable, such as retirement. With retirement, it's never too early to start to save. If at age 35, you start saving $100 per month at six percent interest, you will have saved $101,000 by age 65. In contrast, waiting until age 40 will yield $32,000 less—$69,000 by age 65. Inflation only compounds the situation—in 10 years, a purchase that now costs $1,000 will cost $1,410.