



Taking Control Of Your Finances

(NAPSA)—Successful money management requires the ability to view finances from several perspectives, involving short-, medium- and long-term goals. To help you further enhance your money management skills, here are some tips:

- **Have a basic financial plan:** Your basic financial plan should detail your family's financial goals and the time frames in which you'd like to accomplish them—whether that means paying for a child's education, buying your first home or retiring at the age you'd like. Estimate how much money you'll ultimately need for each goal (including how long you'll need the money to last), then break down how much that means you'll need to save or invest each month.

- **Analyze your cash flow:** Before you can create a budget, or spending plan, for the future, you need to evaluate how you're living now by analyzing your cash flow—the money coming in and the payments going out. Positive cash flow means that your annual expenses are less than your income. For example, if your salary is \$50,000 and you spend \$45,000 over the course of the year, you have a positive cash flow of \$5,000. On the other hand, if you make \$50,000 and spend \$55,000, you have a negative cash flow of \$5,000. With a negative cash flow, you can't save for the future or pay down any debt you may have. The longer your cash flow is negative, the larger the problem grows.

- **Create a budget:** Start by analyzing your spending. Recording every purchase you make may make it easier to keep track of where your money is spent each month. According to the financial experts at HSBC, once you understand your spending patterns, you'll be better equipped to alter them so that you're on track for



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meeting your future financial goals. You may find, for example, that you could save more by making coffee at home instead of buying a cup on the way to work. "Creating and sticking to a budget is an important step in gaining control of your finances," said Loretta Abrams, senior vice president of Community Investment at HSBC North America.

- **Use financial filters and spending ratios:** Try running your expenses through two filters. The first separates fixed from variable expenses while the second separates essential from discretionary expenses, or needs from wants. Variable expenses and wants are often the two easiest places to cut back on spending and increase savings. You can also use a spending ratio to identify how much of your total income is going toward a particular expense. For example, if your income is \$60,000 and you spent \$20,000 on housing last year, divide what you spend on housing by your income to find the spending ratio. In this example, it would be 33 percent—well above the standard guideline for housing, which is 28 percent.

For more tips from HSBC on managing your money, visit www.yourmoneycounts.com.