



Money Wise

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Would you stroll into your favorite men's store today and buy a new \$334 suit without pausing a minute to consider whether it's also a good fit for your budget? Probably not. And most likely you wouldn't decide to treat yourself to a week of pampering at a luxury health spa without figuring whether your cash flow could accommodate the \$3,340 tab. Nor would you even think of plunking down \$33,400 for a luxury car without first determining what other big-ticket treats you'd have to forego.

Yet, like so many otherwise reasonable people, you probably wouldn't (or didn't) bother to develop a longterm budgetary strategy before assuming one of life's most profound, and costly, obligations--one guaranteed to set you back at least \$334,000. That's what it costs to raise a child born in 1993, according to the U.S. Department of Agriculture's Family Economics Research Group--and that's just for basic household expenditures from birth to age 17! A dramatic example, to be sure. But it underscores an equally dramatic point: most of us would take more care in spending \$334 on a suit than in committing \$334,000 to raising a child!

Whether the financial decision du jour concerns a child, a house or that overdue vacation, so many of us plunge ahead on automatic pilot, resigned to managing the momentary crisis and hoping for the best. No wonder we begin to feel our lives becoming nonthinking daily rituals that we are locked into--like trains rushing forward to unknown destinations on schedules we no longer control.

DESIGN YOUR LIFE Suppose you had the power to choose the destinations and set the schedule. Wouldn't that feeling of empowerment work wonders with your frame of mind?

Well, you do have the power--if only you'll use it! All it requires is that you take the time to set some priorities--short term, long term and in-between--and work out a budget that will keep you on course. In the process, you'll want to learn whatever you

can about financial planning, because that will provide a solid foundation for all your subsequent efforts.

To design your life successfully, you have to know what you want. Set some time aside, or grab it wherever you can, and consider: What do you want in the immediate future--one to five years? How about in the medium term--five to ten years? Long term--ten to 40? Where do you want to work? Who do you want in your life? A spouse? Kids? Do you want to live in a place with year-round sun or do you prefer the changing seasons? What does your ideal place look like? What does it feel like?

When you see it, and say it, it starts to become real. When you declare it, you are committed to it. Don't try to be reasonable. Go for it!

A Harvard University study conducted in the 1950s asked the graduating class what their goals were. Only 3 percent of the graduates could articulate their dreams. Twenty years later, at a reunion, the 3 percent who had originally declared their goals had outperformed the remaining 97 percent who hadn't been able to articulate what they wanted. to raise

You can't possibly arrive if you don't know where you're going. So start dreaming and declaring--and designing.

LIFE STAGES

To help you get acclimated, we'll look at examples of people at different stages of their lives. These are not 'typical' examples, because no lifestyle or financial plan is typical. You are unique. And your financial plan should be equally unique, designed to fit your individual needs and goals. But as you pick and choose among the scenarios and strategies presented, you'll be gaining valuable knowledge that will help you design your own financial future.

* Enroll in employer-sponsored benefit programs, including health and disability insurance and 401(k) savings plans.

* Pay yourself first--be certain to save some money out of each paycheck. Target 10-20% of each paycheck (after tax) as a minimum savings goal.

* Time and rate of return on your investments are the keys to your ultimate success in the attempt to accumulate wealth, with time being the most important.

* Set goals and objectives for your finances. Establish specific time frames and dollar amounts.

* Strive to save three months of living expenses for an emergency or a job change.

* Strike a healthy balance between conspicuous consumption and habits that signal the beginning of a lifetime of wealth accumulation.

* Limit yourself to two credit cards and use them only in emergencies or for necessities. Always pay off your full balance within 30 days.

Let's take a look at Alison. She has just graduated from a midwestern university with a degree in theater arts and moved to New York City hoping to be "discovered." After three years of struggling as an actress "way off" Broadway, Alison decided to shift her vision. The harsh reality was that she was spending more time slinging hash in the Stage Deli than singing her lungs out on a Broadway stage.

Alison started to redesign her life by packing up her playbills and heading back to the Midwest. She got a job with a major software company in sales and marketing, and even drew upon her acting skills in her role as a salesperson. Right away, she made a "wish list" of her goals.

Alison had not saved a penny during her first three years out of school. She was also just barely keeping up with the \$100 monthly payments on her student loans. At that rate, she'd have them paid off in seven more years. Fortunately, Alison's new employer paid her relocation expenses from New York, which, as it turned out, were minimal. And an unexpected tragedy ended up making her transition smoother. Shortly after Alison's arrival, her aunt Rose died and left her \$12,000. With some of this money, she was able to ...

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