

## Part Two

of a Two-Part Series

Good times with  
grandparents

# family life

NOVEMBER 1998

## Get Real!

### Facing Up to Your Family's Finances



#### Getting On Top of Your Money

Down through the ages until recently, finance was a no-brainer. People carefully counted their beads, pelts or sacks of grain, and the total pretty much told them how well they could expect to live. And there was one cardinal rule: If you did not have the wampum, you could not buy what wampum bought.

These days, however, money has become an abstraction. True, you still have wampum in the form of coins and bills, but most of the time you use many less tangible forms of money—checks and charge cards, automatic deposits and withdrawals.

That disconnection between what we really have and what the credit system allows us to buy has landed many of us in trouble. So where do you start? The point of departure has to be an analysis of how you are doing now. One way of telling if you are getting anywhere financially is to figure your net worth: what you own, minus your debts (see the worksheet on page 104). If the amount is an impressive string of zeros following a positive number, you are probably on the right track. If your net worth is less than you had hoped or close to negative territory, you need to analyze your current spending.

You can make this step easier by looking at a month's

spending. The regular monthly bills for the mortgage, telephone service, utilities and the car will be easy to exhume, but you should also include nonfixed spending, such as groceries, dry cleaning, clothes, children's music lessons and so on. You also need to go through your check register and Visa and MasterCard statements, as well as through your debit card receipts, to sort everything into various budget categories. Some checks will have been made out to "cash." If more than a fifth of your take-home pay is spent in cash transactions, keeping better records should be your first resolution. Budget experts say that you should, ideally, carry a notebook and keep track of all cash expenses for at least one month.

Finally, don't forget about those nonmonthly bills, warns Judy Lawrence, author of *The Budget Kit* (Dearborn Publishing, \$15.95) and *The Money Tracker* (\$14.95). These are the predictable but irregular bills that throw every budget into disarray: quarterly car insurance premiums, camp fees, back-to-school clothes. You should prorate them for each month.

Now comes the moment of truth. You must compare your expenditures with your income to identify any problems. The worst problem is debt. How much is too much? Well, you can con yourself into thinking you are managing well by paying the minimums on a batch of cards each month. Unfortunately, such juggling costs more than Pentagon overruns, says attorney John Ventura, author of *Beating the Paycheck to Paycheck Blues*. Ventura points out that if you pay the minimum on a \$1,700 balance (the average for many families) at prevailing interest rates, it will take you 22 years to whittle the bill down to nothing. And over that period, you will also have paid about \$1,600 in interest charges, effectively doubling the cost of the shirt or the dinner you charged in a moment of

by **Martys Harris**

photographs by **Marc Joseph** illustrations by **Peter Hoey**