

Stretching Your Paycheck - 01-27-2011

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Living from paycheck-to-paycheck is life for many families these days. It happens for many reasons but usually due to life changes like divorce, deep debt, a medical crisis or having bought “too much house” during the past years of low interest rates.

Here are some strategies that can help stretch the paycheck and provide some financial stability – or at least a healthier relationship with managing your money. These strategies won’t make you rich but they will create some financial security for you now and in retirement.

First, make a budget so you can measure your spending each month against it. To create a budget, write down everything you spend (and what it’s for) for a month. At the end of the month, highlight your mandatory expenses – like rent, mortgage, insurance, car payment, groceries. Total whatever’s not highlighted. That figure represents your discretionary spending and potential savings.

Second, save for unforeseen emergencies by building an emergency savings account to help break the paycheck-to-paycheck cycle. Fund it with a small amount regularly from your paycheck and add to it with a work bonus or any money gifts you receive. The goal is to have at least 3 to 6 months of living expenses in this account.

If you want to build a secure financial life – practice living on less than you make. Your debt should not exceed more than a third of your income. Your goal should be to set aside 10% of your gross income for retirement savings – starting in your 20s! Then the magic of compounding can really work for you.

For more ways to get in the right frame of mind to save money, check out my book “Mind Over Money Matters: It’s Your Money So Take It Personally”™ which is available for pre-order on Amazon <http://www.amazon.com/Mind-Over-Money-Matters-Personally/dp/0982758812/>

Here’s to your health and wealth.