

Two Cent Tips for Delaware

Two Cent Tips for Delaware is dedicated to providing information that will help you:

- \$ Save money
- \$ Stay hopeful
- \$ Manage your resources
- \$ Strengthen relationships
- \$ Connect to local resources

Receive Delaware's Two Cent Tips every month by sending an email to TwoCentTips@udel.edu with the word "subscribe" in the subject line.

Contents of this newsletter are developed by University of Delaware Cooperative Extension staff. We are dedicated to meeting the needs of individuals, families, and communities throughout Delaware through connections with university resources, knowledge, and research.

Your local Extension office can provide you with unbiased information to get you back in financial shape.

Call:

New Castle County:

302-831-1239

Kent County:

302-730-4000;

Sussex:

302-856-7303



May 2009 issue

A Note from Cooperative Extension Director Dr. Jan Seitz

Welcome to the first issue of *Two Cent Tips for Delaware*, a newsletter designed to help you find new ways to save money, cut household costs, connect to local resources and stay positive. It's part of Cooperative Extension's new *Call to Action*, a statewide effort to help Delawareans get through these challenging times together.

Don't forget that there's a silver lining in every storm cloud. Although my parents were of limited means, there was a benefit to the fact that they couldn't give me everything I wanted. At a young age, I learned the value of a dollar. I still remember my mother giving me a small sum of money for back-to-school shopping and how I was somehow able to stretch that money to buy everything I needed (if not necessarily everything I wanted).

Teach your children financial management skills that will serve them well in any economy, and at every stage of their lives. To get started, refer to Helping Your Kids Learn to Manage Money at <http://ag.udel.edu/extension/fcs/ResourcesforParents.htm>.

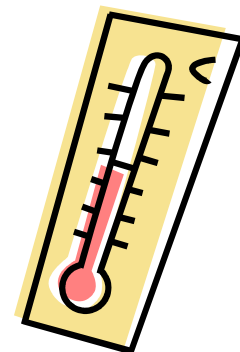
You'll be giving your children a priceless gift.

Best regards,
Jan Seitz

How's Your Financial Health?

Take this quiz prepared by Dr. Pat Barber, a family economics specialist with University of Delaware Cooperative Extension, to gauge how healthy your finances are:

1. If you have enough money to cover 6 times your monthly expenses in an emergency fund, add 20 points.
2. If you know and understand your FICO score, add 15 points.
3. If you save money out of each paycheck, add 20 points.
4. If, after the last time you received "extra" money, you added some to your savings account, add 20 points.
5. If you have a written spending plan, aka budget, and stick to it, add 5 points.
6. If you do not obtain a copy of your credit report regularly, subtract 5 points.
7. If more than 20 percent of your take-home pay goes to credit payments (excluding mortgage or rent), subtract 10 points.
8. If you always pay your bills on or before the due date, add 20 points.
9. If you set aside money in advance to pay for irregular expenses that are not paid monthly, such as car insurance, add 10 points.
10. If you always balance your checking account, add 15 points.



Very healthy = 100 points / Healthy = 75+ points / Sickly < 75 points = get help!

Making Dreams Come True – One Monthly Budget at a Time

By Maria Pippidis

Where do I want to be in two to three years? What will I have accomplished? Where have I been? Who will be around me? Most of us don't have a clear picture or vision when asked these questions. In my workshops, this is one of the exercises I conduct to get people thinking. Now that you've read these words, go ahead and do the exercise. Ask yourself: Where do you want to be in two to three years? Create a detailed picture in your brain of all those things, places, feelings, and symbols of accomplishment for you. Don't forget to put you in the picture.

For most people, when first invited to do this exercise, they reluctantly close their eyes. However, it doesn't take too long before I begin seeing smiles on their faces. They begin to see pictures of themselves accomplishing big and little dreams. Creating happy moments with family or spouses, visiting a place where they've always longed to go, finishing their degree, launching their children, building their retirement home...it goes on and on. When they open their eyes, I ask them to draw their vision, draw the pictures of their accomplishments or dreams. Stick figures are all that is necessary. You don't have to be an artist.

What this exercise does is get you to picture all those wishes, hopes, and dreams that, most of the time, never make it to reality. It's those wispy clouds of thoughts and dreams that get pushed aside by all the financial "have to's" in life. Sadly, I think this is where budgeting fails, because for many of us, our budget is built around the things we think we are supposed to do, instead of around the things we really want to do.

So how do you bring those dreams to reality? Once you have made the picture of your goals, it's time to transition them into something that fits into the budget. First, you need to clarify the picture by being as specific as possible, describe the goal as clearly as possible. What will it cost? What is the timeframe? Who will help you accomplish it? Is this an individual goal or family goal? Write it all down (words this time) and crunch the numbers: total estimated cost divided by number of months until you need the money to accomplish the goal. This will turn your dream into a monthly reality. This will help you allocate a specific amount of money per monthly budget for this dream.



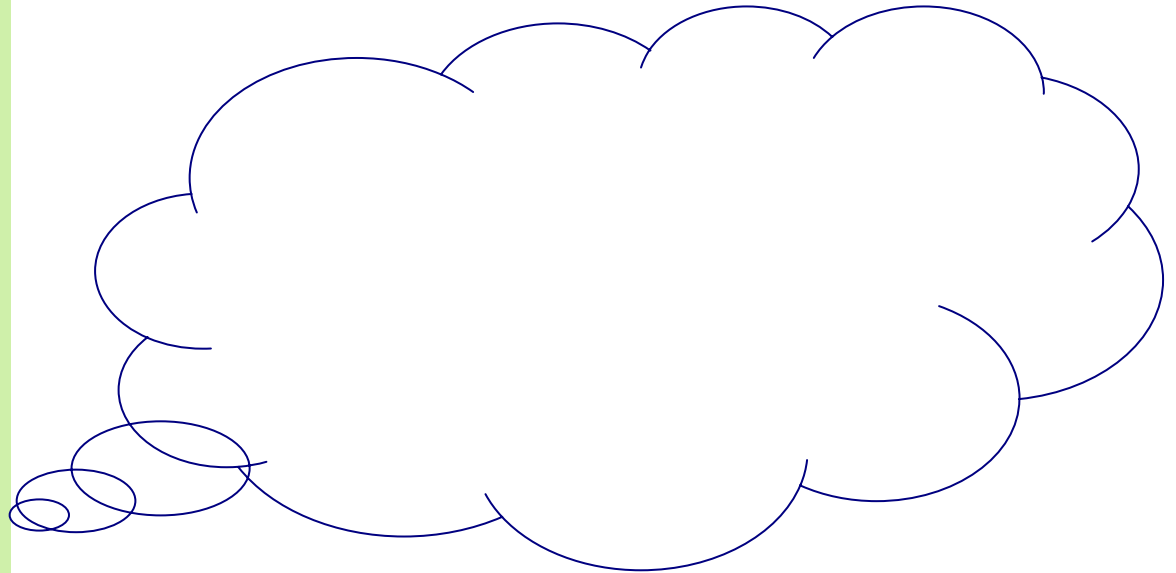
"If you don't know where you're going, any road will take you there." sung by George Harrison, "Any Road," *Brainwashed*, 2002

"The person who makes a success of living is the one who sees their goal steadily and aims for it unswervingly. That is dedication." Cecil B. DeMille

"A goal without a plan is just a wish." Antoine de Saint-Exupery

"The big secret in life is that there is no big secret. Whatever your goal, you can get there if you're willing to work." Oprah Winfrey, *O Magazine*

"You must be the change you wish to see in the world." Mohandas K. Gandhi



Envision where you'd like to be in two to three years and draw a picture.

SMART Goals

Create effective goals by using the SMART Goals tool. As you list them out be sure your goal moves from fuzzy wish to tangible steps you can take to make it happen:

Specific - be clear about what you want to happen. The more details the better you can plan.

Measurable - put costs and benchmarks with your goal so you know you are making progress

Achievable - We all like to dream big. When setting financial goals it's important to break them down into doable chunks. Be sure to align your financial goals with your other financial obligations so that you can succeed.

Realistic - your goals should fit into your financial and life plans. It's okay to overshoot a bit to motivate you but don't set your sights so high you'll get discouraged if you don't reach your goal.

Timeframe - understanding and setting realistic timeframes helps you to achieve your goals.

Timeframes may need to be altered in order to accomodate unexpected events and limited resources. But having timeframes helps to determine how much you need to put away each month to make your dream a reality.

Example:

From: I wish I had an emergency fund.

To: I want to have \$1,200 set aside for an emergency fund in 12 months. I can use \$400 from my tax refund and then put \$50 away each month in a dedicated savings account so I know I won't use it.

The next step is to sit down with your spouse and family members to mesh your goals together. Setting priorities is important. This is where effective budgeting can really help make things happen. As you work on your family budget, each person should put in his or her top three goals. The next step is to vote. Give each family member three sticky stars to vote for top priority spending categories.



Sometimes, spouses have similar goals like paying down debt or starting an emergency fund. This becomes easy to build into a budget because you're on the same page. If some of your goals differ, one strategy is to save up for more than one goal at a time. If the budget is too tight for that, stack the goals...this one first...then the next one. I had one family alternate their monthly contribution to the goal: This month the \$50 went to one goal, next month the \$50 went to goal number two, the next month it went to goal number one.

Developing the budget and voting with your priority stars allows you to determine what isn't so important. As you balance the budget, look to the places that didn't get the votes to free up money to support the goals. It's a lot easier to cut expenses for less important items and to save for the things you *really* want to achieve. Use this exercise to free up money to support goals and realign your spending habits.

If you don't have a budget yet, now is the time to start. If you already have a budget, now is the time to decide if it's really working for you or if it needs an overhaul. A budget is great if it's helping you save for retirement and pay off debts, but more important is whether or not it is also helping you reach your unique financial dreams.

Budgeting is a tricky thing. If used incorrectly, a budget will make you feel limited and feel that fun is unattainable. It can be a source of frustration and can sometimes be used by spouses to manipulate each other. It can trick you into thinking that large car and mortgage payments are necessities. Yet, once the list of goals is made, you may discover that payments on that new, expensive car are actually preventing you from reaching the financial goals that you really want out of life. If you need an excellent resource to develop/amend your budget, look to "Developing A Spending Plan :"

http://ag.udel.edu/extension/fcs/pdf/money_management/fm-m-01.pdf



GOAL	ESTIMATED COST TO COMPLETE GOAL A	NUMBER OF MONTHS TO ACHIEVE GOAL B	TO DO THIS, I WILL ALSO NEED	AMOUNT TO SAVE EACH MONTH A/B=

RESOURCE CORNER

The **Delaware Money School** provides free financial literacy programs throughout the state.

Whether it's basic budgeting or retirement planning, buying a home or leasing a car, this organization provides workshops that are unbiased and free to the public. Go to: www.delawaremoneyschool.com

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First State Saves is a program designed to promote and increase savings and the accumulation of wealth by individuals and families in Delaware. Through information and encouragement, this program assists people who wish to pay down debt, build an emergency fund, or save for a home, education, or retirement. Need a coach to help you work on your savings goal?

Then enroll now:

<http://www.firststatesaves.org/>

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Have you got a Two Cent Tip for Delawareans? Send us an email at: TwoCentTips@udel.edu with your favorite resources or savings tip. If we use it in our newsletter, you'll get credit and a special gift.

Special thanks to Carrie Finnie for cover design and Sandy Peralta for layout, editing, and web-mastering.

Eating on the Cheap Doesn't Have to Mean Instant Noodles

Don't be tempted to make inexpensive starches – like instant noodles – a significant part of your family's diet. Your taste buds will suffer but, more importantly, so will your body. It's possible to eat nutritiously on a budget. Here are some tips to help, from Extension Educator Maria Pippidis:

- **Eat in season.** Now's the time to enjoy fresh Delaware strawberries. But don't even think about buying strawberries in November. At that time of the year, they've been flown in from thousands of miles away and you'll pay much more for berries that don't have the just-picked freshness that they do now.
- **Pack brown-bag lunches.** You may already be making lunches for the kids; take an extra five minutes and make one for yourself. You'll save money while controlling ingredients and portion sizes. Say you don't have enough time? Then grab a low-fat yogurt, fresh fruit, nuts and/or a can of soup before you head out the door.
- **Don't always buy in bulk.** Sometimes it doesn't make sense to load up on huge portions. If an item is perishable, consider whether or not you'll be able to consume the bulk size in the requisite time frame. If you live in a single or 2-person household it could make more sense to get a few items from the salad bar than to buy a big bag of salad greens.
- **Buying in bulk – part 2.** You've snagged a great deal on a jumbo portion of a product that has a long shelf life. Great job; just make sure your family doesn't eat it all this weekend. One mother told us that in her house, jumbo-sized containers of granola bars were eaten just as quickly as the standard-sized boxes until she took to "hiding" the oversized bulk containers. Now she has enough granola bars for a month's worth of brown-bag lunches – at pennies a bar.



The Cost of Growing Up Goes Down

The average middle-income American family with two kids will spend \$11,500 annually on each child, according to the U.S. Department of Agriculture. Here are 5 easy ways to cut back:

1. Take part in a clothing swap with family or friends or with a local parents' group. Little kids outgrow their clothes before they wear out or become outdated.
2. Most of us remember cake and pin-the-tail-on-the-donkey as the focal point of our childhood birthday parties. These days, a birthday party often means an expensive trip to the bowling alley, play center or amusement park. Pay less by throwing a joint party with a family who has a child who shares the same birthday month as your child. And get creative about party locales – perhaps a community park will let you use its pavilion and grills for free.
3. Consider a childcare co-op with trusted neighbors and friends. Everyone takes a turn babysitting and everyone gets a night out – for free.
4. Find out if your employer offers a flexible spending account. An FSA allows you to put away pre-tax money to cover daycare, summer camp and other childcare-related expenses. You save a lot by spending this money before it's taxed.
5. Learn to say no. Kids who get everything also can get an attitude of entitlement – and will be ill-suited to handle economic hard times when they get older. Learn to say no to a plea for new shoes or a new shirt when your budget can't afford it.



To learn more about ways to save money, go to <http://ag.udel.edu/extension/fcs/index.php>