

Still in debt? You can still **save...** and should be!

Spending and debt must work in tandem with savings...find out how in this month's *Secrets of the Money Masters*...



CONNECT WITH US!

Check Out Our New Blog:

<http://blog.moneymastery.com/>

Join Our Online Community:

www.mymoneyplan.net

Meet us on [Twitter](#) and [YouTube](#)

Three Misconceptions About Savings that Could be Costing You Millions

Although times continue to be tough and resolving economic woes seems extremely complex, as we have noted previously, the answer to all financial problems lies in getting back to the basics. Over the last several months we have been exploring the basics in more detail by reviewing and re-examining the "Financial Puzzle." We began the new year with a fresh look at the spending piece of the puzzle and then went on to tie spending with debt. In this month's issue we will explore the savings piece of the puzzle and how it must work in tandem with both spending and debt.

"I'm still in debt...I can't possibly save any money." This concern is one of three common misconceptions about savings that end up derailing the best laid plans for staying in control of spending and ultimately eliminating debt

and avoiding getting back into it. Let's look at these three misconceptions in more detail and learn how to overcome them by changing the way we look at savings.

Misconception #1: Saving is money that is not to be spent. Actually, the truth of the matter is, as taught by Money Mastery® Principle 3, there is no such thing as “savings” since all money is to be spent. *What matters most is when and how you spend it.* Allocating money to savings is actually “spending” money by putting it aside to use at a later date for necessary needs and wants. Because your money is going to be entirely used up at some point, it is important to understand the concept of “delayed spending” so that you can be sure all of it will be spent in a way that will bring you and your loved ones the most satisfaction.

You can begin to look at savings as “delayed spending” by tracking your money (Principle 2) as we have already encouraged you to do in past issues. This will get your spending under control, which in turn will lead you to find more money. This is good, but it is not the end result! Now your focus must turn to what you are going to do with the newfound money. Usually what people do once they see that controlled spending brings in a surplus of funds is to consume that extra money the minute they get it. This is wrong. What they should do is “spend” this money into future spending categories so it will be available later when it is needed. Unfortunately, most people do not understand the importance of this concept. Instead they are seduced into believing the notion perpetuated by a consumer-oriented society that they can have everything they want right now and everything they will need and want later. The actual truth is that if you want to spend all your money on consumable goods and high interest credit cards purchases now, then you cannot assume you will have much of anything you will want in the future, including a secure retirement. At some point, we all have to make a choice: We can either prioritize the way we spend our money so that we will be prepared for upcoming events, or we can recklessly spend every extra penny and have nothing for the future. Remember...

You can have *anything* you want, you just can't have *everything* you want.

People who understand this concept know how to prioritize their spending so that they will be able to have the things they want and need right now, as well as what they will need and want later. This often requires them to learn how to prefer one area of spending over another so that they can have what is necessary in all areas of spending. For example, a man may feel that taking his wife and children out to eat twice a week is an important family activity. It's perfectly fine for this man to use his money this way if he wishes, but he must also realize that he may have to cut down on groceries and entertainment if he wants to have money available to “spend” for the future.

Perhaps eating out isn't as important to you as buying a new outfit every month. Naturally, the choice is up to you. *However, the key is that you must make a choice because it's impossible to have everything!* To help you make those choices, we highlighted in previous issues the importance of the spending piece and how to set up a spending plan and then track spending according to that plan (Principle 2). You should have created spending categories for such things as groceries, entertainment, and house payments. With these spending categories in place you should be able to see exactly where you spend money, what your priorities are, and what you truly value. The next step is to prioritize the spending of these funds by creating additional categories that will be used for “delayed” spending. Most people call these categories “savings accounts” but these savings categories should be viewed no differently than any other category in which you allocate funds for the month. *You must learn to pay yourself each month for savings just as you would pay the grocer when you buy food, or the credit card company when you pay your monthly bill.* When you get in the habit of paying yourself first, you will begin to acquire a cash surplus, which if used appropriately by applying the 10 Money Mastery® Principles, could ultimately be worth millions! The old adage, “save everything and spend only what you must!” certainly applies here and is sage advice for anyone who wants to create long-term wealth.

Misconception #2: Savings is something you do after you have paid all your bills for the month and have extra money lying around. Although paying yourself first by creating specific categories for savings (or delayed spending) sounds great to most people, many individuals resist “spending” into these categories because they labor under the delusion that the only people who can save are those who have no debt and lots of extra cash lying around. They often think, “I can't possibly save when all my money should be going to pay off debt and cover my bills!”

Are you one of these people? If so, we encourage you to change your way of thinking. You can begin to make that change by creating a spending plan and tracking your spending according to that plan. We have found, through years or coaching, that everyone who tracks their spending will find at least 1 percent of their gross monthly income that they have been using inefficiently that they can begin spending into savings instead. And what's more, they can continue to pay off debt while doing so.

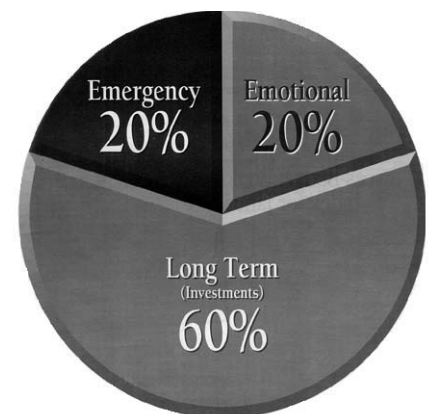
"Yes," you may be thinking, "but if I can only find 1 percent I'm not going to be saving much, maybe only \$40 or \$50 a month." That may be true, but it doesn't matter how little the initial amount may be. What's important is that you get started by getting into the habit of paying yourself every month and looking at savings as an expense. This expense is just as important to pay as your credit card bill or your house payment. As you pay yourself each month, your confidence will increase and your ability to manage and control your finances will be enhanced. This will help you realize how easy it can be to begin saving 2 percent, then 3, and ultimately 10 percent or more. The important thing to remember is that having savings categories provides important psychological benefits that help motivate you to stay on track with your spending and to continue to be motivated to pay off debt. This spending and debt control will ultimately lead to even more money that can be saved, which in the long-run could be worth millions!

Misconception #3: Long-term retirement is where all of my savings should be going. While you will need the most amount of money for retirement, there are two other categories of savings that cannot be neglected if you are going to stay on track with your spending and eventually eliminate all debt. You also need to be spending into an emergency and emotional savings category. Using the 60/20/20 Rule as a guide, plan to put 60 percent of your savings towards retirement, 20 percent towards emergencies, and 20 percent towards emotional needs. Following is a breakdown of these categories and why it's so important to spend into them:

Emergency Savings: The need for emergency savings (3-6 months gross income) is obvious, since life is unpredictable. We are bound to have problems that come at us out of the blue including illness, accidents, job loss, car repairs, worn-out appliances, etc. The key to dealing with these problems so we can avoid going into further debt and stick to our spending plan is to be prepared with money to meet these emergencies when they arise. Most people see the logic in this, but fail to take action to apply it to themselves, thinking that such things will not happen to them and procrastinating the inevitable. Then when such emergencies do occur, they deal with them using their credit card instead of finding money in their spending plan that they can allocate for these events. Without emergency savings, any plan to control spending or get out of debt is sure to fail.

Emotional Savings: No matter how disciplined we may be or how hard we may try, we all spend money for purely emotional reasons (Principle 1). This, in and of itself, is not a bad thing. It is simply something we should plan for. We have found over the years in working with our clients that people spend money for emotional needs whether they have the money or not. Saving money for emotional spending takes into consideration that there are many times we need to spend money for reasons that go beyond the categories we have assigned for basic daily survival. Sometimes we just need to have fun and should be prepared for that need! Emotional events are sure to occur just as emergencies are. Why not have "fun money" set aside expressly for this purpose so that instead of putting that emotional purchase on a credit card or spend money for it that was set aside to be used somewhere else, you simply spend money that you have allocated for that purpose? An emotional spending category is essential if you want to stay on track to eliminate debt and build up even more savings. Emotional savings is about having a positive, fruitful life which includes personal fun along the way!

We hope you are starting to see savings in a whole new way and can put your misconceptions about what it actually means to save aside. Understanding savings will help you be better equipped to handle the ups and downs of an unstable economy and to see how your own priorities affect your ability to save. Seeing the importance of saving while at the same time controlling spending and working to eliminate debt could be worth millions. Don't wait another day to experience the confidence and power that come from paying yourself first.



For more information, read *MONEY: What Financial "Experts" Will Never Tell You* available at Amazon.com or money-mastery.com and be sure to check out our new online community: www.mymoneyplan.net.

In next month's issue we will go into greater detail about the long-term retirement category and discuss the pros and cons of various retirement savings methods.

Hear it First from the Experts: Money Mastery® Co-founders Speak Their Minds

Peace in Today's Financial Recession

June 3, 2009 blog post by Alan Williams

I have clients that are doing very well in today's recession. How? They stay within their Master Plan.

When I mention the Master Plan in my seminars, I always get several questions about how to create a Master Plan, since most people seem to be horribly confused about how to plan their financial life due to the mishmash of conflicting information they read in today's popular press.

Financial mastery really is much simpler than most so called financial "experts" make it out to be.

Forget playing complex financial games on the stock market...at least for now. At least until you have your spending and debt under control. Forget planning for retirement if you can't find 1% of your monthly income you can save for emergency and emotional needs. Forget putting all your eggs in the 401(k) basket, especially if your employer isn't offering any matching funds and if your debt interest is costing you more than your 401(k) is earning in interest.

Forget all that for now...peace in today's turbulent economy comes from focusing on the basics so you can make a master financial plan. Creating that plan is much simpler to do than you may think.

Master planning your finances only has four components. When you know what they are and how they need to work together in harmony, everything comes together beautifully and SIMPLY!

Master Plan components: 1) control spending; 2) eliminate ALL debt; 3) reduce taxes; and 4) maximize savings.

That's it! When you focus on the fundamentals, then you will have the knowledge you need to determine what is important for you financially. You will then know how to decipher what is important and what is not that you hear from the mainstream media about what to do during this financial crisis.

Learn more at www.mymoneyplan.net.

The Fallacy of Government Incentive Checks...Encouraging Continued Poor Spending Habits

May 27, 2009 blog post by Alan Williams

My clients keep asking me what to do with the incentive check they have recently received from the federal government. I find these little so called "incentives" silly, especially since they are being sent out with the supposed intent to help stimulate the economy.

Families should spend their money based on their own terms as defined by their spending plan, not based on the federal government's encouragement to get out to the stores and shop. This stimulus money will do nothing to help the economy and only encourages the continued poor spending habits of millions of Americans.

I advise my clients who receive these checks to "spend" them into a specific category of their spending plan by either putting the money towards debt, spending it into emergency or emotional savings, or putting a bit of extra money on

a category that has been tight for them each month. How they ultimately spend the money should be based on what they find by creating a balanced spending plan.

Small Business Owners Should Not Put all Their Eggs in One Retirement Basket

March 29, 2009 blog post by Peter Jeppson

Many small business owners feel it is best if they put all their money back into the business.

Over the years, I see that the best decision is to diversify into others things rather than just in one place. While a small business may not have a lot of extra money, owners would do well to take a modest salary and have a surplus to establish an SEP or an IRA.

After all, if your business can not throw off at least this much money, you are not in a position to be a successful leader, and you are not going to set a good example for your employees.

What Is Money Mastery®

Money Mastery is a personal financial literacy and coaching program created by the founders of Time & Money, LLC, a service company specializing in the financial education of individuals, families, and companies both large and small.

The Money Mastery program is based on 10 Principles that allow people to get in complete control of their spending, debt, taxation, and savings. It's the only comprehensive financial management system that helps individuals and families take control of every aspect of their financial lives.

OUR PRIVACY POLICY: WE DO NOT SHARE SUBSCRIBER INFORMATION WITH ANYONE, EVER.

Secrets of the Money Masters is published monthly by Time & Money LLC.
Copyright 2009 by Time & Money, LLC
Editor: Suzanne Kimball Rekow



(888) 292-1099
www.moneymastery.com