

Are You Financially Fit?

Through practicing the basics of money management, most people can reach all their financial goals and be financially fit. Personal finances include everything from managing your daily household expenses to planning for retirement. Fortunately, you don't have to be an expert in all areas to achieve financial fitness.

Here are five basic steps to financial fitness:

I. Tracking your Spending

The first thing you need to do is keep track of your spending for at least one month. Track every cent you spend in order to see exactly where you are spending your money. The longer you can track spending the better. The purpose is to make sure that you are not spending more than you are making. If you are "in the red" then you will need to either cut expenses or increase income to balance your numbers.

II. Designing a Budget

This is the most important exercise to achieve your goals. Your budget needs to be reasonable to work for you. Some guidelines to designing a budget are:

- Expenses should never exceed income.
- Always include savings as a fixed monthly expense (the 10% rule is a good guideline).
- Remind yourself constantly of why you are following a budget. Budgets can become tools that ensure your money is used to acquire the things or reach the goals that are most important to you and your family.

III. Credit Spending

Credit, used wisely, can be a valuable financial tool. Credit that is misused can be a great source of stress for anyone. Advisors recommend that your credit accumulation does not exceed more than 15% of your net income. Again, by designing a realistic budget you can monitor how much credit you are able to afford.



IV. Evaluating Your Situation

Even the best money managers can be hit hard if there is an unexpected event such as a job loss or family emergency. In these circumstances you can find yourself in a position

where you cannot keep up with bills. There are professional credit counselors available to help if you see yourself getting to this point.

If you answer yes to any of the following questions, it may be time to speak to a professional counsellor:

- ✓ Are you consistently paying only the minimum due on your credit cards?
- ✓ Are you using credit and cash advances for items that you used to purchase with cash, such as groceries, gas and insurance?
- ✓ Are you charging more each month that you are making in payments?
- ✓ Are your bill payments late?

V. Setting Goals

It is important to set goals for what you want to do with your money. Goals should be short (1-2 years), mid (3-5 years) and long term (over 5 years). By achieving short term goals, you will gain the confidence that your long term goals are achievable as well.

Some examples of goals may include: getting out of debt, saving for a down payment on a home, and planning for retirement (before the ripe age of 80!).

In order to achieve financial fitness, try to follow these steps with determination and keep learning from your decisions. There are many excellent resources available to help you learn more about almost any financial topic that you can think of. So keep yourself informed and you will no doubt continue to learn.