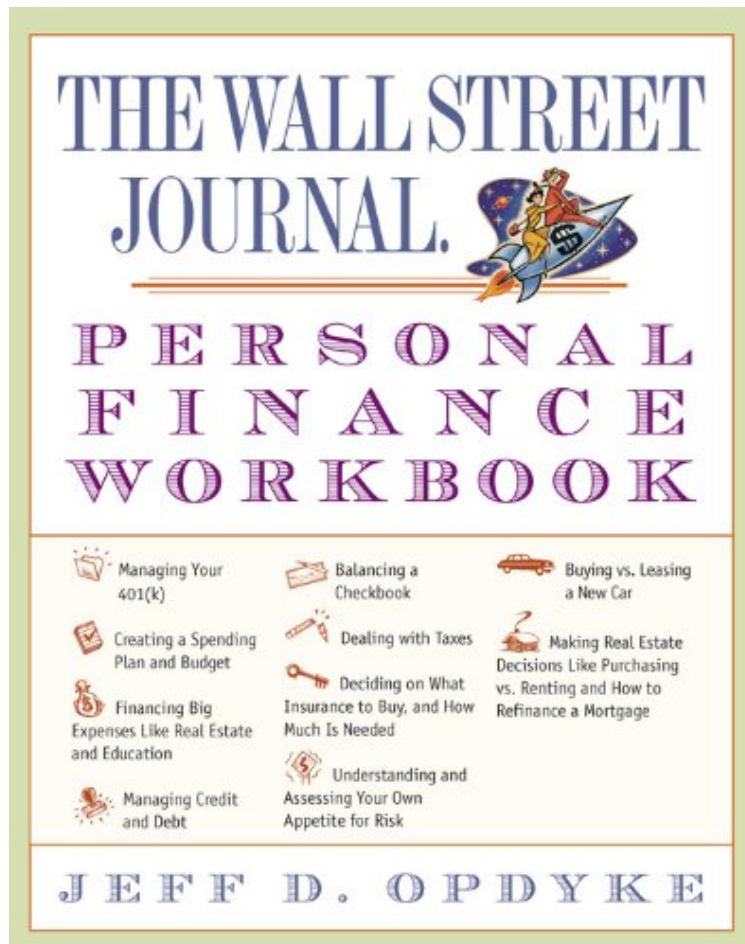


The Wall Street Journal. Personal Finance Workbook

Jeff D. Opdyke

*Download PDF | ePub | DOC | audiobook | ebooks



[Download](#)

[Read Online](#)

#933580 in eBooks 2009-02-04 2009-02-04 File Name: B000SEI7F8 | File size: 75.Mb

Jeff D. Opdyke : The Wall Street Journal. Personal Finance Workbook before purchasing it in order to gage whether or not it would be worth my time, and all praised The Wall Street Journal. Personal Finance Workbook:

0 of 1 people found the following review helpful. This was a giftBy CherylDThis was a gift for my son-in-law who loved it. Bought also the accompanying books from the Wall Street Journal.2 of 2 people found the following review helpful. Very HelpfulBy Busy mommaWe received this book as a wedding present and found it very helpful and easy to read. The book is very helpful for someone who wants to start getting their financial life in order. It starts with simple lessons like the importance of saving,tips for budgeting, and goes on to bigger issues like how to decide if you should buy a house. It is a good resource for people just starting on their own. A good graduation or wedding present.0 of 0 people found the following review helpful. Four StarsBy Andrea D LewisGood book - thanks

A hands-on, interactive guide to managing your monday and building your financial futureMany of the worksheets in this book are available online and can be saved, printed, and recalculated at any time. Go to: WSJ.com/BookToolsUnderstanding your money, and getting it to work for you, is more important today than it ever

was, because you alone are responsible for every aspect of your financial life, from managing your day-to-day living expenses to planning a college savings fund and, ultimately, retirement. The sooner you start taking control of your financial life the better, and there's no greater authority on financial matters than The Wall Street Journal. This workbook takes the mystery out of personal finance and addresses every topic you'll need to master, from building a solid financial base to growing your financial assets. Worksheets, charts, and step-by-step instructions throughout help you do the math and work through the basics, making it quick and easy to organize your cash and eventually build wealth. Learn how to:

- Create a spending plan and budget
- Balance a checkbook
- Make decisions about what types of insurance you need
- Manage credit and debt
- Finance big expenses like real estate and education
- Understand and properly assess your own appetite for risk
- Formulate the right asset allocation
- Start building an investment portfolio
- Make real estate decisions like purchasing vs. renting
- Refinance a mortgage
- Manage your 401(k)
- Deal with taxes
- Plan for college expenses

Also available: the companion to this workbook: *The Wall Street Journal Complete Personal Finance Guidebook*, by Jeff D. Opdyke. Get your financial life in order with help from The Wall Street Journal. Look for:

- *The Wall Street Journal Complete Money and Investing Guidebook*
- *The Wall Street Journal Complete Identity Theft Guidebook*
- *The Wall Street Journal Complete Real Estate Investing Guidebook*

From the Trade Paperback edition.

About the Author: Jeff D. Opdyke is a financial reporter who has covered investing and personal finance for The Wall Street Journal for the past twelve years. He is the author of *Love and Money: A Life Guide to Financial Success*. He lives in Baton Rouge, Louisiana, with his wife, Amy, and their two kids. Excerpt. copy; Reprinted by permission. All rights reserved.

CHAPTER 1 Budgeting

Have you ever driven from Mount Sterling, Utah, to Dixville Notch, New Hampshire? Do you even know how to begin planning that route? If you're fairly fluent with the points on a compass, you could probably wind your way out of the Wasatch Mountains and head in the general direction of the East Coast, but you'd likely have a challenging time with the finer points of efficiently finding your way to Dixville Notch in the far northern tip of New Hampshire. A road map would offer immense utility. In many ways, budgeting is the roadmap to your finances. After all, moving in generally the right direction is fairly easy, but it doesn't necessarily get you to where you think you're going. You know you have to set aside enough money from each paycheck to pay the bills, and you know you're supposed to save something, if you can, for that proverbial rainy day. For a lot of people, that defines the extent of their budgeting—spend what you need; save what you can. Imagine, though, having a benevolent guide to steer your path, to show you where you're spending. You'd have a better grasp of the costs that are necessary in your life, and those that are extraneous. Thus informed, you'd be prepared to make smarter decisions on spending and saving. That doesn't mean you'd be tethered to a budget that sapped the fun from your days and nights. Rather, you'd be empowered to decide for yourself what you want to spend your money on. It may be that you want to spend \$3,000 on a vacation to Cairo instead of fund an individual retirement account, and that's fine. But your problem is you can't spare the cash because your expenses never leave anything but pocket change at the end of every month. With a plan, however, you might quickly find that many of the daily expenses you have in life aren't necessary, and that with a little jiggering you can alter your monthly spending so that you can actually save for what you want: that trip—or the money to fund that IRA, or cover the down payment on a new car, or whatever want sits atop your wish list. The key to all of this and more is your budget. Of course, for many people the word budget immediately conjures up disagreeable images of a binding straightjacket—a confining document that tells you what you can and can't spend. Budgets don't have to be that way. Budgets don't even have to be budgets. You can think of them, instead, as spending plans. Though it sounds like so much semantics, budgets and spending plans are different if only because of the psychological reaction they each illicit. Where budgets bespeak confinement, spending plans epitomize freedom because they allow you to make the decisions on how you want to spend or save your money. Here's why the psychological impact of a spending plan is relevant: Money is as much about psychology as it is about finance. How you think about money and the lessons you've learned about money through the years—shape the way you spend and save, often without your even realizing it. By using a different type of budgeting system, a spending plan, you regain control psychologically, often the trick many people need to better live within their means. Essentially, a spending plan works by matching your known income to your necessary expenses each month. Then, the plan allows you to resolve how you want to distribute any excess cash that remains—your discretionary income. You can choose to pay down your credit card or car note, erasing your debt quicker. You can choose to put that money toward a vacation, a new washing machine, a fancy meal at a restaurant with your significant other. You can opt to bury it in the backyard, buy shares of a mutual fund, open a Roth IRA, or fund a college savings account for your child. Basically, you can do whatever you want with your money because you're the one calling the shots. That might not seem like such a huge leap forward in the art of budgeting, but, again, money is often a psychological and emotional game. If a spending plan leaves you feeling in charge of your money, while a budget leaves you feeling like a slave to your money, chances are very good that the

spending plan survives to help you achieve financial success, while a budget is exiled to the garbage bin, never to help you achieve much of anything. Ultimately, a personal budget and a spending plan accomplish the same goal—providing a framework for sensible spending and healthy saving. In order to see that, and to build the financial foundation you need so that you can better understand the way your money flows through your life, starting off with a personal budget and working your way up to a spending plan is a solid idea.

THE PERSONAL BUDGET

You don't have to rush into a full-blown, detailed spending plan immediately if the thought of trying to wrap your arms around all of your monthly finances is intimidating. Instead, this personal budget allows you to set an expected spending limit in various broad categories at the start of the month, and then at the end of the month you compare your actual costs with your budgeted costs. Seeing those differences month in and month out gives you a clearer understanding of where you're really spending your money, knowledge that ultimately will allow you to scale back spending on what you determine is wasteful or unnecessary, and beef up your outlays in those categories that are more meaningful to your life. More important, the personal budget will reveal—before your spending begins for the month—whether your expectations exceed your bankroll. If they do, you'll need to recalibrate your expected spending to match your expected income, otherwise you'll be the embodiment of "living beyond your means," an assured path to financial ruin if the trend persists. Come month's end, you have a few tasks: foremost, if your spending has exceeded your income, you need to examine those categories where you overspent and ask yourself what happened. If over several months you see that you consistently overspend in certain categories, the problem could be that you are underestimating how important these areas are to your lifestyle. Basically, you're underbudgeting and will need to readjust. Or it could be that you're not exercising enough self-restraint in your discretionary spending, something that you must address, because a certain amount of discipline is a key component for anyone who wants to succeed with their finances. At some point, you have to be accountable to yourself. In similar fashion you should discipline yourself to examine your personal budget every month, looking for categories where you not only exceed your anticipated expenses, but also those where you overbudgeted. Then you can effectively shift your spending away from categories that have proven to be less important to you than you imagine, and into those categories where you are actually spending your dollars.

Building a Personal Budget

- First, make several copies of this worksheet so that you have a blank one handy each month.
- Start each month by estimating your income and expenses in each of the various categories. With certain expenses, such as a car payment or rent, this will be easy. With other expenses, such as food and entertainment, it's more of an educated guess.
- During the month, save all of your receipts, or keep a running tab of your costs in each category on a separate sheet of paper.
- At the end of the month, tally up your actual costs and compare them to your expected costs.
- In the first three months, the goal of this exercise is to see where you're over- or underbudgeting so that you gain a better feel for the true expenses you have in life. After the first few months, the purpose of this exercise shifts to encourage you to think at the beginning of each month about how you want to allocate your cash. If you know, for instance, that you would like to replace your aging DVD player, you will have an intimate enough understanding of your budget to cut back on items such as meals out, entertainment, or clothing expenses.
- Remember: This is a simplified, down-and-dirty version of the more detailed Spending Plan. When you decide to move up to the Spending Plan, your entries here can be transferred directly across.
- If the Balance is a negative number in the Budget column, you need to rethink some of your expected expenses, otherwise you'll go into debt for the month.
- If the Balance is a negative number in the Actual column, you went into debt for the month, and must now take a hard look at your spending to determine where you went too far off track. Pay closer attention to your spending in that category in the future.
- If the Balance in the Actual column is positive, you need to allocate that money somewhere—additional spending in categories important to you, particularly focusing on earmarking unspent income on paying down faster any credit-card debt, car loan, or mortgage you might have, or funneling it into additional savings. Ultimately you are trying to get to \$0, meaning a balanced budget.

THE SPENDING PLAN

Many of the same processes used in a personal budget play out with a spending plan, though a spending plan provides a more detailed method of estimating, tracking, and analyzing your income and outflow on a monthly basis. Putting the plan together will take some time in the fir...