



**Intelligence For
Your Life Radio**
with your host John Tesh



MONEY SURVIVAL GUIDE

INTELLIGENCE FOR YOUR FINANCIAL SURVIVAL

Yes, it seems like our country's financial system is teetering on the brink of disaster. So, what can you do to minimize the damage to your own pocketbook? Here are a few things The Wall Street Journal suggests.

- **Check that your bank accounts are federally insured.** The Federal Deposit Insurance Corporation, better known as the FDIC, guarantees deposits up to \$100,000 per person. So, if you need to hold more than that, spread it across multiple banks. As a taxpayer, you're paying for this FDIC insurance, so use it.
- **Go green – as in CASH.** If this economy gets any tougher, cold, hard cash is going to be the most powerful thing you can have. The easiest way to make a buck is to save it. So, take an axe to your family budget - the restaurant meals, the fancy cable package, the rip-off checking account with the high fees and low interest. It's all costing you. Look at your expenses, locate the places you can make cuts – and MAKE them.
- **Refinance your mortgage.** The panic on Wall Street just caused a collapse in the interest rate on long-term U.S. Treasury bonds, since many investors rushed there for safety. That usually leads to a fall in long-term mortgage rates, too. So now may be a good time to refinance.
- **Don't wait for your worst investments to recover.** According to finance columnist Brett Ar-ends, your Fannie Mae shares aren't resting – they're dead. So stop waiting for them to "recover" before you sort out your portfolio.
- **When it comes to your short-term money needs, nothing's changed.** Any money you might need within the next year or two should be held in cash or equivalents. That was true two years ago, and it's true now. The stock market is NO HOME for money you may need urgently. It could fall 30% or jump 30%. Nobody knows. Right now, you can get a one-year CD paying 5% - and it's federally guaranteed.
- **Get realistic about taxes.** Taxes will go up sooner or later anyway, no matter who wins the election - because of our gigantic federal deficit. The worse this crisis gets, the more the Feds will turn to taxpayers. So if you're banking on tax breaks – don't. It's up to you to be smart with your money.

WHERE IS YOUR MONEY SAFE?

• If the recent news about failing financial institutions and the shaky stock market has you worried – you’re not alone. The fact is, a lot of people are asking the same question: **“Where is my money safe?”** Here are a few answers, courtesy of CBS financial adviser, Ray Martin:

• **Check your bank accounts, savings accounts and certificates of deposit.** Your money is totally safe if your deposits are less than the limits set by the FDIC – the Federal Deposit Insurance Corporation. In other words, each individual account is insured up to \$100,000, joint accounts are insured up to \$200,000, and your IRA is insured for up to \$250,000. So, if you have less than that in each account, there’s no way you’ll lose your money.

• **So, what if you have mutual funds, or a brokerage account?** Your money’s safe because of something called SIPC – which is short for Securities Investors Protection Corporation. If you have fewer than \$500,000 in securities and less than \$100,000 in cash – all of your money is safe.

• **Is your money safe in your company’s 401(k) plan?** Yes. It’s a trust account, which means, even if your company goes bankrupt, they can’t take your money. You’re smart not to touch your 401(k) because any money you withdraw is considered income, and you’ll have to pay taxes on it.

Even in today’s scary financial times, where is your money safe? Below certain limits, it’s perfectly safe in bank accounts, savings accounts, certificates of deposits, mutual funds, your brokerage account, and your company’s 401(k) plan. So take a deep breath, and rest easy tonight.

DID YOU KNOW?

• *If you want to spend less, try this trick the next time you get cash from the bank: **Ask for large bills** - like \$20s, \$50s or \$100 bills. A study by the University of Iowa found that people are 36% less inclined to break a large bill – compared to people who carry a wallet full of smaller \$10s, \$5s and singles.*

KIDS AND MONEY

- Parents, if you want your child to stop begging you for toys and other unnecessary purchases, here's a rule you need to live by: **We don't argue about money.** The basic deal is this: You can tell your child "yes" or "no" about any requested purchase, but you won't discuss the reasons. If your kid protests when you say "no," calmly tell them you're not going to argue about money. Studies show this technique shifts the focus from the whined-for-treat to a financial policy. In other words, you're almost changing the topic on them and are no longer debating why they should or shouldn't have gum or some plastic toy they want. Instead you're invoking a reasonable-sounding family value.
- If your kids start nagging you for a toy, **don't** snap at them to be quiet. Instead, say something like, "I understand you want that toy, and I like it too, but we just can't get it today." This validates how your child is feeling, and psychologists say children behave better when they feel understood.
- Research shows that children pick up most of their spending habits before age 12. So parents, use everyday opportunities to slip in money lessons. For example, if you use your credit card, explain that the bill gets mailed to you, and if you don't pay the whole thing, you'll be charged more money in interest later. If your kids learn these lessons at an early age, they'll make better choices when they have their own credit cards and bank accounts.
- Parents, what should you do if your child starts complaining that their friends have all the latest cool toys and they don't? Try this: explain that every family spends money differently *without* accusing your friends of being "wrong." Then, emphasize the fun things you do that don't involve toys. For example, you could say "We go for hikes every Saturday. Isn't that fun?" If your child won't stop whining, consider volunteering as a family at a shelter. Your kid will soon realize there's more to life than having a pile of cool toys.
- Let your kids see you paying the bills. Sit them down once a month, and let them watch you write out all your checks – for the mortgage, car insurance, and credit cards. Put it in terms they can relate to. For example, your \$1,500 mortgage would take them a year and a half to pay off with their \$20 a week allowance! If your kids actually SEE where your money is going, they might realize that you can't always buy them everything they want.

COLLEGE KIDS AND MONEY

- **Here's a money tip for college kids:** The best way to manage your money over the course of a semester is to sit down and map out a budget. List your sources of income - such as scholarships, money from your summer job and cash from your parents, as well as expenses - such as tuition, books and groceries. Also, figure any "good time money" into the equation. For example, if you know you need to buy a new CD or go to concert, make room for that in your budget. Once you've got it all on paper, you'll know how much you can spend each month without going over budget.

- **College kids: Don't choose a credit card based on rewards and gifts.** A lot of companies offer 'freebies' - like T-shirts or even iPods - to get students to sign up for their cards. If you're going to get a credit card, research several offers and pick the one with the best interest rate, not the best swag.

DID YOU KNOW?

- *Make dinner at home. Restaurant dining is one of the top sources of overspending for people who have trouble saving. In fact, a family of four could spend \$70 a month on sodas alone at restaurants! Eating at home could save you \$4,000 a year!*

RELATIONSHIPS AND MONEY

- **Have a discussion about your financial goals with your spouse.** Then, figure out small steps you can take to reach those goals. For example, maybe you and your spouse can cancel your gym memberships - and start running outside - so you can put the money toward an emergency fund.

- **Once a month, review your finances** and see if any unusual payments might be on the horizon. Some bills don't fit neatly in a monthly budget, like car repairs and medical co-pays. So, anticipating them will help you come up with a plan to cover the unexpected costs.

- Have you recently gotten married? Here's a tip that could help you save money: **Eliminate redundancies.** The Foundation for Consumer Credit tells couples to compare cell phone deals - because they can save money on a family plan. Also, review health care plans from both of your jobs to decide whether you want to double up on the better one. Even duplicate furniture and appliances can net you some cash in a garage sale. So, sit down together and discuss what duplicates you can eliminate.

TIPS TO HELP YOU GET OUT OF DEBT

- Do your finances feel out of control? Here's a tip that'll help you get back on track: Financial expert Dave Ramsey says you **HAVE** to start paying attention to what you spend. So do this: Grab a notepad and write down all your monthly expenses – including rent or mortgage, utilities, car payments, credit card payments, groceries, restaurant bills, and anything else you can think of. Then, write down your household's monthly income **after taxes**, and compare the two numbers. If you're spending more than you're earning, it's time to make cuts.
- Try going on the "debt diet." This comes from debt expert Gerri Detweiler. How does it work? **Take 20 minutes a day, three times a week to find the holes in your wallet.** Just like you should exercise 20 minutes a day, 3 times a week, and keep a food diary, where you write down every morsel of food you eat – you should spend the same amount of time taking a hard look at where your money's going. So Monday, Wednesday and Friday – write down everything you've bought in the past couple days. You'll know very quickly where your spending weaknesses lie – and where you need to cut back.
- What should you do if you've maxed out a credit card or two? First, stop using the cards immediately. Then, make a list of ALL your credit card balances - along with the interest rate for each card. Then decide how you want to pay down your debt. Some experts suggest paying off the card with the **smallest** balance first - since seeing an entire debt disappear helps keep you motivated. However, it's usually a good idea to pay off the card with the **highest interest rate** first. That way, you're getting rid of the debt that's costing the most money. No matter which card you decide to pay first, have your bank send a portion of your paycheck directly to the creditors. That way, you don't have a choice about paying it off.
- What should you do if you're broke? To get back on your feet, financial planners say start writing down **every dollar you spend** for a month, and come up with a budget you can stick to. The more expenses you can cut each day, the faster you can start saving money for an emergency fund – which should contain a minimum of three months salary.

DID YOU KNOW?

- *DON'T hand-wash the dishes. It actually costs about \$36 less each year to run full loads in the dishwasher than to scrub the dishes yourself.*

ARE YOU READY FOR RETIREMENT?

Are you financially ready for retirement? A lot of us aren't. John MacDonald, spokesman for the Employee Benefit Research Institute, says new data finds that younger people aren't even thinking about retirement, and 32% of workers age 45 and older aren't saving for it! It's no surprise, considering today's challenges. Gas prices are soaring, healthcare costs are rising, stocks are plummeting, home foreclosures spiraling, and jobs are disappearing. Still, financial advisers say that despite these hurdles, people of all ages need to save and invest now in order to have a comfortable retirement later. So, here's what YOU need to do, depending on your age group. This comes from the Media General News Service.

- **20-somethings.** Create a budget. You need a spending and savings plan or you could wind up deep in debt, living paycheck to paycheck. A budget tells you where to put each dollar of your paycheck, including fun money. If you saved \$3,000 per year at age 25, and your investments earn 8% annually, you'll have nearly \$800,000 by age 65.
- **30-somethings.** By now, you're probably having kids. So, protect your most valuable assets – you and your family. Also, don't buy a house until you're ready; a mortgage, taxes, insurance, maintenance, new furnishings - plus your car payment and a new baby - can be a killer. Keep up your emergency fund. This decade is when you're vulnerable to sudden job loss, home repair and surprise medical expenses.
- **40-somethings.** You want to maximize contributions to your non-taxable investment portfolio, whether it's your 401(k) or IRAs. Also, think ahead. How soon after retiring will you need to start withdrawing money? The answer to that question dictates how aggressively you should invest now.
- **50-somethings.** Get rid of your credit card debt - and avoid accumulating new debt. You want to try to have all of it paid off before you retire. Same goes for your mortgage. Also, play catch-up if your 401(k) contributions are lagging. The IRS lets you save more than the regular contribution now that you've reached 50.

There you have it. Now you're well on your way to retiring in style.

DID YOU KNOW?

- *Research shows that the average household wastes as much as \$800 a year by throwing out unused food that expired. So make a list of everything you'll need to make dinners for the week and don't buy anything else.*

REPAIR THESE COMMON FINANCIAL ERRORS

Did you hear about the guy who lost his house because of an unpaid parking ticket? In 2004, a Milwaukee resident got a \$50 ticket for parking an unlicensed van in his driveway. He didn't pay the ticket or the notices that came in the mail, and over the next four years, the fines and penalties kept adding up, until he owed \$2,600. So, the city placed a tax lien against his house, and when he didn't pay that, they foreclosed, and sold the property in order to get their money. The moral of the story is: Don't let one unpaid bill cost you big-time. Here's how to repair the four most common financial errors that could get you into big trouble, courtesy of Kiplinger.com:

- **Going over your credit card limit.** Many credit card companies simply deny a charge if you exceed your limit, but others allow the transaction, and slap you with an over-the-limit fee. So, if you overspend, call the bank right away – and tell them you're sending a check for the difference. Or ask to set up a payment schedule. However, be realistic. It's vital that you follow through with the agreement.

- **Getting behind on student loans.** Don't shove the delinquent notices in a drawer. If you're having trouble making payments, call the lender and ask for a deferment. That can give you an extra three years to catch up.

- The 3rd money mistake seems like a big deal, but it's an easy fix: **Shorting Uncle Sam.** If you owe back taxes or didn't file a return, call the IRS and ask for help. They'll be happy to work with you, and put you on a payment plan.

- **Unpaid parking tickets.** Many cities turn tickets over to collection agencies. So, even if you got a ticket out of state, the debt can come back to haunt you. If you tossed the actual paper ticket, contact the DMV in the state where you got written up, and pay it. It can save you hundreds, if not thousands of dollars and a world of trouble.

No matter what the problem, you're better off facing it. So, pick up the phone and call the people you owe. Believe it or not, they often figure that some money is better than no money, and might even reduce your debt.

FINANCIAL STRESS HURTS YOUR WALLET AND YOUR HEALTH

If the negative news about the economy is stressing you out, know this: Studies show that financial stress can really hurt your health - causing sleepless nights, depression, and drug-and-alcohol abuse. So, here's how to survive the shaky economy, courtesy of NBC financial editor, Jean Chatzky:

- **Get a grip.** Spending money as a way to relieve stress when you're short on cash will only add to the pressure. So, make smart choices. For example, stop spending money you don't have on things you don't need. Tell your kid they can't have a new toy, but you'll play any game they want for an hour. Also, cook dinner instead of eating out.
- **Don't be scared of your bills.** Often, when people are stressed about money, they'll hide their bills in a drawer and "deal with it later." However, it's crucial to know where you stand financially, so that you don't dig yourself in any deeper. So, figure out how much you owe, and start funneling every spare dime you can find toward your bills and expenses.
- **Stop worrying and start doing!** Spend no more than one hour a week worrying, moaning, and crying about your finances - perhaps while you pay your bills. Worrying adds to stress - doing something, anything, about your problem reduces stress. So take any small step - from talking to a financial expert or cutting a deal with your creditors - and know that you're doing everything you can to pay off your debts.
- **Be grateful.** Your brain can only process one emotion at a time, making it impossible to be stressed and grateful at once. So, make a list of everything you appreciate: Your kids, your family, your job, your hobbies - whatever gets you out of bed in the morning. Then, look at your list when you need a mental boost. It may sound simple, but over time you'll become more aware of the positives in your life, and less aware of the negatives - and you'll be better able to handle any bad financial news that comes your way.

DID YOU KNOW?

• *Pay for everything in CASH. Researchers at Carnegie Mellon University found that people who pay cash spend 41% LESS than those who swipe credit or debit cards. Why? Because cash forces you to stick to a budget. After all, when the dollars run out, you can't buy any more! However, with plastic, you're less aware of how much you're actually spending.*

HOW DOES AN INVESTMENT BANK AFFECT ME?

This week's been filled with lots of bad news about investment banks – as Lehman Brothers filed for bankruptcy, Merrill Lynch got sold, and AIG announced they're running out of cash! So, if *investment* banks are hurting, does this mean it's time to cash out all your money from your own bank?

According to financial experts at the *BBC News*, the answer is “no.” First, know this: Investment banks are different from the normal banks where most people have checking and savings accounts. Instead of offering small loans to buy new houses and cars, investment banks specialize in **extremely risky transactions** – like raising money to start new companies, taking-over old companies, underwriting debt, and advising corporate mergers. Because of this high risk, investment banks aren't insured in the same way that normal banks are. So, if they go out of business, it's entrepreneurs who lose money, not everyday bank customers like you and me.

Then why is it still big news if an investment bank like Lehman Brothers goes out of business? Experts say it's because of the indirect effect it has on people. Since investment deals are so complex, it may take months or even years to figure out how they'll affect us. In the short-term, we know this: It'll become a lot harder to get loans, credit card companies may tighten their belts and raise interest rates, your boss will have a tougher time raising money to expand their business, and your retirement fund will likely see a “wobble” as the stock market fluctuates. For those invested in the long-term, this “wobble” may turn out to be a small bump in the road – like when the dot com bubble burst in the '90s. For the 40% of North Americans who aren't even invested in the stock market, there won't be any bump at all.

Bottom line: There's no need to rush to your bank, cash out all your money, and stash it under your mattress because **your** savings are insured. The next time you hear bad news about an *investment* bank, remember it's news you're smart to just ride out.

DID YOU KNOW?

- *If you want to spend less money, try this: Freeze your credit – literally. Put your credit cards in a container of water and store it in the freezer. That's the recommendation of Garrett Sutton, author of the book *The ABCs of Getting Out Of Debt*. Since it takes effort to get your cards out of the freezer, you'll think twice before you spend big.*

IS YOUR BANK IN TROUBLE?

As you may have gathered, more and more banks are in trouble. So, is yours next on the list? Here's what you need to know and do, courtesy of CNN Money.

- **Get the facts straight.** The FDIC reports that the number of banks on the “problem bank” list has grown to 117 - and that number is going to keep growing. In fact, analysts say there could be up to 150 bank failures on the horizon. Even though banks on this list are considered the *most likely* to fail, few institutions actually reach that point - roughly 13%. Let's put this in perspective - the FDIC insures more than 8,000 banks.

- **Get the ranking.** Generally, small and mid-size banks are more at risk - because they may not be able to raise enough money if they're in trouble. The FDIC doesn't release the names of banks that are in trouble, but you can check on yours at Bankrate.com. This site has a sound rating system that can help you get a picture of your bank's health.

- **Know the signs.** Bottom line - financial institutions are having a tough time. So, pay attention to massive job layoffs or cutbacks in services. If your bank doesn't accept new loan submissions - that's a red flag. If you start to see generous CD yields advertised, that's another one. What they're trying to do is entice people to keep their money at the bank.

- **Don't panic.** Your share of any joint account at a bank is insured up to \$100,000 - and that's separate from accounts you hold in your name alone. The bank can also choose to pay for uninsured deposits if it raises enough money after selling off the bank's assets. Remember - you always want to keep your money in a regulated institution. So, if you're within the limits of FDIC-insurance coverage with an FDIC-insured bank, stop worrying.

DID YOU KNOW?

- *Here's a tip that'll help you build up your savings: Try a “buy nothing” month. In other words, buy only the bare necessities. You'll be surprised how much you can save by bringing your lunch, not shopping, and not eating out. For example, if you skipped your morning latte every day for a month, that's \$90 right there.*

WHAT HAPPY COUPLES KNOW ABOUT MONEY

Do you and your honey need to talk money? You bet you do! Mary Hunt, a financial expert and contributor to Woman's Day magazine, says that money is a huge part of every relationship. It determines where you live, what you drive and where your kids go to school. However, not everyone deals with their finances in the same way - and if you and your partner have different styles of saving and spending, it can spell trouble. Here's what Hunt says happy couples know about money:

- **They're committed to honesty.** Couples that are completely open and honest about money don't go shopping or make financial decisions without the other person knowing about it. That means, no secrets whatsoever! You know that hiding a five-figure credit card debt is lying, but so is telling your spouse that you got something on sale when you didn't, or sneaking packages into the house. Each of you should keep track of your spending in writing and keep everything visible.

- **Happy couples share the responsibility.** Not everyone is cut out to look after investments, or manage day-to-day household spending. Couples need work together to figure out who's good at what, and share the responsibilities. Each of you should approach your duties like you're co-CEOs of your own personal bank – because you are. You need to work together to make sure the business runs smoothly.

- **Each person has money they call their OWN.** Hunt says financially secure couples give themselves an allowance – money they can save or spend as they like. So, decide how much money each of you should take from your monthly total income. Whether it's \$50 or \$500, it's important that you both understand what's yours, and that what you do with it is totally up to you.

