Ten Money Rules to Live By

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This is the **most important factor** in determining your credit score.

Missing a payment can have far-reaching effects:

- Interest rates and payments on other credit cards will increase.
- Credit lines could be reduced.
- Auto and homeowners insurance premiums may go up.
- You can't get the mortgage, job, apartment, or the cell phone contract you want.

Cost of not following Rule #1:

- Two late fees per year = $70
- Increased interest rate on your credit card balance of $4000 = up to $400

Make it easy. Have part of your paycheck automatically deposited into a savings account, your employer retirement plan, an IRA, or savings bonds.

Other options:

- When you go to cash your check, take an envelope with you. As soon as the clerk hands you your cash, take the $20 (or whatever), put it in that envelope, and seal it. When you get home, put it in your Rule savings spot.
- Set up an automatic transfer out of your checking account into savings on every payday.

Cost of not following Rule #2:

Missing out on interest or investment returns on $2500 = $100 or more per year (stocks have returned 8% over the long term, CDs average 4%)

- Nobody plans to get a parking ticket or to get sick, but it happens. So don’t budget every penny.
- Never spend your last dollar. You may need it more later.

Cost of not following Rule #3:

Borrowing to cover a $1000 emergency = $100 to $1000 in interest.

Track all of your expenses for a few months whenever you go through a major life change. Tally them up at the end of the first week, and every couple of weeks after that, so to catch over-spending quickly.

Major life changes:

- Worst economic crisis since the Great Depression
- Marriage
- Divorce
- Having a child
- Retirement
- Job change
- Move
- Bankruptcy

Small expenses you pay with cash or a debit card seem unimportant – until you add them up. Estimate how much you will spend in one week on little, everyday expenses like coffee on the way to work. Collect receipts or divide cash into envelopes for each type of expense, and find out how much your actually spend.

Cost of not following Rule #4:

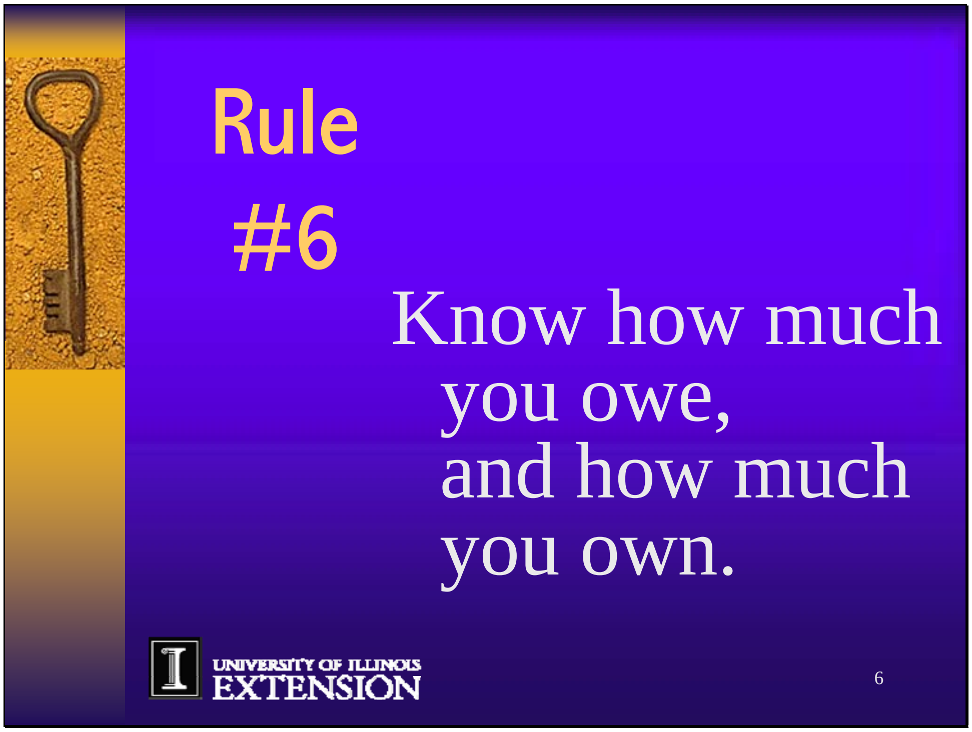
Not knowing where your money went = $15 per week, $780 a year.

Never charge more on your credit card than the amount of money you have to pay the bill.

If you are already carrying a balance on your card, don't charge another penny until you've paid it off. Try having a "nothing week" to get you started.

Cost of not following Rule #5:

Annual interest on $4000 at 15% = $600 a year ***for the rest of your life***, plus late fees, over the limit fees, etc.



Calculate your net worth (what you own minus what you owe) once a year. It will show you whether you're making progress, or falling behind. Use the tool at http://web.extension.uiuc.edu/toughtimes/ under *Assessing Your Financial Situation*.

Cost of not following Rule #6:

Digging your hole deeper and deeper, maybe into bankruptcy.

Use insurance to protect against big, bad things, not little ones.

Have a will and a Power of Attorney so that someone else can handle your affairs if you die or are unable to.

When you're making a major decision:

- Read and understand *everything*. If you don't understand something– a contract, an investment, a product – get help from someone you trust or ask questions until you do.
- Think it over. It's easy to make a decision you'll regret if you let someone push you to make a quick decision.
- Get a second opinion. Whether you're buying a home or deciding how to treat cancer, it's smart to see what another professional advises.
- Be an educated consumer, and maybe a little suspicious. It's harder for someone to take advantage if you ask knowledgeable questions, talk to people you trust, or read up on the product or issue before making a decision.

Cost of not following Rule #7:

Losing a substantial part of your hard-earned money, maybe even your life's savings.

Adding to the cost and emotional burden of your illness or death on your loved ones.

Don’t cosign a loan unless you’re willing and able to make all the payments. Tell the person, “In order to cosign, I would have to know that I could make the payments, and I can’t do that.”

Never let someone else decide how much you can afford to borrow. Do the math yourself. Use software such as U of I Extension’s “Homeownership: Can You Afford It?” (http://www.ace.uiuc.edu/cfe/hofollowing/index.html) to decide what mortgage payment you can handle.

Cost of not following Rule #8:
Repossession, foreclosure, and late payments = ruined credit history, loss of your home or car. Paying for something that’s not even yours = $1000s for the car you cosigned for you former friend.

You're much more likely to achieve your goals if you write them down. So why not start right now:

Goal #1

Goal #2

Cost of not following Rule #9:

Not achieving your goals.

There are many types of financial professionals. For example:

- Credit counselors can help you set up a budget and negotiate with creditors.
- Investment advisers can help you select investments that are appropriate for your goals.
- Brokers can help you buy or sell securities.

Financial planners (who may also be investment advisers) may review and make recommendations about many aspects of your finances: income taxes, investments, financing your retirement, estate planning, insurance, and job benefits.

A change in your life can trigger a need to use a financial professional. For example, many people seek the advice of a financial professional when they inherit money, marry or divorce, or start a new job. Another common time for someone to use a financial professional is when they are approaching retirement.

Extension's new website, Choosing a Financial Professional (http://web.extension.uiuc.edu/financialpro/), can help you learn how to choose someone to meet your needs.