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A Lesson in "Chicken Management"

If I asked you to manage some chickens for me for an hour while I stepped away, I bet you could. If I showed you the pen, fenced and closed, with the chickens inside, you wouldn't have a problem. It would be simple, and easy. But if the chickens were loose, and you had no idea how many there were, or where they were going, how would you know if you had them all? Or what happened to them? Now **the problem would be simple, but the solution is far from easy**.

There are some things in life that are simple. One or two steps will teach most people how to dance sufficiently, so they can make it through a wedding reception; it's not that complex to order food and drink at a restaurant. Some things in life are easy – it's not a challenge to fall down, and most folks can easily make online purchases in a few swipes of thumb and finger.

But everything that's **simple** isn't **easy**! Operating a household

THIS MUST BE THE BARGAIN OF A LIFETIME!

"Buy now at our lowest prices of the season!" A major retailer repeats this meme in various forms throughout the year. It makes me wonder, if they start the year with exceptionally high prices, so they can lower them throughout the year. The truth is, and it's a painful one, that they are really appealing to shopper behavior rather than economic reality: it's more about the way we think than the way we shop.

Shopper behavior is a science for retailers. From managing the space on a store shelf to designing flyers and signs, marketing firms are aggressively seeking any advantage to get you, the customer, to open your wallet. And they're pretty good at it! Here's a few thoughts on one of the ways we are influenced to spend... and a suggestion on how to think your way through it.

Walk into your local department store. If you don't already know where it is, try to find the rack of clearance clothing. How do you find it? It's probably marked in bold colors with the words "clearance," "sale" or "special." What's on that rack? In theory, it holds items from previous sales efforts, which didn't sell within the allotted time, and so now the store is trying to move them out to free up valuable floor space

budget falls into that category. The concepts are deceptively simple, so simple that many families don't take them seriously and never start at all. But the exercise of a budget, while simple, is rarely easy. After all, it involves managing people, places, information, time and money. Most of all, it requires some focused effort. As busy as people like to be, the budget is frequently neglected; it becomes the "one more thing" that we have to do but never get around to.

The concepts are simple. You have income, and you need to know how much you are bringing in. Since you only REALLY know your net pay, use that number. That's the part of the check that you get to control. It would be great to have less taken out of your pay, but in reality you have no say in what gets pulled out before you get the deposit. Your net pay is the money you get to spend on all the essential and important things in your life. Those are your chickens, if you will.

You may also get income from commissions, overtime, bonuses, Medicare, Medicaid, veterans' benefits, SNAP, or other sources. You should identify those sources too, and include them in your budget. After all, they get spent too – and if they are doing well for you, then you can use them even better once you identify them and put them in the plan! Just remember that bonuses, commissions and overtime are not guaranteed – don't plan on them as an essential, but use them when you have them!

So far, no pain – **simple** and **easy**.

Now the challenges begin. First, you will need to track your spending and track it diligently. Most people can tell you where 75% of their money goes – it goes to big-ticket items like rent,

for the incoming merchandise. Therefore, they are willing to lose some money in order to sell off these valuable items. In most stores, you'll find the odd-sized items and some returns; if they fit, you stand to save some money – but only under one condition.

If you spend less money, that's a good thing, isn't it? The answer is yes if the item you purchased is something you need.

If you were going to buy one anyway at full price, and you had the money for it already set aside, then you have found a bargain. If you wouldn't pay full price, then you didn't actually need it, so it isn't a bargain. Spending money on something you didn't need is never the best idea; saving money on a purchase you didn't need to make is not a bargain. It's just a smaller waste – now you'll have less money for the higher-priority items in your budget.

This holiday season, make a good list of affordable gifts that have meaning for the recipient. The gift's value isn't the pricetag, after all. Then

mortgage, car payment, utilities and phone. But that leaves 25% in the dark! You need to hunt down the missing dollars (chickens) and bring them into full visibility – that means writing down EVERY expense, all month long (or saving every receipt, including ATM and gas purchases, cash back at the store…all of them). Do this for several months, then look back and see what you did; what are the trends? What did you already know, and what was a surprise? How much do you really spend on food, clothes, internet, gasoline, repairs? Don't forget bills that come infrequently, like taxes, repairs and gifts. Some things will be just like you thought, some will be a surprise.

Now that you know where it's all going, you are prepared to manage it. List your expenses, as they actually are (and as they should be, if you already know you're spending too much), from **most essential** to **least**. Then, line by line, subtract the cost from your take-home pay until you run out. Make sure you include savings as if it was a bill – you will be paying yourself tomorrow with today's money. Put a line across the page where your money runs out, and use gifts, "found money" and overtime pay or bonuses to put towards the things below the line. This way, you'll always have money for the essentials, and the most important non-essentials, even if you don't get your bonus, of if the overtime dries up.

This is, as you can see, **simple**…but it's not **easy**. Ranking the essentials and priorities is hard work, and so is the tracking of your money. If you're in a family environment, it can be a challenge to balance everyone's desires too, but it's a conversation that is needed. Include everyone, and they'll all pull together and build the family bonds as they help share the load. It will help reduce the extravagant dreams of holiday and birthday shopping, and it helps train the young ones for their own financial decisions in the future.

Catching all these "loose chickens," the many times and many things we spend our money on, is harder than it seems at first. But once they're caught, you can keep them organized and healthy. We all want nice things, but not at the expense of the family's income or a crushing load of debt. Modeling financial discipline will help the kids succeed in their turn. Again, it's a simple idea, but not necessarily easy…until you do it. And in the end, your success will make everyone else a little better off too!

Some Thoughts on the Shared Bank Account

Family life is complicated. It's a series of conversations about what "we all" want, need, and prefer. From meal planning to finding out who needs a car to go where, there's never a dull

shop around, and determine YOUR OWN "savings" instead of blindly following the signs in the store. Then you can celebrate the New Year with financial security!

MILITARY FAMILY MONTH

In honor of Military Family Month and Veterans Day, Clearpoint will be offering free webinars that are geared toward helping veterans, service members, and their families gain knowledge and tools for achieving financial wellness and sustainability. See the attached flyers for additional details and feel free to pass this information along. Sponsored with generous support fromCiti Community Development – "Citi Salutes". For those of your that are veterans, or have family members that have served or are currently serving, we at Clearpoint greatly appreciate your service and wish you and your family a safe Veterans Day.

Join the Clearpoint Military Reconnect team on the following dates for free webinars! Register at the links below.

November 10th
from 3:00pm-4:00pm EST
"Financial Success Starts Here"
Every financial journey begins with a single step. This course is a great starting point for learning how to set financial goals, track your expenses and create a priority spending plan. Military participants will

moment. Coordinating two working parents into a financial unit can be an added challenge, but many families do all their banking and spending out of a single account. It sounds crazy, but is it really so hard to do? What does it take to make it work, and is it better for families? Let's see.

It requires conversation. In order to coordinate, the account sharing team must talk regularly; before, during and after purchases and payments. The only way to set up shared goals is to hear from everyone, so everyone has to talk. From goals, you then move into the calendar conversation, and identify the key dates and deadlines to get things done – more talking! Finally, when things get finished, you can have the goal-accomplished talk, and set new goals.

It requires coordination. Any effort involving more than one person requires coordination, but shared banking requires shared planning as well as shared execution. If you have had the conversations about what goals you have, and are in agreement, you still have to have shared knowledge of what bills are due, and when; what purchases need to be made, and when; and what to do if you come across some unplanned money. That means taking some family time away from devices, and putting dates and dollar figures in place to make sure everything is covered.

"Shared suffering builds team spirit", said my Army Drill Sergeant. He was correct. When the whole family knows the sacrifice, the whole family pulls together and becomes one team. Taking time away from devices and hobbies to talk about family finances is painful. In spite of the irritation, it provides a chance for the family to FEEL and FUNCTION like a unit, to be responsible to one another, and to build identity together.

be able to ask questions and interact with a certified Clearpoint Educator.

https://clearpointfinancialsolutions.webex.com/clearpointfinancialsolutions/onstage/g.php?MTID=ea50bf839625afc478f23d8ad8ddd2307

November 30th from 2:00pm-3:00pm EST
"Credit Confidence"
Learn how credit can affect your financial life and identify strategies to manage your credit now and in the future.

https://clearpointfinancialsolutions.webex.com/clearpointfinancialsolutions/onstage/g.php?MTID=eeccb8585d303c2f75f15e1630a74533c

December 14th from 3:00pm-4:00pm EST
"Identity Theft"
Find out ways to protect your personal information from identity thieves, and what to do if you have been a victim.

https://clearpointfinancialsolutions.webex.com/clearpointfinancialsolutions/onstage/g.php?MTID=ed8b1fadb685ae648fd2c30bb5204533e

The secondary benefits add value to the family relationship that separate bank accounts will never bring. This method will provide many opportunities to teach the kids about finances, to help them become strong planners and doers in their own right, which will help make them successful in life. It moves spouses toward each other and reaffirms them in leadership, as well as creating realistic expectations about holiday giving.

As complex as family life can be, time and effort spent together will reaffirm and improve the relationships that matter most.

I Have a 401(k)...Is that Enough?

So you are enrolled in your employer's retirement plan, and that's a good thing. People live a long time sometimes, and you never want to run out of money when you're too old to earn more. It is a good thing, and a kindness to your heirs, to provide your living in the future today. But if you look at the performance of some funds today, you might not like the small rate of return your retirement savings are earning.

For many people facing tight budgets, the thought of taking a loan from their retirement savings seems like a good idea to offset a major purchase. I'd like to suggest a less popular course of action for paying toward an unforeseen expense... saving money from each paycheck.

A recent study indicated that most Americans have less than $1000 in savings (see http://www.usatoday.com/story/money/personalfinance/2016/10/09/savings-study/91083712/ for example). The problem is, so many unexpected costs rise above $1000 that it is not an effective buffer against financial shortfall. Savings needs to be deliberate and regular, not just "the leftover money."

FOR MORE INFORMATION:

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Sure, it's less glamorous than an investment policy, but regular monthly saving has some advantages. First, and most important, the big idea of an investment plan is to capitalize on compounding interest. Money earns more money – it reproduces itself – in your retirement plan. If you borrow against it, you lose the effect of the interest on that much money until you put it back in. You can have more money, but you can't have more time; an investment plan needs BOTH at the same time. In order to live well in retirement, you'll need that interest to generate more interest, and more interest on that interest. You can't get that effect if you use your retirement savings to buy a car.

Instead, pull a little more money out of each paycheck. Get some money ahead of the purchase, so you can drop a substantial downpayment, and get a better loan with lower interest and a shorter payoff. Go ahead and start a savings account for car maintenance and replacement; that way, if you need tires, a battery, whatever – the money's already there. And when you go to get the next car, you'll have a better trade-in, and a downpayment to lower the financed amount. You'll pay yourself much more than you saved, in reduced payments.

Could you do the same for the house? Sure. You know you'll need to replace appliances, and put on a roof, and gas up the lawn equipment. Get out ahead of it! There are no membership fees, transfer fees, interest, or other costs to savings. Savings is a bill you pay to yourself, for tomorrow's satisfaction.

How will that increase my retirement savings? By protecting them, and allowing interest to grow them. In fact, if your life situation allows, you could even add bonuses, promotion increases and other work-related extra income to your retirement funds, because you live well on saved money for the unexpected, and for maintenance of your lifestyle.

Having a plan for the future, and funding it with an employer-based or personal retirement saving plan, is a great idea. Let's make sure we're doing all we can to let those invested dollars work, by saving regularly and planning our major purchases around saved money.