

Managing Your Money **ALL-IN-ONE** **FOR** **DUMMIES®**

**by Ted Benna, Stephen R. Bucci, James P. Caher,
John M. Caher, N. Brian Caverly, Peter Economy,
Jack Hungelmann, John E. Lucas, Sarah Glendon Lyons,
Margaret A. Munro, EA, Brenda Watson Newmann,
Mary Reed, Jordan S. Simon, Kathleen Sindell, PhD,
Deborah Taylor-Hough, John Ventura**



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Introduction

Welcome to *Managing Your Money All-in-One For Dummies*, a big one-stop shop designed to help you get control over your financial life!

This book tackles a lot of big topics, but we've tried to keep things simple, clear, and to-the-point. We've culled the best, juiciest information from a good sampling of *For Dummies* books on personal finance and compiled them into one fat volume. It's absolutely packed with easy-to-grasp advice on all things having to do with managing your money. Whether you're a home-maker, truck driver, burger flipper, or CEO — whether you're interviewing for your first job or you retired ten years ago — we bet you'll find scads of great tips and sound advice in these pages that will help you get a handle on everything from your credit cards to your health insurance, from your groceries to your taxes to your will.

If it has something to do with your personal relationship to your own money, it's a good bet we talk about it in this book. *Managing Your Money All-in-One For Dummies* offers money-management and personal-finance tips to help assess your true financial situation and take charge of your economic life. You'll find information on getting the best mortgage, saving for the future (whether for college or retirement), paying off debt, scaling back on expenses, managing home and personal budgets, repairing and improving your credit rating, planning an estate, banking online, saving and investing, and protecting your money and other assets.

The facts on the ground aren't pretty at the moment. Real wages have been stagnant or declining for nearly 40 years in America. And in the current climate of economic uncertainty, skyrocketing home foreclosures, job cuts, bank failures, and unaffordable health insurance, many people feel more powerless than ever against mighty and faceless institutions that seem designed for nothing but to confuse and rip off. We're here to tell you: *It doesn't have to be that way*. By doing a little homework and taking a renewed interest in your own situation, you can reclaim many rights and advantages you probably didn't know you had.

If information is power, then this book is like a gigantic supervitamin.

Foolish Assumptions

In order to shovel so much material on such a wide variety of topics into a single book that's actually helpful and inviting, we make a few assumptions about you, the reader. See whether one or more of these shoes fit:

- ✔ You can't seem to get out from under credit card debt.
- ✔ You'd like to find ways to spend less money, but the idea of sitting down and setting up a budget makes you feel slightly ill.
- ✔ You've heard about how great it is to save for retirement in an IRA or 401(k), but the whole concept seems too complicated to deal with.
- ✔ When tax time rolls around, you feel frightened and uncertain.
- ✔ You can't seem to keep up with mounting bills and wonder where in the world your paycheck goes every month.
- ✔ You worry that you'll ever be able to afford college for your kids.
- ✔ You have a vague feeling that you should probably have certain kinds of insurance, but what they might be is a mystery.
- ✔ You have health problems and are afraid they are going to end up bankrupting you.

If we've hit the mark with any (or, God forbid, all) of these descriptions, this book is most definitely for you.

How This Book Is Organized

Managing Your Money All-in-One For Dummies is organized so that you can easily and quickly access the information you're looking for. We've arranged everything into seven "books," each of which focuses on one aspect of your financial life. Without further ado, here's how it's all set up:

Book 1: Taking Charge of Your Finances

We start at the very beginning and take a good, hard, honest — and yes, perhaps slightly painful — look at where you are now financially. (Sometimes pain leads to something good: Look at surgery, for example, or birth.) The chapters here ask that you be truthful with yourself and your habits when it comes to handling your own money. Only by seeing what you are actually, really, and truly doing with your cash now will you be able to make the

most efficient and worthwhile improvements necessary to turn around your finances.

Before you know it you'll be tracking where your hard-earned dollars go, easily maintaining a household budget, trimming away unnecessary spending, finding ways to make extra money, and even tackling that ugly but important beast: your credit report.

Book II: Managing Home and Personal Finances

Here is where we delve a bit deeper into how you deal with the money that comes in and goes out every month. Your home is your castle, as they say, and here is where we explore concrete and detailed ways of turning your household into a strong financial fort. In recent years, the American dream of owning a home has suffered seriously from the popped housing bubble, the housing market slump, the credit crisis, and rising mortgage defaults nationwide. That's why it's more important than ever to understand how to find and maintain the right kind of mortgage for you and how to avoid trouble with it down the road.

Housing is usually the largest piece of your monthly financial pie, but another increasingly large slice goes to health insurance and other health-related expenses. We devote a whole chapter on health insurance and ways to reduce your medical costs. And we address ways of using the greatest information tool of all time, the Internet, to help you in your new quest for financial self-empowerment.

Book III: Dealing with Debt

"In the midst of life we are in debt, et cetera," sang one of the great bands of the 1980s (The Smiths, in case you have to ask), and truer words were never spoken. There's little you can do to totally avoid debt in your life, and in some ways that's not a terrible thing. You may be surprised to learn that some debts are a *lot* better than other debts. What you want to do is reduce your "bad" debts before worrying too much about your "good" ones.

The first step is to find out how much you owe and to whom. The next is to gain a little knowledge about what exactly credit is and how the different types really work. Remember: Knowledge is power. For those in need of a little bit more aggressive help credit-wise, we tackle the issues of debt consolidation (in which you bundle your debts into fewer payments), negotiating with creditors (yes, it is possible and in many cases very advisable), and seeking professional help from knowledgeable credit counselors who can size up your particular situation.

In the end, it may be that even after all that, you are still saddled with too much debt to keep your head above water. In that case, we give you the lowdown on whether, when, and how to declare bankruptcy and thereby give yourself a fresh start while protecting as much of your assets as possible. There *is* such a thing as a second chance, but if you need it, you need to do it the right way.

Book IV: Saving and Investing

Debt is only one side of the coin. We'll call it tails. Heads, then, is all about keeping some of the money you have worked so hard to earn. It's amazing how diligently people will work — only to unthinkingly fritter it away and have nothing to show for it at the end of the month. If you're like most people, you have to change your thinking about saving money, and this book lays the groundwork for how to become a saver.

There are lots of ways to save money, and some are easier and work out better for you than others. The classic and historically most successful method is to invest your money in stocks, bonds, and mutual funds, and now there are cutting-edge ways of doing that online. We also cover the smartest ways to save up for giving the next generation that most important arrow in the financial quiver: a college education.

Book V: Protecting Your Money and Assets

Once you do get a grip on your finances and manage to start your nest egg, you may notice that your egg attracts predators and has become vulnerable to new dangers. One growing danger is that of identity theft, and you need to know how to avoid falling prey to those who would use information against you in order to take away what's yours. And where do you keep your money? In the bank, right? Well, banking itself has gone through the online revolution, and it's a very good idea to know options and pitfalls in this area.

The main way most people avoid financial disasters in their lives is by buying insurance, which (knock on wood) pays things off when bad things happen. Besides health insurance, which we cover in Book II, there are three other main forms of insuring yourself against catastrophic losses: homeowner's insurance, auto insurance, and life insurance. We tell you what and what *not* to look for in all three categories.

There's one other "predator" out there that drools over the thought of your moolah: That would be the government, which seems to want a piece

of everything you do. It's all very well and good, of course, to pay your fair share to enjoy the benefits of living in a modern society, but there's no reason to pay *more* than that out of ignorance, is there? That's why we include a chapter on how to deal intelligently with your tax bill and how to avoid tipping Uncle Sam unnecessarily.

Book VI: Retiring Comfortably

You see yourself laughing with friends on a boat, perhaps, a merrily clinking drink in your hand, with a little paper umbrella, recounting stories to captivated friends? Snapping photos of the Great Pyramid or strolling through some exotic, colorful bazaar? Or maybe you'd like to do nothing but play golf everyday and lunch in the sun? Well, we hope we're not the first to tell you that Social Security isn't going to cover that stuff. When it comes to clichés, we try to avoid them like the plague, but here's one that is most definitely true: *Failing to plan is planning to fail.*

To enjoy your Golden Years to their full extent, you absolutely have to prepare for them, and the sooner the better. Fortunately, retirement plans such as IRAs, 401(k)s, and 403(b)s are excellent vehicles for doing just that. Also, if you've been paying off that big house that got you through your full nest period, there's a way to make that house start paying you back: the reverse mortgage. The Internet is a great resource in these areas as well.

And once you *are* retired, that doesn't mean you can slack off on all the financial tricks and skills you've gained — or you could very well end up spending your “retirement” greeting people at your neighborhood supermegacenter. That's why we have a chapter on great ways of managing your money in retirement.

Book VII: Planning Your Estate and Will

It's just a fact that even if you follow every piece of advice in this book and end up wealthy and happy beyond your wildest dreams, when it comes time to head off into the sunset you'll have to leave your possessions behind. What will happen to your estate? Bad things, possibly, if you are careless.

The more you know about preparing for this eventuality, the more control you'll have over what happens to your stuff after you're gone. Here we give you lots of information on the best ways to gain and keep that control. And in many cases it's not just you that you have to worry about, which is why we include a chapter on taking care of aging parents.

Icons Used in This Book



You'll see a number of funny-looking little graphic elements sprinkled throughout this book. Here's what they are and what they mean:

Marks concrete tips and tricks that you can put to use in giving you more control over your financial life.



Highlights passages that are good to keep in mind when it comes time to make decisions.



Alerts you to common mistakes that can trip you up and cause trouble when managing your money.



Notifies you that something is a bit more complex than usual, and that you can safely skip it if you're in a hurry or only want to skim the surface of the topic.

Where to Go from Here

If you already have a specific interest in one particular area of managing your money, or have a sense of what you really need to tackle first, by all means flip to the Table of Contents or Index and zip straight to that section. You certainly are *not* expected to read this book cover to cover. On the other hand, if you're here because you are well and truly lost when it comes to handling your finances, you may as well begin at the beginning with Book I, Chapter 1 and go from there.

However you end up using this book, we hope you at least gain some insight into better and smarter ways of keeping more and wasting less of what you work so hard for. And we hope you find the determination to apply some of the ideas here to your life. You'll be very glad you did, we promise. Just keep in mind that even in tough times like these, there are a surprising number of things you can do to beat the system, even if it seems stacked against you.

The idea is to empower yourself. No one is going to stop you if you try, and no one is going to do it for you. So, buck up and steel yourself to look at your life more critically and honestly. We all have bad habits. Recognizing them is half the battle. Get ready to take charge of your life and get more out of it. Good luck! We know you can do it.

Book I

Taking Charge of Your Finances

The 5th Wave

By Rich Tennant



"We're trying to save money by buying
in bulk. Caviar?"

In this book . . .

We ask you to take an unflinching look at your financial life and your relationship to your own money. Don't be afraid! It's not like you are going to be *that* surprised, is it? No, you know deep down approximately how bad things are. So why not face them once and for all and begin repairing your economic standing? And maybe things aren't *quite* as bad as you suspect. In the end it's not only financially rewarding to face the music, it's also a tremendous load off your shoulders to feel that you are finally doing something about it. There's a ton of stuff you can do immediately to begin improving your finances. So, what are you waiting for? Starting at Square One is what this book is about.

Here are the contents of Book I at a glance.

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Chapter 1

Assessing Where You Are Financially

In This Chapter

- ▶ Being honest with yourself about money
 - ▶ Finding out about credit reports and your FICO score
 - ▶ Comparing your spending to your income
 - ▶ Figuring out what you own and what you owe
-

You've bought this book, so we assume you're probably at least a little worried — maybe *really* worried — about your financial health. Perhaps your debts have you biting your nails, and you're not sure what to do about them. We doubt you're reading this book for the fun of it! And you probably don't have a good handle on the true state of your finances. After all, it's human nature to try to avoid bad news.

We understand. Facing financial facts can be unsettling and even scary. When you know the state of your finances, it becomes hard to ignore the fact that improving your financial situation requires changing your lifestyle and making some big sacrifices. But no matter how scary it is, confronting the reality of your financial situation *is essential* — and the good news is that seeking out this book is a terrific first step to doing just that.

This chapter begins your next step: figuring out where you are so you know where you need to go. Until you come face to face with the actual facts of your finances, you may find it impossible to develop the resolve and self-discipline you need to implement your plan of action. That's why we begin with this series of fact-finding exercises to get you going.

The more bad news you get as you complete these exercises, the more critical it is that you get serious about dealing with your debts. The sooner you do that, the quicker and easier it will be to improve your finances and the less likely that your creditors will take some of your assets or that you'll have to file for bankruptcy. So let's get going!

Some Preliminary Questions

You can get a rough sense of your debt problem by honestly answering the following questions. The more “yes” answers, the more work you have to do.

- ✓ Are you clueless about how much you owe your creditors?
- ✓ Over time, is a growing percentage of your household income going toward paying your debts?
- ✓ Do you ever pay your bills late because you don’t have enough money?
- ✓ Have you stopped paying some of your debts?
- ✓ Are you paying only the minimum due on some of your credit cards because you can’t afford to pay more?
- ✓ Are you using credit and/or credit card cash advances to help pay debts and/or your basic living expenses, such as groceries, rent, or utilities?
- ✓ Have you maxed out any of your credit cards, or have any of your cards been cancelled for nonpayment?
- ✓ Do you have little or nothing in savings?
- ✓ Have you borrowed money from friends or relatives to pay your bills?
- ✓ Have debt collectors begun calling you, and/or are you receiving threatening notices from some of your creditors?
- ✓ Are you having a hard time concentrating at work because you are worried about money?
- ✓ Are you losing sleep because of your finances?
- ✓ Have you and your spouse or partner begun to fight about money?
- ✓ Are you drinking more or using illegal drugs to try to cope with your money worries?
- ✓ Are you an overspender? According to Debtors Anonymous, most compulsive spenders answer “yes” to at least 8 of 15 questions. Go to www.debtorsanonymous.org/help/questions.htm and take the Debt Quiz.



Your Relationship with Money

You may have the misconception that you are what you buy. You may believe on some level that the more you spend, the more successful and important you are. Developing that mindset is easy because all of us are constantly bombarded with messages that equate money and stuff with success. How often do you see ads promoting frugality, saving, or self-denial? If you’re struggling to keep up with the Joneses, you may need to reevaluate your friendships. The Joneses may be driving you straight to the poorhouse.