

## Taking Control of Your Money

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Like many things in life, money is both simple and complicated. Money is a unit of measure, 100 pennies, 10 dimes or four quarters all equal a dollar. You need it to buy something you need or desire and it is typically used as a measure of success when it comes to a person's income. But for many of us money has an emotional weight. Our past experiences with money can dramatically affect our feelings and the way we handle it. Some grew up with very little money and had to scrape by, while others grew up with seemingly limitless resources. Some of us grew up in a family that saw money as something that should be conserved and accumulated, while others grew up in circumstances where money was spent as quickly as it arrived! Very few of us have had any formal training regarding money, and more often than not, it's considered to be in bad taste to talk about money or salaries.

### Worried about money?

In a 2018 financial wellness survey conducted by PwC, 40% to 50% of those questioned worried that they didn't have enough emergency savings for an unexpected expense. This was a concern for 52% of women and 42% of men. Only half of those surveyed believed that their compensation was keeping up with their expenses. Almost a quarter of working people are providing financial support to their parents or in-laws, while 61% of employees who provide financial support to parents or in-laws also have dependent children and half of them are paying for those dependents. Nearly half of the workers surveyed report that they are stressed by their financial situation. So, if you're worried about your finances, what should you do?

### Getting on Track – Set Goals

In order to take control of your money, creating a plan is the first step. First you've got to think about any and all goals you have for spending and dealing with your debt. If your goal is to take an exotic vacation, you might have to give up eating out frequently in service

of your goal. Your goals can be short-term, mid-term and long-term and should reflect where you are in your life. If you're new to the working world, then one of your goals could be to establish an emergency fund. Most financial experts recommend that you have a "rainy day" fund that is enough to cover three to six months of your essential expenses. Other goals could be paying down debt, buying a vehicle or even buying a home. The goal you select depends on what is important to you.

*"I can't save, I never have any money, I don't know where it goes!"*

### Where did my money go?

The second step, is to start tracking your spending. When talking with others about money, you will often hear people say, "I can't save, I never have any money, I don't know where it goes!" While some of us truly don't make enough to save, for most of us, it comes down to paying attention to where, and on what, we spend our money. The person who goes to Starbucks every day and might spend \$3.00 a day on coffee, which works out to \$1100 a year! Very often, this kind of purchase happens without a second thought. What other spending occurs in a similar fashion? The solution is to diligently track your spending. There are lots of methods ranging from high-tech options like logging purchases into a spreadsheet or a smart phone app to low-tech choices such as carrying a small notebook. The most important factor being that you are now aware of where every penny is going! Tracking allows you to appreciate not only where your money goes, but also to evaluate whether your spending is aligned with your goals.

### Establish a Budget

The third step in taking control of your financial life is to establish a budget. There are a number of recommendations

for how your budget should break down. One common equation is that 50% of your income should be allocated toward essential expenses, rent, insurance, transportation, etc., 30% should be spent on discretionary spending and 20% should go towards paying down debt and savings. Obviously, this is a general rule and you will need to determine what makes the most sense for you. One of the goals of a budget is to establish a "road map" for your money. How much will go straight into debt payments, and how much will go towards long- and short-term savings goals? Your budget will help you set limits on your spending. While your rent and some of your other expenses are fixed, things like entertainment are discretionary. If you determine that you will only spend x number of dollars eating out each month, then you know that you need to make a less expensive dinner choice when you hit that limit! Just remember, no one is perfect and there may be times in which you will "blow" your budget. It's not ideal, but don't beat yourself up or give up! Just get back on track and stick with it. You will justifiably feel a sense of accomplishment and satisfaction as your debt shrinks and your savings increases thanks to your greater understanding and control over your money.

### Dealing with Debt

The fourth and final step addresses any debt that you have. Debt plagues most of us. According to a 2018 report, the average American has \$38,000 in debt, excluding home mortgages! 40% of American households carry credit card debt with an average balance of \$5,700. For those households that don't pay their balances off every month, the average debt is over \$9,000. There are a couple of suggestions about the best way to pay down debt. Some financial advisors suggest that you attack your highest interest debt first, meaning that you reduce the overall interest costs that get piled onto the amount you owe. The downside of this approach, is that the pace at which you are able to pay down

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Your feedback is greatly appreciated!



the debt can be discouraging because you're not seeing big changes quickly. Consequently, other financial advisors suggest that you pay off the smallest debt first, then move on to the next smallest one and so forth. Every time you pay off the debt, the sense of accomplishment reinforces your feeling of success. So which is the right strategy? That is up to you. Decide what approach will work for you and stick with it. As long as you

are paying down your debt and working toward your goal, there is no wrong strategy.

### Getting started

Are you interested in better managing your money? There is no time like the present to get started! If you have access to Work-Life services through ERS, go to the ERS website at [www.ers-eap.com](http://www.ers-eap.com). Entering your employer's user name and

password will land you on the Work-Life homepage. Using the search field at the top of the screen, type in "budget" and you will find dozens of helpful articles and resources regarding setting up and using a budget, budgeting for the holidays (so you don't go wild!), and dealing with debt. There are also webinars like "Living within a Budget" and "Effective Budgeting." You can also click on the Legal Center at the right side of the

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Work-Life homepage, where you can prepare a will for free, or review lots of legal resources. Don't miss the link for the financial resources and information as well as the "Financial Basics Handbook." This handbook is an excellent resource that addresses many of the most important aspects of money management. If you are interested in more information

on budgeting and smart money management, there are a number of popular authors including Suzie Orman, Beth Koblner and Dave Ramsey, to name a few. Since each person has a different approach to the best money management strategies, it's a good idea to learn about several options. Consider going to your local library, or book store, to select the

style that you think best suits you. As a bonus, if you go to your library you'll already be saving money!

*Bill Heffernan, LCPC, CEAP holds a Master's degree in Rehab Counseling and is co-owner of Employee Resource Systems. He specializes in Organizational Development, Training and Drug Policies.*

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