Personal Money Advice: Investing, Loans, Insurance, and Economics

Not long ago a pause in conversation turned to the erratic weather—especially with global warming a concern. A competing interest of rising gas prices negated the topic with a more impending affect on our respective wallets. The recession continues today.

Okay, okay, if an alternative fuel solution were used, then not only would price on fuel decrease, but supposedly the global temperature would also. However, that seems more likely in the long run. In the short run, either option is bound to drastically affect an increase in financial expenditures, in at least one of four inflationary ways:

The economic facts about gas prices and other inflations are these:

1) It will cost more and more for oil as demand increases and supply of accessible oil decreases. 2) It will take resources to develop an alternative fuel. 3) It will take resources to implement an alternative fuel. 4) It will take excess resources for the government to order a change in policy that either allows for more supply in oil or production and/or implementation of an alternative source of fuel. The bottom line: relying on someone else (The government, big corporations, other countries, whoever) to affect one or all of the above changes will not occur quicker than one's own budget can be altered. Even if an increase in the gas price, that does not look to be stemmed anytime soon, is not the best, most direct example of a cause of a change in budget for you—as it is proving to be the main inflationary trend effect on budget for the rest of us—the gist of this article is not the finding the problem behind budget woes, but rather solutions.

The budget facts are these:

1) Bring in more than you spend. 2) Pay off consumer debt. 3) Make investments (A home, education, retirement accounts, and etc.—especially if they have the appreciable value intended). 4) Set aside accessible savings each check (Even a small amount will do to perpetuate a habit, until you can put aside a good percent (Like 10% between savings and retirement accounts is a good goal).

The credit facts are these:

Be especially prudent in purchases that could require credit. The economic downturn was not a result of government or big business. It was a result of people living outside their means and/or not providing for a rainy day. Do not live on credit any longer than you have to. A home or schooling are investments that might require credit, but credit cards and other consumer debt are not needs, but wants. Granted we all can make spending mistakes that quickly spiral out of control but the only solution is a return to living within your means, whether that requires less spending and/or greater earning.

The investment facts are these:

A wise person pays themselves before paying anyone else. A person in their early twenties who begins saving even $100 a month in a mutual fund account is projected to get a return of at least 5%, which has been true ever since the beginnings of such accounts. That yields a return in the millions at retirement. If you start in your early thirties you should expect to put away $300 or more per month. Either way, it is a better investment than the next best option, your home. Yes, you should get into a position where you own a home.

The loan facts are these:

There is not a good reason to have more home than you can afford, however. In fact, in some instances it is better for living within your means to rent. But rent will continue to rise and your equity will not. Renting is not an investment while home ownership in the long run is. And it's an appreciating value. If history, within the space of a lifetime remains true, for the average house, it is really just a matter of selling at the right time. This assumes you don't buy a broken down home at a perfect home's price. The best advice I have here is to get a realtor which ensures proper legal representation and a real value assessment for the area. Buyer's don't have anything to lose by acquiring a realtor. Fees do not come from the buyer's end and seller's who do not know market value, but usually base their price on the last highest sell they remember in the neighborhood, are not looking to cut a buyer in on any perceived discount they get by bypassing your realtor.

Invest in yourself by learning. It will cost money to gain an education. If you need to take out a loan, some of the best loan options available are for school, and taking out the loan will need to be dependent on your earning potential. Do well in school and pick a career where employment in that field will pay off the student debt within a good timeframe.

You will likely need to own a car, but don't make the mistake of paying too much for a car. If you don't have the money, you may need to lease, but a car that is a couple years old will cost far less compared with the slight advantage lost in not having a brand new car. The sooner you can afford a car outright without a lease the better. Make it happen.

The insurance option facts are these:

You can take out insurance on about anything, including your life. First of all, don't take out life insurance if you don't have any dependents. If you think that goes without saying, that's good; you are on the right track. This also means that a newly married couple should not go out and buy life insurance for the bread winner. In other words, the best insurance in this instance is that both parties gain skills to provide for themselves should they need to, rather than giving one person or the other reason to think that the benefit of having you around is the same with or without you around. I guess the question you have to ask yourself is even in death should you have to provide for persons who can and would benefit from providing for themselves? The same applies for your children. As they get older and less dependent your life insurance premiums should go down until non-existent.

The policy on insurance should be that you won’t pay more for the risk of losing something you could afford to lose anyway. In other words, why insure something that you could just as easily replace. The reason insurance makes money is because the risk of you needing to use the insurance is not that good. Most people’s homes don’t burn down, get flooded, or robbed of everything. Most people don’t wreck their cars beyond the deductible and premium we all pay out on average. This brings me to the point that you should raise your deductible as much as you can possibly afford on insurance coverage so that if on the off chance you have to make an insurance claim, you can cover your end of the cost and still get the insurance fixes you need, but your monthly premiums all along will have been at their lowest. Lowering monthly payments on anything frees up money that can be saved aside for a Rainy Day fund.

Place money in a saving’s account that you do not touch. Also have a reserve in your checking that you do not go below to keep from bouncing that account. A person should have a minimum of $1,000 of extra money on hand for any unexpected expenditures that will arise in the future. Don’t spend extra money just because you have it, because the day you need it, you won’t have it, and that’s where unplanned for credit becomes a problem. Let the interest on your savings work for you, rather than paying someone else interest for having to borrow their money on credit. In fact, if you can earn a little extra money to invest in helping someone else who needs to borrow money and when they pay you back what they borrowed plus a little extra for the interest on the time they borrow it for, then you are the one who is coming out the best in that arrangement, aren’t you? A person living on a good budget should be able to become the lender rather than the borrower. It’s tough work to get into that position, but it is also just that your work as a saver will help you to get richer, not poorer, like those who insist on managing credit instead of getting out of debt where possible.

A few dollars a week not spent on extras like sweets in your diet, amounts to $12,162.46 over the average American’s life span if saved in a non-interest bearing account. Compounded by interest of even a small percent over time will grant 3 to 5 times that amount. We don’t have to cut all good things out of our lifestyles, but we also don’t need to pay extra for those who prey off poor spending habits. For example, it is easier for me to grab a bite to eat from any fast food place or get a candy bar and a drink from the gas station, but if we make it a habit to buy food at the grocery store it is quite often a dollar or more less. Plan well, hold off on having everything you want as soon as you want it, pack your lunch to work, and make your dinner at home in the evenings. It will be worth it over time, just as spending over your budget a little each day will amount to a lot over time.

The bottom line: Stay out of the red and make interest work for you instead of against you in all ways possible. Then, even during an economic slowdown, as long as you’re employed, you can position yourself to not only ride out the economic lows, but also thrive during economic highs.

The everyday effect on the individual’s economies is this:

I, for one, caved this week. In order for me to be sure to keep within my means and beat the gas trend, among other economic woes, I joined the ranks of those riding the bus—well, at least I did it for one day. I forgot to bring my lunch that I packed, though, so my savings that day weren't quite as expected. I didn't want to go hungry and out came the credit card. Nonetheless, packing my lunch and riding the bus for a month would afford me eating out for lunch and driving my car every other month. If only I had enough discipline for several straight months: the quicker the debts decrease, the quicker the investments and saving's plans increase. Inflation, I'm afraid, has been faster than my monetary earnings have been able to increase to, so even though I stay afloat, it's nice to have a few budget alternatives available. The point, however, with or without better global economies or better personal economies—such as pay wage increases with current positions, promotions, or better, or at least some supplementary employment—our way of living will need to be within a budget; it is the best way to combat economic changes that currently continue not to be in our favor, and the best way to also take advantage of the times when the economy will be working to our advantage.

http://www.associatedcontent.com/article/881401/what_to_know_about_buying_your_first.html?cat=54 (link to homeowner article)

Make a payment schedule for debt. 1) Pay off the highest interest rate credit first. 2) Pay some amount to each debt (at least bare minimums), 3) Once the highest priority is paid off, apply the amount you free up to the next highest priority in turn.