



Berthann Jones, CFP® • Craig Newkirk, CFP®
P: 203-393-9508 • F: 203-393-9518
8 Whippoorwill Lane • Bethany, CT 06524
www.finfreeadvisors.com

Advocates for financial peace of mind

Money Wisdom - #6: May 30, 2008

I Earned It, But Where Did It Go?!

At a time when every penny counts so you can put food on the table and gas in the car, here are a few tips to help you manage your money.

First, develop an organized and disciplined approach to your cash management system. Then, spend a few minutes each week to update and maintain your new system. This will provide an opportunity to enhance your current financial position, and save money in the process.

Any good cash management system revolves around the four As — Accounting, Analysis, Allocation, and Adjustment.

Accounting: Gather all your relevant financial information and keep it close at hand for future reference. This includes mortgage payments, credit card statements, gas slips, auto loans, etc. List it systematically and you will have a clear picture of your overall situation.

Analysis: Review the situation once you have accounted for all your income and expenses. You will have either a shortfall or a surplus. If the surplus seems too large, dig deeper into your cash spending and expense records.

Reviewing and reducing expenses will be a key element to your financial success. This can help free up cash that can either be invested for the long term or used to pay off fixed debt.

For example, if you were to reduce restaurant expenses or other non-essential spending by \$200 per month, you could use this extra money to prepay the principal on your mortgage. On a \$225,000 30-year mortgage, this extra \$200 per month could enable you to pay it off 9 years early and save you over \$100,000 in interest payments.

Allocation: Determine your financial commitments and priorities and then distribute your income accordingly. It is critical to distinguish between your real needs and your wants.

For example, you may want a new home entertainment center, but your real need may be to reduce outstanding credit card debt.

Adjustment: Over time you should review your income and expenses and make the changes that your situation demands. For example, as a new parent, you might be wise to shift some assets in order to start a college education fund for your child.

Using the four As is an excellent way to help you monitor your financial situation to ensure that you are on the right track to meet your long-term goals.

Berthann Jones, CFP® and Craig Newkirk, CFP® own Financial Freedom Advisors, LLC in Bethany. They are advocates for financial peace of mind. They can be contacted at 203-393-9508, info@finfreeadvisors.com or www.finfreeadvisors.com.