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Most people would like to have more money in their bank accounts, while working less. Although this may seem like a never-ending dilemma, there may be a solution. Think about it. The best way to stretch the money you make without working more hours is to *avoid* excess spending in the first place. Some people call this a budget, but you could just as easily call it a spending plan.

Here are 10 tips to help stretch your hard-earned cash in today's challenging economic climate:

1. **Create a spending plan.** Many people resist the idea of a budget because they associate it with hardship and sacrifice. But instead, you can create a monthly spending plan for your fixed and discretionary expenses. By planning your spending, you may find that you spend money more wisely because you're consciously taking control.

2. **Pay yourself first.** Put savings at the top of your spending plan. If you wait until the end of the month to save any leftover cash, you may find yourself without a cushion when you need it most. Be sure to set a savings goal. For example, strive to save at least 10% of your income before spending the rest.

3. **Track your spending.** Record your expenditures for a month. Be especially careful about keeping track of any small, optional items you purchase. You may be surprised to discover how quickly purchases costing only a few dollars can add up. At the end of the month, review your expenditures and adjust your spending plan accordingly. Once you see where your money is going, you may decide to make different choices about your spending habits.

4. **Live within your means.** Many people feel as if they never have quite enough money to live on, yet they probably know people who successfully manage on less. If your expenses are less than your income, you are living within your means.

5. **Shop for value.** Look for opportunities to get more value from each dollar you spend. Join a warehouse or shopping club to buy items in bulk. Purchase clothing, furniture, and household goods on sale.

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A Look at Guardianship and the Elderly

Suppose an elderly family member becomes incapacitated and has made no arrangements for such a situation. **Advance directives** are legal instructions that express a person's wishes regarding financial and health care decisions in the event that he or she becomes unable to make them. If incapacity occurs and there are no advance directives, is **guardianship** a viable option?

Guardianship for an adult differs from guardianship of a minor child. For minors, it involves parenting because children require adult supervision until they reach a certain age. Further, minors have not yet earned societal rights, such as the right to vote or drive, so they do not give up any rights with guardianship.

By contrast, an adult who is accustomed to making his or her own decisions, typically loses the right to vote, hold a driver's license, marry, and draft a will (laws may vary by state) when placed under guardianship. The guardian, appointed by the court, becomes the ***decision-maker*** with the power to make some, if not all, financial and health care decisions for an incapacitated person.

Guardianship for an adult is considered to be a serious intervention and is not enforced until *after* a clear need becomes evident. At a minimum, most states require a court hearing and examination by a physician and/or psychologist to determine incompetence. The person for whom guardianship has been petitioned (i.e., the **ward**) must be informed of his or her rights and notified that a court hearing has been scheduled. Proposed wards generally have the

right to retain an attorney and to object to the petition for guardianship, even if incapacity prevents them from attending the hearing.

It is important to understand that bouts of confusion or eccentricity do not necessarily indicate mental incompetency. For example, an elderly parent may appear to be spending money frivolously, but that alone may not indicate an ***inability*** to manage his or her affairs. Or, consider what would happen if the court appointed a guardian for someone in a coma who later recovers consciousness. Therefore, guardianship for an adult is used only as a last resort in the absence of advance directives.

Advance Directives

Advance directives can help a person plan for a variety of possible situations. A **durable power of attorney** grants authority to another person to make legal and financial decisions on a person's behalf in the event of mental incapacity. The powers granted can be broad or limited in scope. A durable power of attorney can provide assistance with personal finances, insurance policies, government benefits, estate plans, retirement plans, and business interests.

A **living will** allows a person to state his or her preferences prior to incompetency regarding the giving or withholding of life-sustaining medical treatment. In most states, a person must have a "terminal condition," be in a "persistent vegetative state," or be "permanently unconscious" before life-support can be withdrawn. The definition of these terms and the medical conditions covered may vary from state to state.

A **health care proxy** allows a person to appoint an agent to make health care decisions on his or her behalf in the event of incapacity. These medical decisions are not limited to those involving artificial life-support.

Time Is of the Essence

Advance directives by durable power of attorney, living will, or health care proxy are generally inexpensive and easy to implement. They are essential estate planning tools for all individuals, regardless of age. In the absence of such documents, court intervention to appoint a guardian may be necessary. This could involve a great deal of time, expense, and stress at precisely the moment when timeliness and ease of action are of the greatest importance.

The Importance of Risk Management and Insurance

An unexpected event such as a death, disability, or other personal loss is certainly not something you can easily plan for. Yet, the financial ramifications could be staggering—not only to you, but also to your family. Therefore, it is important to create a **risk management plan** as part of your overall financial strategy.

Insurance, in all its varied forms, is simply a method for managing risk. In order to plan an effective insurance program, consider what risks you and your family are exposed to and how financial loss would affect you. For each risk exposure, the key elements to consider are the severity and possibility of loss.

All Risks Are Not Created Equal

Some risks may be so small that you decide to accept full responsibility for any potential loss. In insurance language, you "self-insure" for such risks. For example, it is rarely cost-effective to carry collision coverage on a 10-year-old automobile. Collision coverage generally pays actual cash value, and since a 10-year-old car may have little current fair market value (FMV), it is common to self-insure in such cases. In making this choice, you assume full responsibility for any accidental damage you may cause to the vehicle.

In other situations, the risk may be so great (or the cost of a potential loss may be so great) that the best strategy is to try and avoid the risk entirely. You practice risk avoidance in your daily life when you say something is "not worth the risk."

Sometimes, risk can be reduced. For example, installing an automobile anti-theft device or home security system is a strategy to reduce the risk of loss.

Risk Transfer and Risk Sharing

Insurance is a method that allows you to transfer risk you cannot reasonably afford, or choose not to accept. Since you may be unable to afford to rebuild your home in the event of fire, for example, you may choose to transfer that risk to an insurer by purchasing a **homeowners policy**. Even in situations of risk transfer, it is common to share some risk. For example, the deductibles and premiums you pay for insurance are a form of risk sharing whereby you accept responsibility for a small portion of the risk, while transferring the larger portion of the risk to the insurer.

There are other important insurance options to consider, as well. Between the ages of 25 to 35, most married couples are just starting out in life and establishing families and careers. During these years, the death of one partner could seriously jeopardize the surviving spouse's or family's financial future. In such situations, **life insurance** can be used to help create an "instant estate." A life insurance policy death benefit can help provide a continuing source of income, pay off a mortgage, or fund a child's college education.

Additionally, many people give little thought to how they would handle financial responsibilities, such as mortgage payments, car payments, college tuition, and other expenses, if their income suddenly stopped because they were unable to work due to an illness or injury for an extended period of time. **Disability income insurance** pays benefits that can help replace a portion of income, should you experience a qualifying disability.

Taking a closer look at different types of risk that may affect your family can help you answer the following important questions: What should I insure? What type of insurance do I need? How much coverage should I purchase?

Remember, the fundamental rationale behind all forms of insurance is to assess what risks can be shared or transferred on a cost-effective basis. Be sure to consult with a qualified insurance professional to determine the amount of coverage that will best suit you and your family's needs.

tips to help stretch your paycheck

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Big-ticket items like cars and household appliances often depreciate substantially in the first one or two years. So, you may want to consider buying a certified, used car with reasonably low mileage or secondhand appliances in good condition for less.

6. Minimize debt. Keep your debt level low. By reducing debt, you also minimize interest and finance charges. When you are tempted to charge a purchase, remember that you are committing to pay for it from income you have not yet earned.

7. Eat in. Dining out can be expensive, since you are paying for the service, as well as the food. Meal taxes also add to the bill while liquor and desserts, which you may not ordinarily eat at home, boost the tab even higher. Therefore, reserve the fine dining for special occasions only.

8. Reduce housing costs. Housing is a major fixed expense. Consider reducing this cost by buying or renting a smaller place, or one with fewer amenities. If you rent and plan on staying in an area for more than a few years, consider buying. Owning a home is often more expensive than renting at first, but can be worthwhile in the long run.

9. Trim transportation costs. Many families now own multiple vehicles and have additional costs for insurance, repairs, fuel, and parking. Consider using public transportation or carpooling with others, whenever possible. The savings in vehicle-related expenses may offset any inconvenience.

10. Create a cash reserve. A cash reserve can help you stick to your spending plan and help keep you out of debt when emergencies, such as a major car repair or short-term disability, arise.

Cutting back on excess spending does not have to mean continually denying yourself life's simple pleasures. Instead, you may find that with living within your means and paying yourself first, your debts will decrease as your savings grow. A personalized spending plan can help provide that "extra" income and stretch your hard-earned paycheck a little further.

Actions to Take if Your Credit or Debit Card Is Stolen

To help protect yourself against fraudulent charges if your credit or debit card is lost or stolen, you need to call the issuing bank or company *immediately* to report the loss.

Under Federal law, you are liable for only the first $50 of unauthorized charges resulting from the loss or theft of your credit card. However, you are not liable for *anything* if you notify the card issuer before someone else uses the card.

Liability for unauthorized use of a debit card, such as those used at automatic teller machines (ATMs), depends on when you report the loss. Under Federal law, you are liable for only $50 if you notify the bank within two business days after your card is stolen. But, if you refrain from acting quickly, you are liable for up to $500 withdrawn from your account. The $500 limit expires 61 days after the mailing date of your first bank statement showing the unauthorized withdrawals. Cardholders who do not notify the bank by that time may be liable for *all* funds withdrawn, including overdraft protection funds.

Remember, your major defense against liability in the case of stolen or lost credit or debit cards is being proactive. To help protect yourself from fraud, which could affect your creditworthiness, always take action promptly to rectify the situation.

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