

Money Mechanics

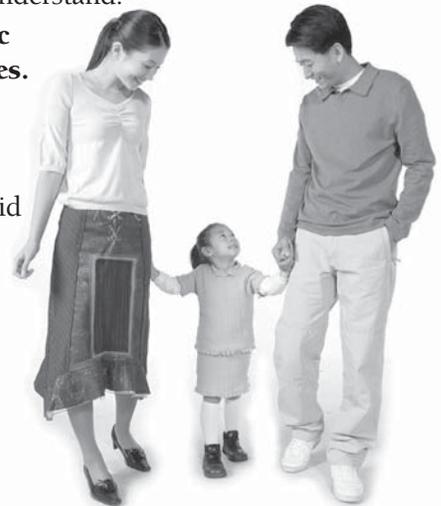
Communication

MONEY IS A PROBLEM for many families. Poor communication about money often is the root of financial problems. When family members have different values and attitudes toward spending and saving money, or when families set unrealistic goals, conflict may occur. When families don't "talk things out," even the most workable spending plan may fail. Talking about money isn't always easy, but it is important. Generally, open communication about family finances results in better decisions.

Setting Some Rules

Honest and candid communication takes time and effort. Meet on a regular basis instead of waiting until problems occur. Choose a time and place where you won't be interrupted.

- **Recognize that whoever earns the money doesn't also earn the right to dictate how it should be spent.** Families need to make decisions about money as a team. Family members will be more satisfied with decisions they helped make.
- **Clearly identify the issue at hand.** Don't drag other points into the discussion. Is the problem one of spending too much money, spending it at the wrong time, or spending it on something you consider unnecessary or unimportant?
- **Let each family member freely state his or her wants, needs, and personal feelings.** Avoid judging or criticizing others. Encourage communication beginning with "I think" or "I feel." Talk about the present. Avoid phrases such as "you always" and "you never."
- **Listen carefully to the other person.** Respond to statements by others with some indication that you understand. Or ask questions until you do understand.
- **Negotiate for a realistic settlement of differences.** In many cases, family members must compromise. Making a written agreement may help avoid misunderstandings.



Values guide decisions. How you use time and how you spend money reflect your values.

Understanding Personal Values

One way to start talking about money is by identifying personal values. Values represent those things we cherish most.

Some values and attitudes toward money can be traced to childhood. What were your parents' attitudes toward money? Was money a constant point of conflict—or perhaps a subject that was never discussed openly?

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Answering these questions may help you identify some of your values.

- **Family.** What type of lifestyle would satisfy you most?
- **Work.** What do you like about your job?
- **Future security.** Are you comfortable buying now and paying later? How important is saving?

Talking about Money

Take the Talk about Money quiz to begin thinking about your values and attitudes toward money. It also will tell you what you know about your family's income and spending patterns. Be specific—and truthful—with your answers.

Ask your spouse or another member of the family to take the quiz as well. Don't let the other person see your responses until you both have completed the quiz.

Now compare. On what points do you agree or disagree? Can you see any differences in values and attitudes that may be causing conflict in your family?

Take the Talk about Money quiz to begin thinking about your values and attitudes toward money.



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Identifying Money Problems

Most families face money problems due to a lack of planning and communication. These problems generally fall under four categories.

1. Value conflicts.

To save or spend, to buy life insurance or a new car, to pay for college tuition or stereo equipment—these choices reflect values and potential conflicts. No two people have exactly the same values, but when family members have sharp differences in values, they need to negotiate.

2. Unrealistic goals.

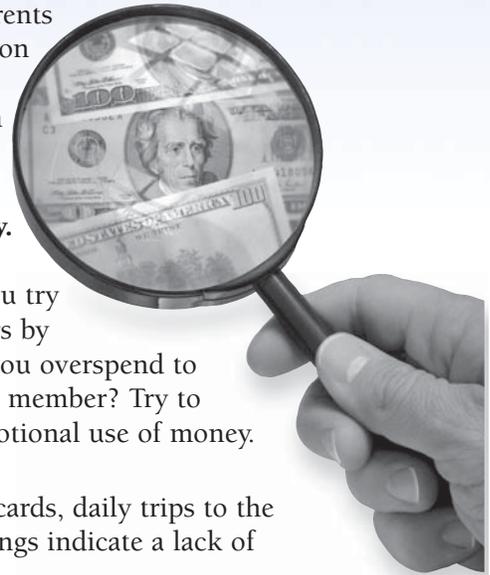
Striving immediately for the same quality house, furnishings, and car that took your parents 30 years to earn is a common problem. Insisting on unrealistic standards often results in frustration and, at worst, too much debt.

3. Emotional uses of money.

Do you try to buy status, friendship, or love? Do you try to control or punish others by withholding money? Do you overspend to get back at another family member? Try to recognize and prevent emotional use of money.

4. Lack of planning.

Impulse buys with credit cards, daily trips to the store, and inadequate savings indicate a lack of financial planning.



Reaching Financial Goals



Planning ahead and dealing with change are the main challenges of financial management. If you run into problems making decisions, these steps may help you find a solution.

- Step 1** Define the problem. Be specific. Only list one problem at a time.
- Step 2** List ways the problem could be solved. Write down all possible solutions that come to mind. Don't judge their worth at this point.
- Step 3** Now evaluate each of the solutions listed in step 2. Are they workable, practical, and agreeable to everyone involved? Can you combine several alternatives?
- Step 4** Select one solution. Outline the steps necessary to solve the problem.
- Step 5** What might stand in the way of reaching your goal? How can you avoid these obstacles? What are you willing to do to solve this problem? Whose support do you need?

Talk about Money Quiz

Directions: Family members should answer these questions separately, then compare answers. Next, talk about similarities and differences in your money attitudes and practices.

1. If you received \$5,000 tax free, what would you do with it?

\$ _____ for _____ \$ _____ for _____
 \$ _____ for _____ \$ _____ for _____
 \$ _____ for _____ \$ _____ for _____

2. Rank the following activities, using 1 to indicate what you would enjoy doing most and 6 to indicate what you would enjoy least.

_____ An evening at home with the family _____ Involvement in physical activity
 _____ A night on the town _____ Spending time with friends
 _____ A few extra hours on the job _____ Some quiet time to myself

3. If you had to make a major cut in your current spending, what area would you cut first? _____

4. Do you agree (A) or disagree (D) with the following statements?

A D I'm basically too tight with money.
 A D My spouse is basically too tight with money.
 A D Equality in family decision making is important to me.
 A D I feel good about the way financial decisions are made in my family.
 A D Sometimes I buy things I don't need just because they're on sale.
 A D I believe in enjoying today and letting tomorrow worry about itself.

5. I'd like to see us spend less money on _____
 and see more dollars go for _____

6. What money problem is the most frequent cause of argument? _____

7. What was the most sensible thing you've done with money? _____
 The most foolish? _____

8. Do you know the dollar figures that go in the following blanks?

\$ _____ Family take-home income \$ _____ Money spent on food each month
 \$ _____ Rent or mortgage payment \$ _____ Monthly car payment

9. Buying on credit is _____

For more information, visit
www.extension.iastate.edu/finances
 or **www.extension.org/personal+finance**
 or the Iowa State University Extension
 office in your county.

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