

A Financial Checkup

What is the quickest way to check your financial well-being? If you don't like accounting, math or bank statements, you probably don't savor the thought of a financial check-up. But is there a fast and painless way to get a feel for whether you're in trouble?

Yes, there are a couple of techniques that you can use. Obviously they're not going to give you as much information as if you took the time to do a personal balance sheet and budget. But they will let you know if you're heading for serious financial trouble. So let's spend some time giving you a financial check-up to see the condition of your financial health.

One way is to take a look at your checkbook. If you were to look over all of your cancelled checks and credit card statements for the past 12 months, what story would they tell about you and your spending habits?

One biographer said that when he started to do research on a person, the first thing he wanted to know was how that person spent their money. He felt that if he could look at their checkbook, he'd learn more about that person than if he interviewed friends and relatives.

We can learn a lot about ourselves in the same way. What's the biggest check you wrote last month? If you still have a mortgage, that should be it. If the biggest check went somewhere else, you might want to ask yourself, "Why?"

Paying for college is expensive and may in fact demand a rather high monthly payment, but if your car payment is that high, you could be heading for trouble.

Maybe you don't have a mortgage payment. Perhaps you're a little older and have already paid it off. If so, the biggest check each month should be written to your retirement savings account. Or are you taking that money and using it to pay for a boat or other luxuries instead?

Then take a look at the other big checks you write. How many of them are to pay monthly bills for things you bought long ago? Are you still paying for the furniture that's been in your living room for three years?

What about TV's, stereos and electronics? Making monthly payments on those types of items is a danger sign. You could be heading for trouble.

Now let's do a little rough math. Take a look at your deposits for the month. Then compare those big unavoidable monthly bills—for your mortgage, car payments and utilities. Do those payments consume more than two thirds of your deposits? If so, you are already in dangerous territory. A closer look is in order.

Don't forget about the little checks either. Are you writing a lot of smaller checks to credit card companies? How are you recording your credit card purchases? Are you deducting from your check register each time you make a credit card purchase?

Maybe you're spending too much time in the mall. What about checks for cash or ATM transactions? Are you always just a little short of cash? Time to take a look at some of that 'miscellaneous' spending. Those five and ten dollar lunches can add up over time.

What about your credit card bills? Are you among the 30 percent who pay off all their purchases every month? If so, you probably have your spending under control.

Take a quick look at the credit card statements. Can you remember what you bought with each charge? If you can't remember what you bought, there's a good chance that you didn't need it.

Think about all the ones you do remember. Were you buying things that you really needed or was it for something that you just wanted at the time? Have you used all those things since you bought them?

Here's a quick test for you. Are you just paying the minimum each month on your credit card account? Flash the warning lights! Look at it this way. For every \$1,000 you owe on your account, you may be paying up to \$200 each year in interest payments.

If you have a credit card balance of \$5,000, that comes to about \$100 every month that doesn't bring any food, clothing or anything else into your house. Do your own math to see how much is flying out your window every month in interest. Wouldn't you rather have no credit card balance? Wouldn't you rather be debt free?

Finally, how do you feel about money? Some people look at money as a pleasure pass. They think you buy stuff and happiness follows. Those are usually the people with large credit card bills.

Others view money as a measure of their success. They need to earn more than their neighbor to feel satisfied, justified or fulfilled. Their income (and what they buy with it) determines how happy they are. Since they're always on a quest for more, they can't be happy with what they have. It's a great formula for a lifetime of unhappiness.

Well, there it is. A quick check-up on your financial health. Hopefully you have found yourself in top shape! But if not, remember that we were just looking for the symptoms today. It's up to you to take a few more tests and discover how critical your situation is.