GETTING THE MOST OUT OF YOUR SALARY

Show Me the Money!

by Kris Williams, BA

My husband and I were stopping for coffee and bagels every morning for breakfast. For both of us to get our choice of caffeine and a bagel or gooey, really-bad-for-us cinnamon roll, we spent a whopping $6.62. Not much, really, when we so liked the convenience of getting someone else to spread on the cream cheese, brew the coffee, and greet us with a smile.

Our morning ritual wasn't a problem until we decided that we wanted to buy some new furniture. What to do? Cut back. Retrench. Budget.

We grabbed our calculators and started adding things up. To our surprise, we discovered that our breakfast was eating our lunch. For five days our breakfast treat added up to $33.10, for a month $132.40. We decided to have breakfast at home; after all, that's why we bought all those groceries.

As a respiratory therapist you may find yourself in the same situation — having enough money to do some of the things you want but not having a good idea where your money is actually going.

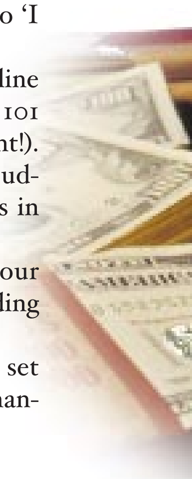
Budgeting

To many of us, budgeting may sound like drudgery. It seemed that way to us when we realized we were going to have to give something up in order to get something else, but taking that step made us realize that our money could work for us.

"People should not think of budgeting as a denial process," says Bettye J. Banks, senior vice president for education, Consumer Credit Counseling Service of Greater Dallas, Inc. "Budgeting is an enabling process and changes 'I can't afford' to 'I *can* afford!'"

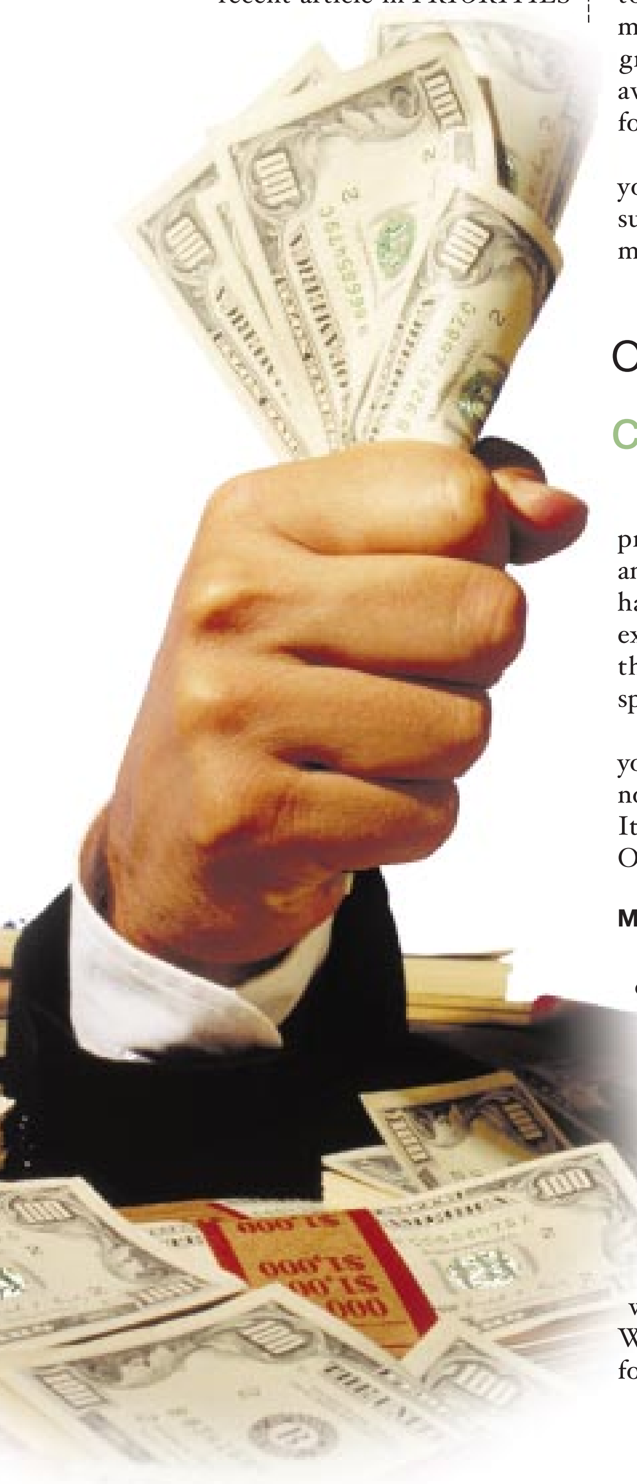
At the *Money* magazine online web site, you can take Money 101 Lessons (they don't cost a cent!). According to the authors, budgeting is a three-step process in which you:

- Identify how you spend your money by tracking your spending for a week or so.
- Evaluate your spending and set goals that prioritize your financial objectives.



• Continue to track your ongoing expenses and stay within your financial guides.

"What does it cost you to live each month?" is a question Suze Orman, best-selling author of personal finance books, asks in a recent article in *PRIORITIES* magazine. When you are deciding what your expenses are, she suggests that you include gym memberships, insurance premiums, vacations, and other expenses that you may pay only once or twice a year in addition to the monthly utility bills, mortgage, car payments, and groceries. She then suggests averaging these expenditures for the year.



One of the biggest areas of concern for many families is debt.

To know how much money your family brings in, Orman suggests that you include your monthly paycheck(s) after taxes, predictable bonuses and gifts, and any other income you may have. After you subtract your expenses from your earnings, is there any left over or do you spend more than you make?

"If you're spending more than you're earning, [the] solution is not about creating limitations. It's about making decisions," Orman says.

Managing debt

One of the biggest areas of concern for many families is debt. Money.com suggests that the average consumer has $5,000 in credit-card debt and that personal bankruptcies are at an all-time high.

To help make your money work for you, learn to control debt. Money.com says to watch what you borrow for. While it's a good idea to borrow for a house or car that you can afford, it's not such a good idea to borrow for vacations, restaurant meals, or clothes. The Web service also suggests that you pay off high-interest cards first and, when possible, pay more than the minimum payments.

When *AARC Times* talked with Joseph R. Huff, BS, RRT, CPFT, Cleveland, OH, a piece of advice he wished he had received when he was younger is: Reduce or totally eliminate credit card debt. "Making minimum payments on the card does not reduce the balance," he says. "The only thing you are paying is the interest."

If your debt is "breaking your back," Money.com encourages contacting your local Consumer Credit Counseling Service, which is often listed in your telephone directory. Banks say that if you need to talk with someone or need help finding a Consumer Credit Counseling Service in your area, call (800) 783-5018 and ask for education.

Planning for the future

During our interview sessions at the 1999 International Respiratory Congress, *AARC Times* talked with Cathy Sullivan, RRT, RPFT, Upper Nyack, NY. (Sullivan's interview is this month's feature in Balancing Life & Work at **www.aarc.org**.) We also talked with Jerry McGlothen, RRT, St. Marys, OH, via the Internet. We discovered that when it comes

Resources on Money Management

For books about personal finance, visit the AARC web site at **www.aarc.org** and click on the AARC Online Bookstore (it connects you to amazon.com, and the AARC earns a referral fee for everything that you purchase) or visit your local library for these books:
"The 9 Steps to Financial Freedom" by Suze Orman
"The Courage to Be Rich: Creating a Life of Material and Spiritual Abundance" by Suze Orman
"You've Earned It, Don't Lose It: Mistakes You Can't Afford to Make When You Retire" by Suze Orman

These web sites may also provide information that you can use to get the most from your salary:
Money.com at **http://www.money.com**
Quicken.com at **http://www.quicken.com**

For a wealth of Internet links, visit the National Network for Family Resiliency site at **http://www.hec.ohio-state.edu/cts/osue/famfin.htm**.

Remember: If something sounds to good to be true, it probably is. Call your local Better Business Bureau to check out any organization before you make big decisions about your money!

to planning for the future, these RTs believe that the earlier you start the better.

When McGlothen changed careers to become a RT at age 31, he couldn't afford to have very much taken out of his paycheck for retirement. However, he knew that he had to put something into an Individual Retirement Account (IRA) or mutual fund, because he didn't want to depend on Social Security and his hospital retirement to fund his golden years.

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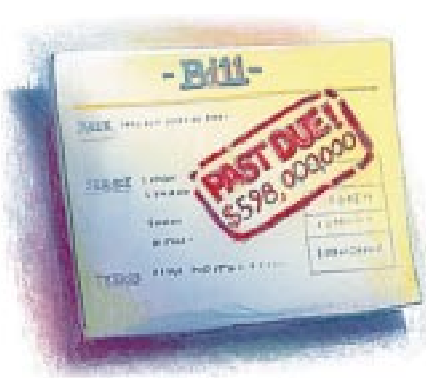

Sullivan points out that young people who enter the profession at 22 or 23 may feel like they don't have to worry about retirement — after all, they have 40 years to go. However, not planning for the future causes worry and frustration at age 50, when some begin to realize that retirement is just around the corner and that they may not have socked enough away to keep them comfortable.

McGlothen echoes Sullivan's emphasis on beginning early. The beauty of compound interest, he says, is that putting money away leads to bigger savings at the end of 40 years. McGlothen points to Table 1 as an excellent illustration of compounding interest.

Sullivan encourages others to take advantage of pre-tax deductions through their hospitals' tax-deferred annuity, 401(k)s, and mutual funds. Pretax deductions allow you to see more of your money in take-home pay, says Sullivan. For example, "You may be contributing $100 [to your account], but you're only going to see a $60 difference in your take-home pay. I think that's the greatest thing on earth — deductions before you get paid."

When I look at what I've been able to accumulate over the last 15 years, I really kick myself for not being more in tune to this opportunity.

"The most important thing for any younger person is: Get started now and leave it alone!" McGlothen says. "Let the small amounts you can afford now begin accumulating and gathering interest or earnings. I got started when I was a staff therapist and have just continued. When I look at what I've been able to accumulate over the last 15 years, I really kick myself for not being more in tune to this opportunity."

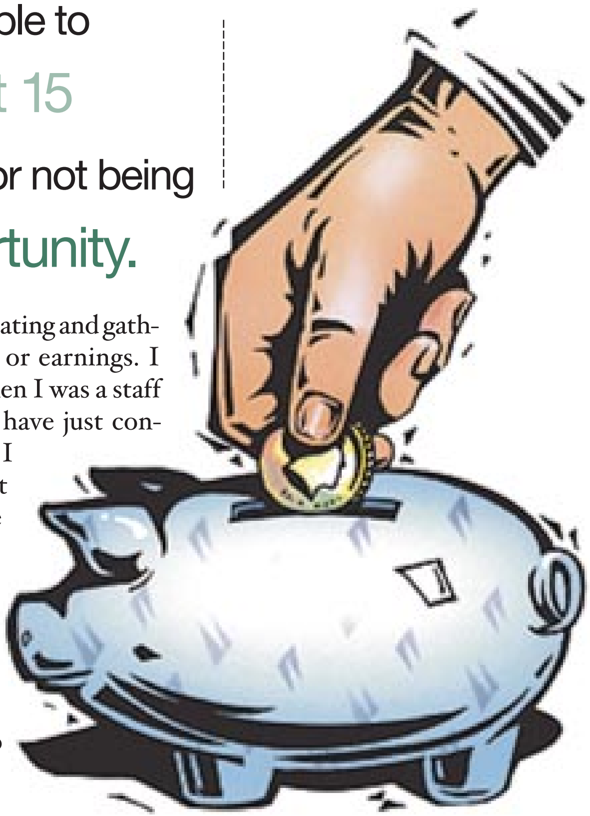

Table 1. Planning for Retirement: The Beauty of Compound Interest

	Early Funding			Late Funding	
Year	Contribution	Yr End Value	Year	Contribution	Yr End Value
1	$2,000	$2,160	1	$0	$0
2	2,000	4,493	2	0	0
3	2,000	7,012	3	0	0
4	2,000	9,733	4	0	0
5	2,000	12,672	5	0	0
6	2,000	15,846	6	0	0
7	2,000	19,273	7	0	0
8	2,000	22,975	8	0	0
9	2,000	26,973	9	0	0
10	2,000	31,291	10	0	0
11	0	33,794	11	2,000	2,160
12	0	36,498	12	2,000	4,493
13	0	39,418	13	2,000	7,012
14	0	42,571	14	2,000	9,733
15	0	45,977	15	2,000	12,672

Assuming 8 percent growth per year, at the end of 40 years, the person who began to save early (beginning the first year he or she worked) would have invested $20,000, which would be worth $294,870. The late investor would invest $60,000 over 30 years, and would have only $184,692. (Chart courtesy of Jerry McGlothen, RRT)