

# COMMON CENTS



## Guide to Make, Save & Manage Your Money

### Module 15

Real Life Solutions and Simple Fixes  
for Seriously Bad (But Common!)  
Money Problems; Problems that Can  
Affect Your Home, Retirement, Your  
Whole Family

WAYS TO MAKE & SAVE MONEY  
TRAINING COLLECTION

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SUMMARY



We’ve discussed several personal finance topics, so as we come to the end, it’s a good time to look back over all that was discussed and summarize the most important points of managing your money effectively.

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## Budgeting

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While budgeting sounds like a daunting task, really it's quite simple. All that's required is that you **keep track of how much money you have, earn, and spend.**

Most budgets divide expenses into two primary categories, *fixed* and *variable*. But we add a third called: *non-essential* expenses.

The fixed expenses remain the same from month to month, such as rent or a loan payment.

The variable expenses, like electricity and food, change from month to month. While the numbers change, you can still create a solid figure by averaging out the total purchases for each month.

The non-essential expenses, like excessive amounts of clothing or entertainment expenses, are often thought to be *needs*, when they're really *wants* that are unnecessary to lead a happy and healthy lifestyle.

If your expenses are *greater* than you're income, you'll need to find a way to **earn more than you spend**, whether it's through making more money, spending less, or a combination of the two.



## Saving Money

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***One of the best ways to maximize your income is to minimize your spending.***

Depending on where you shop, you have a variety of options when it comes to saving.

For grocery shopping, keep an eye out for coupons. You can often find coupons for items that you buy frequently. While one coupon may not do much, it can be a huge relief to the grocery bill when used en masse. The effect is expanded when some stores double the value of coupons to give you greater discounts.

For entertainment, search for used items as opposed to new ones. Many stores, including Amazon.com and eBay.com, offer the same products in good condition for a greatly reduced price. If you're a big collector of books, movies, or video games, this is a great way to cut that expense down, while satisfying your urge to buy things.

Find out if your favorite stores offer a preferred customer program. This can give you access to better sales, as well as gift certificates, that save you money on the things you were going to buy anyway.

## The Power of Change

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You may dismiss change as useless, but ***it's actually a powerful savings tool.*** Find a jar or container and empty your change into it each day. You'll be surprised at how quickly it adds up.

When cashing in your change, take them into the bank to save the counting fee from those machines at the supermarket.





The saving power of change is so apparent that banks have tweaked the concept for their debit cards. Rather than put the change in a jar, they'll transfer the change to your savings account. Ask your bank if they offer this type of savings program.

Depending on the bank, they may also match a certain percentage, giving you an extra deposit every year. It rarely amounts to much, but everything helps. Why not boost your savings by using the card to buy things you were going to anyway?

## Time is on Your Side

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When it comes to long term saving (for things such as college or retirement), it's beneficial to use time to your advantage. In other words, ***the earlier you start the better***. Not only does this give you a bigger window to earn the money you need, but the interest you earn will accumulate and increase as time goes on. This will make your money work for you to a much greater degree.

Most people in their 20's don't even consider their retirement. In fact, it would be a safe bet to say that retirement is one of the *last* things on their mind. However, that is the best time to start saving up so you can let your nest egg grow to its full potential. Even a few years will greatly affect the amount of money you would've earned in interest.



## Separation Can Relieve Anxiety

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Most saving methods involve putting the money aside so you can't spend it. Indeed, "out of sight, out of mind" can be used to your advantage.

Whether it's a separate bank account, a different wallet, or even hiding the money in your sock drawer, ***putting the money in a place where you won't think about it is a great way to get into the saving habit.***

Storing your money in a sock drawer or under your mattress is fine, but a bank account of some kind is a much better option. In addition to your deposits, you can make extra money in interest, which adds up over time.

## Credit Cards can be Your Best Friend... or Your Worst Enemy

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Credit cards are very convenient and grant you a lot of freedom, but with that freedom comes responsibility. If they're not handled wisely, credit cards can become a great liability.

Prepare yourself for credit cards by starting off with a debit card. You get the same sense of freedom while knowing the ramifications of running the card through the reader. This will give you the discipline needed to properly handle a credit card.



## The Score Does Matter

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Your credit score can have wide reaching ramifications on your everyday life.

Things that can be affected by a low credit score are:

1. Ability to get a mortgage
2. Ability to rent an apartment
3. Your interest rate on loans and credit cards
4. Your credit limit
5. Cell phone service
6. Finding a job
7. Acquiring insurance

Suffice it to say, a low credit score can be devastating to several facets of life. Keeping your credit in good condition will benefit you in all of these areas. Good credit can also save you a lot of money with lower rates on loans and can enable you to live in a better house or apartment.

## Debt Management

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The best way to manage your debt is to start before you become overwhelmed.

***Pay off your credit cards in full every month*** and avoid just making the minimum payment.

Sooner or later, you'll find yourself with some kind of debt, whether it's through student loans, car loans, or a mortgage. There's no sense in adding to that with





high credit card balances. When it comes to paying off your credit cards, the best way to get out of debt is to pay more than you use in any given month.

Target your highest interest cards first in order to get out of debt faster. In some cases, paying off the smallest balance is a great way to kick start the process and to eliminate a whole payment as well as a set of interest charges.

When you've paid off a credit card or loan, use the money that would've been used to pay that bill and put it towards another one. This will start a snowball effect that'll get you out of debt faster and save you money on interest charges.

Paying off debt will save you money by eliminating the interest charges, that way you can start saving for your short and long term goals.

## Making Extra Money

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The internet has provided a convenient way to make money on the side. Whether you're a writer or aspiring film maker, there are websites and small business owners that are offering to pay for your services. It usually isn't enough to make a living, but it can bring in a healthy chunk of change and make for a second job with no commute.

Selling items at flea markets or on websites, like Amazon or eBay, can bring in some extra income on a one-time or regular basis.

***Offering your services can easily infuse another \$1,000+ into your income each month.***



## Boosting Your Credit

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Your credit score can be lowered by:

8. Applying for too many credit cards
9. Using your credit card and missing payments
10. Canceling your credit card
11. Not using your card and letting it sit idle

Looking at the list, it may seem like everything you do damages your credit score! ***All you really need to remember is to keep your balances low and to pay off as much of the bill as possible.***

Rather than keeping all of the purchases on one card, try to spread it through all of your cards to keep the individual credit-to-limit ratios low.

***Missing payments is a bad idea.*** It allows the debt to accumulate much faster and it also results in a never ending flood of phone calls. Missing even one payment can result in a much higher minimum payment and higher interest charges.

## Avoid Your Own Identity Crisis

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Identity theft is becoming a more serious threat as technology advances. People will go to great lengths to get your money and it's important that you take precautions.

***Shred all credit card bills or pre-approval notices before throwing them out.*** Make sure that they're ripped and torn beyond recognition and scatter them



throughout the everyday garbage to ensure that no one tries to put the pieces back together.

When working online, ensure that your anti-spyware and anti-virus software is up to date. Avoid fishy emails and websites. ***When shopping online, be sure the site you use is safe and reliable.***

## Small Transactions Add Up

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When using your credit card, be wary of small purchases. It's common to dismiss these charges as nothing while you continue to use the card repeatedly. With big purchases, you have a sense of awareness that you don't have when buying a tank of gas or a sandwich for lunch.

The good news is that this works both ways. ***By setting aside a small amount of money every week into a savings account, it'll continue to grow and grow over time!***

While being able to save large sums of money would be preferable for anyone, more often than not, it's not realistic. As long as you save what you can, you'll be on your way to a financially comfortable life.





## What You 'Need' is Often Just A 'Want'


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It's tough when you're in a store and see something you really want. You may convince yourself that you can "afford" it or that the money doesn't matter.

As an isolated incident, this mindset is usually pretty harmless, but it becomes a problem when this forms a pattern of behavior. ***Spending more than you pull in will put you on the fast track to a debt and stress crisis.***

If you can put off the urge to buy stuff, you can discipline yourself to only buy things when you can afford them.

***Smart financial management boils down to making more than you spend.*** If you can follow that one rule, you're ahead of the game!



*"Wise people  
live in wealth and luxury,  
but stupid people  
spend their money  
as fast as they get it."*

PROVERBS 21:20 GNB



## In Closing

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Money management is an important part of life. Saying that money makes the world go around is an amusing overstatement, but there's some truth to it! In order to get the things that you want in life, you need money. ***Knowing how to handle your finances will make it much easier, while also leading to a more comfortable lifestyle.***

Effectively managing your money is all about gaining the necessary skills, implementing the strategies, and exercising self-control. It may seem daunting at first, but once you get into the habit of saving, making, and managing your money, ***you'll enjoy the freedom from fear, stress, and worry!***