

## The Importance of Understanding Your Personal Finances

According to recent studies from the Jump\$tart Coalition, most Americans don't know enough about managing their finances to create a secure future for their family. Only 40 percent of adults keep a budget and track their spending. Nearly three-quarters of American families live paycheck to paycheck, and more than 25 percent have no emergency savings fund. With these troubling statistics in mind, here are a few examples of how to increase your knowledge of basic consumer finance concepts and improve your life.

### Know where you stand now

The first step in getting a handle on your personal finances is to know your current situation. You can't make a plan to improve your situation if you don't know what your situation is right now. So, make a budget that only tracks the money coming in and going out, along with where it goes. Don't try to change how you spend money for the first month or two - just monitor how your finances currently work. Use that as your basis for building a better budget moving forward.

### Long-term impact of today's choices

Saving and investing work best if you start early. Compound interest and long-term market trends mean that the earlier you start, the better the results over time. Understanding that concept can make it easier to motivate yourself to start saving for retirement or college now rather than putting it off for ten years and buying a new car first, or to put money into an EdVest account each month instead of a more expensive (and expensive) cable package.

### Learn how to apply what you know

Several studies by different financial education organizations indicate that a large portion of Americans do understand basic financial topics; what they don't know is how and when to apply that knowledge in the real world. The best way to apply what you've learned is to start with one action at a time and turn it into a habit. For example, a common savings concept is to "pay yourself first," meaning to save before you start spending rather than saving only what is left in the budget at the end of the month. To make that automatic, talk to your bank about setting up an automatic transfer of funds each month from your checking to your savings account.

Building a foundation of personal financial know-how can have a massive impact on your potential to build wealth, stay out of debt, and live with less stress caused by financial problems. April is Financial Literacy Month, so check with your local bank to see if they are offering any special programs to help you or your family expand your understanding of your finances.



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