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YOUR PC:
THE PERFECT FINANCIAL TOOL

Getting Started

We'll assume that you've already purchased financial software like Intuit's Quicken or Microsoft Money. Once you've installed it, the next step is entering your personal information.

To Pay Online or Not?

If you're planning to access the Internet with your financial software, you have to expose more personal information to potential online snoops. But the chances of being hacked when you take simple precautions is extremely low. (See Page 12 for security details.)

Using automatic online features helps you avoid the drudgery of manually budgeting, categorizing, and staying current with your balances.

EXERCISE

Compare the spending categories from the last Money Matters workbook to the categories included in your software. Add any that are missing, then download your statements. Categorize as necessary.

Your checking register will look something like this:

DATE	REF#	PAYEE/CATEGORY	CHARGE	✓	PAYMENT	BALANCE
12/18/02		Grand Cinema	18.00			98.37
		Entertainment				
12/20/02		Premier DSL Services	40.00			138.37
		Utilities				
12/22/02						
Record			Online balance as of 12/2/02: \$756.49			



Gather the following information to set up your software:

- Bank account balances
- Recent monthly bills
- Investment and retirement savings statements
- Stock, bond, and mutual fund ticker symbols
- Credit card statements



If you plan to try online banking, you'll first need to call your financial institutions and follow their directions for downloading and importing statements. You'll also need:

- Account numbers
- PIN numbers from your financial institutions
- Addresses and account numbers for all your bills



If you download statements online from either your bank or your credit card company, many financial software packages will automatically categorize your purchases.



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Financial software is fun because it shows you how much money you've been saving, where all your income goes, and what great financial strides you've made.

But for people who are new to managing their money, like college graduates, using the software may be embarrassing until they get their spending under control. Let them know that studies show nearly everyone struggles with money when they are first learning.

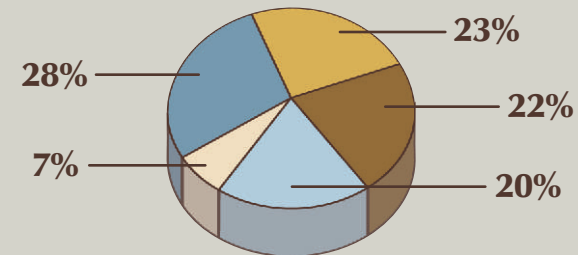
AN HONEST LOOK AT YOUR FINANCES

EXERCISE

Use the charting tools of your financial software to make a pie chart of all your expenses.

EXAMPLE: THE JONES FAMILY

The Jones family has a small mortgage payment, so they spend a relatively smaller proportion of their income—22 percent—on Housing and Debt. However, they're saving for their daughter's college tuition, so about 20 percent of their income goes into savings. Of course, teenage daughters aren't inexpensive—about 28 percent of their income goes to Living Expenses.



Different situations will undoubtedly influence your pie. According to financial experts, the ideal budget looks like the following:

- **30%—Housing & Debt:** Mortgage or rent, credit cards, loans, child support and alimony
- **26%—Living expenses:** Food, transportation, clothing, entertainment, utilities, education
- **25%—Taxes:** Federal, state, sales, capital gains, property
- **15%—Savings:** Retirement savings, emergency savings, college savings
- **4%—Insurance:** Home, auto, life, disability, health

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THE STORY OF YOUR SPENDING

If a pie chart is a snapshot of your current finances, then a graph is a movie. By looking at month-to-month trends in a certain category like restaurant meals, you can see if you're meeting your reduced spending goals.

EXERCISE

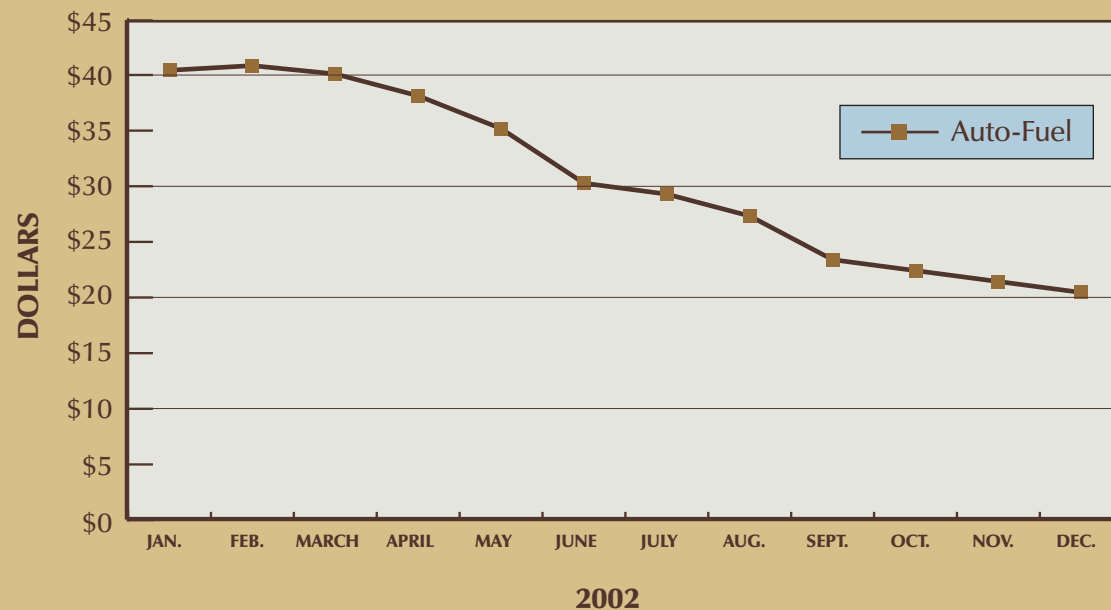
In the last Money Matters workbook, you chose some expenses that you would like to reduce. Using your financial software, graph a month-by-month report for those expenses.

EXAMPLE: JIM'S AUTO FUEL SPENDING

Jim used to spend about \$40 a month on gasoline. He started riding his bike to work once or twice a week during summer and carpooling during the winter. Now he spends about \$20 a month on gasoline.



☞ If you're having trouble spending less, look at the individual transactions. Can you identify one or two that are bigger than others? Are they impulse purchases or legitimate expenses?



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PLAN THE FUTURE

A fortune teller may say that “you’ll soon discover great riches,” but the budgeting features and tips in your financial software can tell you when and how. Most offer the ability to show what could happen to your finances if:

- You increase payments on debt like credit cards or loans.
- You save more in an interest-bearing account.
- You earn a raise or get laid off.

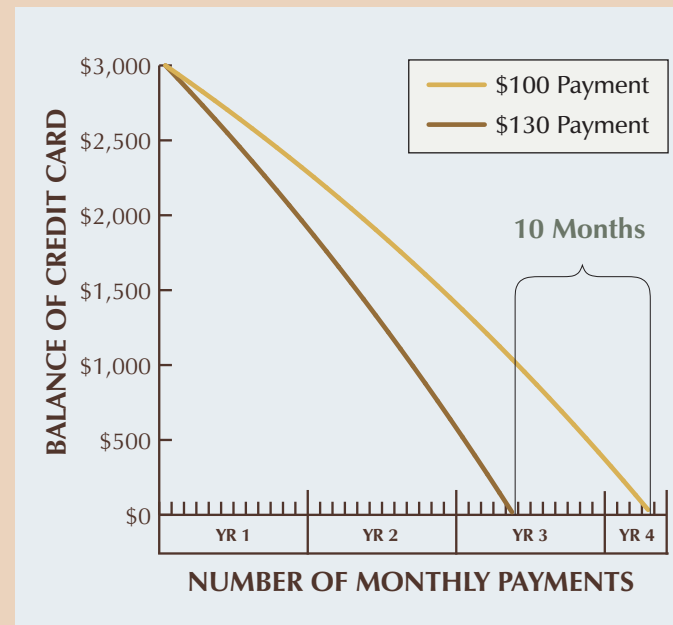
EXERCISES

INCREASING PAYMENTS

How much faster you can pay off a credit card or other loan if you increase your monthly payment?

EXAMPLE: BRIAN

If Brian increases his credit-card payment just \$30 a month, he’ll pay it off 10 months sooner.

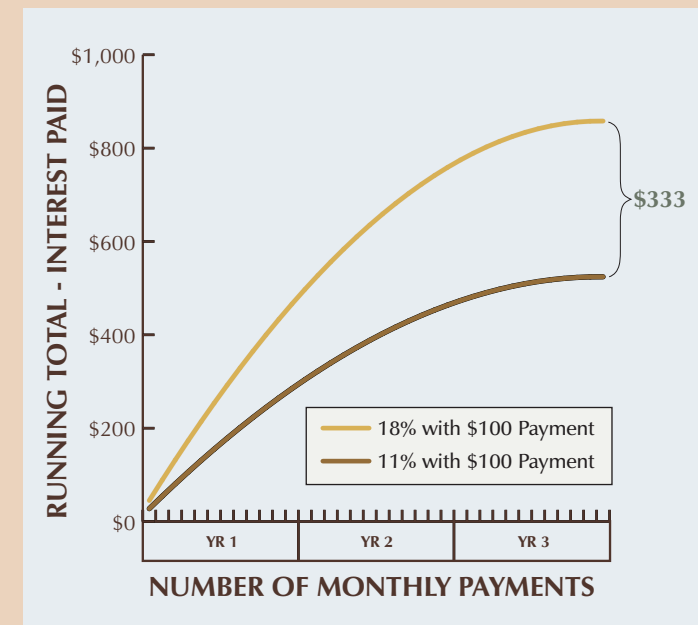


TRANSFERRING BALANCES

How much could you save if you transferred your high-interest credit-card balances to a lower-interest card?

EXAMPLE: JANE

If Jane consolidates two of her 18 percent interest credit cards onto a card with an 11 percent rate, she’ll save \$333 in interest over the next three years (if she continues with her \$100 monthly payments).



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SECURITY ON A PC

About Identity Fraud

The Federal Trade Commission consistently ranks identity fraud as its No. 1 complaint. But nearly all thieves find it too difficult and time-consuming to expose a technical flaw to steal your identity, according to Giga Information Group vice president Andrew Bartels in an article in *E-Commerce Times*. Instead, it's usually a person with access pulling an inside job or an offline scam.

More common forms of identity theft have nothing to do with the Internet:

- "Dumpster divers" find information about you in your trash.
- Mail thieves intercept incoming or outgoing mail.
- A pick-pocket steals your wallet, or someone finds your lost wallet.
- Someone illegally posing as an employer or landlord obtains your credit report.
- Someone illegally posing as a bank employee phones you to "verify your account information."

But it's not all bad news. There are simple steps you can take to prevent identity theft.

Steps to Prevent Identity Fraud



After you've entered a transaction into your finance software, shred or tear anything with personal information that doesn't require archiving: bank statements, bills, receipts, and junk mail.



Don't share your password or PIN with anyone. Do not write them down anywhere. Memorize them. And don't use the same PIN and password for all your accounts—that's making it too easy for identity thieves.



If you lose your wallet, report as missing your credit cards and identification immediately. Keep a list of all the toll-free numbers for your financial institutions at home.



Consider photo-copying all the cards you carry in your wallet so you know what you may have lost. Keep those copies in a safe place.



Check your account regularly. Report any suspicious activity to your financial institution quickly.



Never give out personal financial information via e-mail. Only use a secure Web site that you're *positive* is from your financial institution. A new scam from identity thieves is to create a Web page that looks similar to your financial institution's.



If someone from your financial institution calls you to "verify account information," ask to call them back at the published phone number on your statement or in the yellow pages.



If you're using the Internet with an "always on" connection like DSL or cable, consider using firewall software to protect your PC from hackers. Zone Labs lets you download a free firewall from <http://www.zonelabs.com>.

HELPFUL LINKS

Protecting Your Personal Information

<http://www.ftc.gov/bcp/online/pubs/alerts/privtipsalrt.htm>

Privacy Choices for Your Personal Financial Information

<http://www.ftc.gov/bcp/online/pubs/credit/privchoices.htm>