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COLUMNIST

DEAR CHIEF: I basically live paycheck to paycheck and can never seem to get ahead. Because I have very little money in my savings account, I need to use credit cards to cover expensive or unexpected bills. I’ve gotten to the point that I’ve maxed out four credit cards. I can pay all my bills so I’m not in jeopardy of filing for bankruptcy; however, I just can’t seem to get ahead. For once, I’d like to be able to afford to take a vacation without worrying about mounting debt. I feel like I’m in prison. Any suggestions?

ALL MAXED OUT



DEAR ALL MAXED OUT: Your issue is one many millions of working Americans experience every month as well. First, I can’t give you very specific advice without knowing more details about your overall financial situation and spending habits. To get specific help, meet with a qualified financial counselor and discuss your entire financial situation. You should be able to walk away from that meeting with sound advice or a strategy to manage and improve your finances. Nonetheless, here’s some general advice for you to think about concerning your money:

First and foremost, DO NOT spend more money than you make. Whether you make a little or a lot, your budget should reflect a surplus rather than a deficit. Deficits lead to debt and mounting debt can lead to financial ruin. In most cases, the only ways to reduce or eliminate debt are to be granted forgiveness, acquire more money, or spend less money. Again, this is where a financial counselor can help you analyze

## Obtaining financial abundance

your situation to determine your best course of action.

Here’s a strategy that has worked well for me over the course of my adult life (I do wish I had figured it out much sooner!):

1) Have or find a job or career that pays well and offers great medical, dental, and life insurance. This requires great planning and preparation but it is worth pursuing because quite often, it can be an expensive medical or dental bill that buries a person financially when they don’t have insurance coverage.

2) Set aside 20% of your after-tax income for your savings account and retirement pension/fund. An automatic transfer between your bank accounts works great because it accomplishes this action for you, keeping you disciplined in following through with it each time you get paid. An equal division enables you to get instant access to money in your savings account when you need it.

3) Keep your monthly static bills (rent/mortgage, car payment, phone bill, utilities, cable bill, etc.) at 50% or less of your total after-tax income. Keep your fluctuating bills (groceries, gas, recreational activities, etc.) at 30% or less of your total after-tax income.

4) Stay away from indiscriminate or compulsive spending. If you don’t need something, don’t buy it. If you do really want something of nominal or medium value, save for it, then buy it. Of course large expenses like houses or cars will require you to obtain loans but small ticket items like televisions, clothes, or cell phones should be obtained with your own financial resources. In this area of spending, I’ve always told people over the years: it’s better to “save then buy” than to “borrow, buy, and owe.” This method of financial management

always keeps you ahead and in control rather than behind and in a hole.

5) It’s okay to have a credit card or two. Only use them, though, for establishing a reliable credit rating. For instance, don’t charge on them when you’re broke. Rather, charge on them when you have enough money to pay off the balance within 30 days (i.e. groceries or small ticket purchases). In this manner you won’t have to pay an interest fee and you are showing financial reliability by establishing a good record of borrowing and paying back. To ensure you have sufficient money to pay off credit card balances in full within 30 days of making a purchase, I recommend you NOT get a credit card until you have at least \$2,000 in your savings account.

6) Lastly, if you’re trying to pay off multiple credit cards, I recommend doubling up the payments on one card and making minimum payments on the rest. Once one card is paid off, repeat the effort on another card until each one is paid off.

Doing all of these things will pave the way for your financial abundance. Financial abundance isn’t about being rich, it’s about having enough money to enjoy the personal freedom to do what you want, when you want, where you want. Lack of financial abundance brings about the opposite fate: a life of imprisonment where you are locked down because you can’t afford anything extra. So save and enjoy rather than borrow, spend, and agonize.



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