

The 3 Secrets To Making Personal Finance Work For You

What does personal finance have in common with exercise and nutrition? In all three areas, everyone would like to incorporate good habits into their lifestyles, but sometimes things don't always work out. Sound familiar? If you're one of the many people who have an interest in personal finance but just can't seem to make the techniques and strategies "work," then take heart: there are 3 secrets to making personal finance work for you that anyone can learn. Once you know these 3 secrets, you'll never look at personal finance the same way again!

Personal Finance Secret 1: Be Yourself.

Jennie is a college student in New York who would love to save money for a bigger apartment. However, she can barely afford her current apartment's rent! "I know all about Roth IRAs, 401Ks, and money market accounts," she says. "It all makes sense. But I just don't see how I can invest wisely, when I never have any money to put into savings." Do you see the problem? Jennie is focusing on personal finance techniques that have nothing to do with her current situation. No wonder she is struggling! Instead of studying up on investing strategies designed for people with a larger income, she should be learning how to decrease spending, manage her time better so she can get a second job, or apply for little-known scholarships.

Take away: Don't assume all personal finance advice is relevant. Instead, be yourself and focus on learning the personal finance strategies that work for you—not your mom, not Bill Gates, and not your supermarket checker—but *you!*

Exercise: Who are you?

Take a few minutes to brainstorm all the problems you see in your life that are related to personal finance. Then hop on Google or another search engine and type in the biggest problem and the word "forum." For example, Jennie's search might look like "afford new york forum." Wow—over 700,000 results! You may need to tweak your search a little until you get relevant results—the goal is to find groups of people who are in a similar financial situation to you. Then, click into the various forums and see what folks are chatting about. Chances are, you'll pick up some fantastic new ideas, a few book recommendations, and a surge of confidence to solve your own personal finance problems.

Personal Finance Secret 2: Be Proactive.

Omar's finances are in a mess. Overdue credit card payments, mysterious bills, and wildly fluctuating bank balances have become ordinary occurrences. Omar hates feeling this out of control, but he's given up on personal finance tools. "I've read hundreds of personal finance books, and none of them help," he says. "I mean, I know I should be keeping track of how much I spend, and stuff like that, but it's too hard to remember." Omar's problem is that he doesn't put personal finance techniques into practice. He assumes that they won't work for him, or gives up after a couple days. "Some people are good at personal finance, and some people aren't." Do you agree? If so, then like Omar, you may be feeling so overwhelmed that you never get to the point of taking action.

Take away: If you don't put personal finance techniques into action, nothing will change. Instead of trying to come up with a grand solution that solves all your problems at once, start small. Pick only one area of your life in which to improve your personal finances.

Exercise: What are you doing?

Choose one spending area: work, transportation, entertainment, bills, food or anything else you can think of. Now, brainstorm subcategories. For example, a subcategory of “bills” is “utilities.” Again, go more specific—for example, “water.” Now ask yourself how you can reduce your water bill. Get even more specific: how can you reduce your water bill in the kitchen? In the bathroom? On weekends? In the morning? Omar decided to reduce his bathroom water usage by turning off the water while brushing his teeth. He then posted a chart next to the sink and ticked off each day he remembered to turn off the tap. What will you choose? Make it something easy to stick with. Don’t worry if it seems too small to make a difference. If you succeed in a small thing, you’ll gradually be able to add more and more good personal finance habits, one baby step at a time.

Personal Finance Secret 3: Be Flexible.

Hannah and Doug are wondering why their finances have gone downhill in the past year. “We’re doing all the same things we used to,” Hannah says. “We put money into savings, we track our spending, and yet we’re not getting any closer to our goal of retiring.” Sure, they’re doing everything the same. But has anything else changed? Well, Doug’s heart condition is getting worse and they had some unexpected hospital bills. In addition, Hannah quit her corporate job and now works as an independent contractor. She actually makes more, but the paychecks are irregular. Like Hannah and Dave, you may be struggling because you haven’t adjusted your personal finances along with important life transitions. Do you dress the same way you did ten years ago? Probably not. Then why would you try to use personal finance tools that worked for you ten years ago, if they don’t work now?

Take away: Don’t assume you can leave your personal finances on auto-pilot. Every time you go through a life transition, re-evaluate your financial situation. Even if you seem to be doing fine, it’s worth exploring new resources—you never know when you might find a better strategy.

Exercise: How have you changed?

Draw a line down the middle of a sheet of paper. In the left column, jot down all the transitions you’ve been through in the past few years: marriage, having children, pursuing higher education, changing careers, moving, adopting new hobbies, and so on. On the right-hand column, write how this transition affected your finances. For example, Hannah wrote, “started working freelance” on the left. On the right, she wrote “saved money on gas, spent more on home office, had to use credit cards to pay bills some months, made more money than expected other months.” Now head to the internet to do some research. For example, Hannah and Doug looked for “managing finances for freelancers”—over 200,000 results. Use this technique frequently to keep you flexible and help you take financial control of your life transitions.

Now that you know the 3 secrets to making personal finance work for you, you can apply them to any system. If in doubt, just ask yourself the three questions: “Who am I? What am I doing? How have I changed?” Like magic, the answers to these questions will get you back on track and show you the best steps to take. You really can make personal finance work for you.