

Success Stories: Real-Life Financial Makeovers

Can you really turn your financial life around? Here are some people who did. By following their example, you can too.

By Christy Heady

If you're like most people, your finances are far from perfect. Whether it's credit-card debt, an out-of-control budget, or lack of a retirement plan, your personal finances can probably use a little tuning up—or an entire makeover. Yet, you ask, "Can I really turn my financial life around?" You bet, and you can do it without a miracle or a fairy godmother. Hard to believe? Just take a look. We've profiled four families who, over the past decade, have actually overcome their financial difficulties by learning how to invest rather than spend, and to live within a plan instead of paycheck to paycheck. Plus, two of our couples were able to retire when *they* chose to, and all of them learned how to not let Uncle Sam get the best of them. Was it just luck? No—it was simply steady financial planning put into action.

AN OUT-OF-CONTROL BUDGET

Fred and Amy Mady, of Albuquerque, N.M., knew they needed help. Though they both earn good salaries—Fred in orthopedic medical sales and Amy as a high-school physical-education teacher—they always just "threw it in the bank," Fred says. "We would pay the bills, take whatever money we needed for entertainment, and if there was money left over at the end of the month, great. Nothing left? We'd hang on until the next paycheck. We had no direction for our finances."

That is, until they met with budget

counselor Judy Lawrence. Lawrence's first task was to give the Madys a simple financial exercise. They had to use a checklist/questionnaire to gather and write down information about everything they spent their money on—including gifts, day care for 2-year-old daughter Madison, pet expenses, and manicures—as well as all credit-card debt and personal loans. Try this with your finances and see if you discover what the Madys did.

"It's all about raising consciousness," Lawrence, author of *The Budget Kit* (Dearborn; \$15.96; 800/533-2665), says. "It's more than going through your check registers or credit-card statements. This exercise gives you the big picture so you can create an organized system."

Reviewing the information, Lawrence quickly pinpointed one of the problems: two VISA debit cards. "Mass confusion takes place when two people have debit cards linked to the same checking account; plus their transactions were never recorded," Lawrence explains.

Unfortunately, this is a common problem for many people. By not recording what you're spending, you lose track of your money and, without realizing it, end up spending more than you can afford.

The Madys were also spending a great deal of money on entertainment expenses, such as going out to dinner or to the movies—one month it totaled \$800. But after realizing how much they were spending, they eat more meals at home.

"Talk about getting a piano off your shoulders," says Fred. "We finally saw how we were spending our money. For the first month, Amy and I would evaluate every single penny. Once you figure out where the money goes, you can come up with a game plan."

A plan is exactly what they set up—and with another baby on the way they needed it. Amy, who left her job last May to raise their daughter full-time, puts Madison to bed each night and greets Fred with their budget book. Together, they record every item they spent money

After figuring out where the Madys' money was going, they were able to pay down debt, upgrade to a new house and set up Madison's solid financial plan.

