

Chapter 1

Managing Bucks with Clicks

In This Chapter

- ▶ Discovering your money personality through an online quiz
 - ▶ Learning whether you're managing your dollars well
 - ▶ Discovering how the Internet can help you build wealth
 - ▶ Giving yourself an online financial makeover
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Are you interested in accumulating wealth? Although the answer to this question may seem obvious, different people have different definitions of wealth. For some people, being wealthy means having a Cadillac with a chauffeur (remember *Driving Miss Daisy?*), but for other wealth seekers, being wealthy is taking world cruises or retiring comfortably in Florida.

Today, thousands of middle-class millionaires reside in America. These folks didn't inherit millions, they didn't become millionaires overnight, and they didn't hit the lottery. These wise individuals became rich incrementally, by simply facing their financial issues one at a time and using effective strategies to take control of their personal finances. At the end of the day, *wealth* is defined as building enough net worth to comfortably achieve your goals.

Using the Internet for Faster, Better Ways to Keep More Money

The Internet is ideal for everyone who wants to maximize personal wealth by making each and every dollar count. This book shows you how to get more from what you already have and how to reach your personal financial goals without penny-pinching or giving up luxuries.

There's no secret to becoming wealthy; all it takes is planning and discipline. Every day people find out that risky schemes, insider information, or even access to a closely held secret can't make them wealthy. The key to building wealth is organizing and maximizing your assets.

Wealth is created when your *inflows* (the amount of cash you receive) is greater than your *outflows* (the amount of cash you spend) over time. The greater your net worth, the wealthier you are. As you invest your excess cash in savings, securities, real estate, and related investments, your net worth grows.

When you spend every dime that you make, regardless of how much you make, you can never be wealthy. In other words, you need to save and invest, which means developing a plan to do so and sticking to it. At the end of the road, you'll find financial independence. So set a start date and get going. This book can help you every step of the way.



“What’s Your Money Personality?” is a ten-question quiz that you can take at iVillage (www.ivillage.com). From your responses, you can discover whether you’re a financial maven or a money novice. At the home page, click on “Money” and then click on “Quizzes” in the left margin.

Where Are You Now? An Online Mirror

When the stock market is improving, you may think it’s time to start opening your brokerage statements. You may even be ready to sort out some of your other financial issues. Regardless of the reason, the present is a good time, if not the best, for taking control of your finances, getting back on track, and starting to accumulate wealth. Your first step is to start moving your financial information online so you can get and keep a bird’s-eye view on what you need to focus on when getting your financial ducks in a row. For example, ask yourself these questions:

- ✓ Do I need to put a little life into my retirement savings? Check out Chapter 10 to discover how the Internet can help you determine how much you need to save for your retirement years.
- ✓ Should I pay off some debt? Thumb through Chapter 3 for online calculators that show the true cost of credit cards. You also can get online help with your decision-making.
- ✓ Should I increase or add insurance policies to protect my family? You can get online quotes for the insurance you need by using the information found in Chapter 18.
- ✓ How can I protect my nest egg? Go to Chapter 8 for help in selecting the online broker who’s just right for you.

Don't try to tackle everything at once. Break your task into smaller achievable parts. Start with what's keeping you up at night, and then use the online strategies detailed in this book to organize your finances and maximize your net worth.

Giving Yourself an Online Financial Makeover

The Internet can help you set your financial goals. Establishing your financial objectives is a great way to plan for the future. By planning what you want to accomplish, you have a better chance of achieving your goals because you have the money to finance those objectives. Long-term goals, for example, can include owning a home, buying a car, saving money for your children's educations, and so on. Short-term goals cover the things you want to do today, next week, or within the next couple of months.

A personal financial plan can help you accumulate wealth and create a clear financial path for you and your family. Keep in mind that your financial plan needs to be flexible so you can accommodate life's little changes. Moreover, your personal financial plan needs to be

- ✓ **Realistic:** Make sure your goals are achievable.
- ✓ **Appropriate:** Make sure your goals are consistent with your personal lifestyle.
- ✓ **Time-specific:** Establishing milestones and deadlines along the way helps you reach your long-term goals.

Don't forget to include your personal values and to use your financial plan as a standard upon which you can base your decisions.

After you create a budget and a financial plan, you have a better idea of how much money you need to reach your financial goals. Table 1-1 shows you an online financial makeover that's designed to assist you in locating extra money for your short-term or long-term financial goals. What you'll soon discover is that by using online resources and looking at your entire personal financial picture you can make the most of your long-term finances by reorganizing the money you have today.

Table 1-1 The Online Financial Makeover	
Categories	Financial Makeover Questions and Online Resources
Getting started	Are your savings and investments performing as well as they should? For the latest information about savings and investment returns, see Imoney.com (www.imoney.com) CBSMarketWatch (www.cbs.marketwatch.com) QuantumOnline.com (www.quantum-online.com)
Getting a handle on borrowing	Are you paying just the minimum monthly payment on your debts? Myfico.com (www.myfico.com) Creditinfocenter.com (www.creditinfocenter.com)
Taking advantage of lower interest rates	Can you negotiate a lower interest rate? You can often get your credit-card interest rate lowered with just one phone call. Bankrate (www.bankrate.com) Fiscal Agents (www.fiscalagents.com/learning-centre/credittips.shtml)
Determining your financial health	Do you know where you're spending your money? iVillage Cash Flow Calculator (www.ivillage.com/money/tools)
Managing your money	Are you tracking income and expenses by banking and paying bills online? MsMoney.com (www.msmoney.com) Checkfree (www.checkfree.com)
Protecting your assets	Are you prepared for an emergency? SmartPros (finance.pro2net.com/x32994.xml)
Protecting your future	Do you have enough insurance? InsWeb (www.insweb.com) Insure.com (www.insure.com) AccuQuote.com (www.accuquote.com)
Planning ahead	Can you afford the college of your child's choice? American College of Trust and Estate Counsel (www.actec.org)
Planning for retirement	Do you know how much to expect in Social Security benefits? Social Security Administration (www.ssa.gov)
Rebuilding your nest egg	Do you know how much you'll need to live on when you retire? T. Rowe Price Retirement Calculator (www.troweprice.com)
Investing in your future	Does your employer match your contribution to your retirement fund? How do you plan to invest the money? Kathleen Sindell's Online Investment Program (www.kathleen-sindell.com/twelve_point_investing_program.htm) or purchase <i>Investing Online For Dummies</i> , 5th Edition (Wiley)

What's Keeping You Up at Night?

At some point in people's lives, they worry about some aspect of their financial well-being. Everyone's financial circumstances are different. People who look like everything is financially under control often are shaking like leaves when they look at their checkbooks. You can use the Internet to stay away from temptation. For example, you can shop online to your heart's content and never spend a dime — unless, of course, you decide to buy something. The rewards of paying down a credit card can mean an extra \$250 a month in your pocket instead of forking over that same amount in interest charges. You can invest that windfall in an IRA and be one more step closer to financial freedom.

Do you know where your dollars are?

If you don't know what you're doing with your money, you're probably not managing it well. Creating a budget is the best way to gain control of your finances. You need to plan for the expected and the unexpected to successfully prepare and use a budget. Budgets are never static; they're constantly monitored and adjusted as income and expenses change. Having a budget can help you determine whether you're living beyond your means or building wealth by increasing your net worth. Your budget is a tool, and you can use the Internet to help you improve your budgeting skills. For more information about online budgeting, see Chapter 4.

Many people view budgets as constraints on their lifestyles. However, when you think positively about your budget and focus on breaking old habits, you can stay on track. Online tools help you organize and keep track of your records right on the Web so you know exactly where you are. Being on top of your finances shows you in advance whether you're going to have problems paying bills and will need to make arrangements with creditors.



A word about financial advisors

Some do-it-yourself investors want a professional to review and assess their portfolios before they re-enter the market. Most financial advisors charge about 1 percent of the asset value of an account per year to custom design and manage a portfolio of stocks and mutual funds. Pay a

visit to the Web sites of the Financial Planning Association at www.fpanet.org and the National Association of Personal Financial Advisors at www.napfa.org to find the names of financial planners and independent financial advisers in your area.

Debt is all the money you owe to others, including your mortgage, credit cards, car loans, and other bills. Debts are liabilities that reduce the amount of your net worth. The higher your debt is, the lower your personal wealth. What's more, increasing consumer debt has a debilitating effect on your overall net worth. Become aware of the 24/7 conveniences of online bill paying, various calculators, and worksheets so you can effectively manage your debt and so you don't incur late fees or otherwise damage your credit rating. For more about online bill paying, see Chapter 7.

Do you have more than you think?

A basic tenet of wealth building is setting money aside rather than spending it. Wealth building is not rocket science. You may remember your father owning blue-chip stocks and driving to the bank on payday to deposit funds in the family's checking and savings accounts. Although the world today seems much more complicated, one thing remains the same. If you want to be rich, you still need to accumulate assets.

Some individuals prefer safe low- or no-risk investments such as certificates of deposit (CDs) and Treasury bills. Others are more aggressive investors hoping to make more money in stocks and other financial instruments. Overall, building wealth is about careful strategy and planning. If you computerize all your financial activities, you can quickly respond to events in the stock market and take control of your money, regardless of your investing style. Find more information about developing a financial plan in Chapter 2.

Moving your money into cyberspace can be time-consuming. However, you soon find out that you're saving time and reducing your stress level because your computer automatically tracks the stock market's movements and your credit cards, brokerage accounts, and bank balances. Being able to watch over all these factors is a one-stop shopping style called *account aggregation*. Web sites that offer it can streamline your financial activities. Many of these Web sites are offered by your online bank or are free-standing online entities. You can also use personal finance software programs, such as *MS Money* or *Quicken*. Discover how you can consolidate all your accounts online in Chapter 4.

Protecting your assets

As you gradually accumulate assets, you want to protect and maximize them. Once again, the Internet offers assistance by providing you with state-of-the-art comparison shopping for the best insurance, savings and investment plans, and interest rates. Here's how:

- ✔ **Insurance premiums:** You can easily shop online with different companies and compare premiums of many types of policies. (See Chapter 18 for details.)
- ✔ **Savings and investments:** The Internet provides Web sites that show which financial institutions pay the best interest rates for savings, CDs, and other financial instruments. You also can find discount online brokerages that charge only a fraction of the fees charged by traditional brokers. (See Chapter 6 for more information.)
- ✔ **Lowering your interest rates:** You can comparison shop online for lower interest rates. Lower interest rates can make a big difference in how much you pay per month and how long you take to pay off the balance. Say, for example, that you charge \$2,500 on a credit card with an annual percentage (interest) rate (APR) of 20 percent. The minimum monthly payment is \$50. At that rate, you pay off in eight years and ten months. When the APR is 14 percent, the minimum monthly payment is \$50, and you can pay off the balance in six years and two months. (See Chapter 3 for specifics.)
- ✔ **Dealing with debt:** The Web features a variety of online calculators that help you determine whether you have too much debt. (See Chapter 20 for the whole story.)

