

Chapter 1

Introducing Money

In This Chapter

- ▶ Getting the program started
 - ▶ Using Money for the first time
 - ▶ Understanding how Money handles your finances
 - ▶ Shutting down Money
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Microsoft Money 2006 makes managing your personal finances very easy. Well, not “very easy,” but close to it. With Money 2006, you don’t need a bookkeeper to track your finances. You don’t need an accountant or financial counselor, either. And you don’t need to be a computer expert. All you need to know is how to use Money 2006.

After you start using the techniques I describe in this book, you will know how to record financial transactions, how much you spend in different areas, and what your net worth is. You will know what any investments you may have are worth and roughly how much you owe in taxes. You will know how to print checks, generate reports and charts that show in clear terms what your spending habits are, plan for retirement, and analyze different kinds of investments.

Most important, you will be able to make wise financial decisions by taking advantage of the program’s numerous financial analysis tools, all of which I explain in this book. And you will also make wise decisions, because you will have the raw data on hand. After you record transactions in Money, the raw data is right there inside your computer. I show you how to analyze it, scrutinize it, dissect it, investigate it, and contemplate it. I show you how to admire it, too.

Chapter 1 is where you get your feet wet. Don’t be shy. Walk right to the shore and sink your toes in the water. Don’t worry; I won’t push you from behind. Not so bad, is it? In this chapter, you discover the various ways that Money 2006 can help you stay on top of your finances. You also discover how to start and shut down the program.

Starting Money

Starting Money is as easy as falling off a log. You can start the program from the menus or by means of the Microsoft Money shortcut icon on the desktop. Start Money with one of these methods:



- ✓ **Microsoft Money shortcut icon:** Double-click the Microsoft Money 2006 shortcut icon on the desktop.
- ✓ **From the Program menu:** Click the Start button, choose All Programs (or Programs), and choose Microsoft Money 2006.
- ✓ **From the Start menu:** Provided that you pinned Money to the Start menu (see “Pinning Money to the Start menu,” later in this chapter), you can click the Start button and choose Microsoft Money 2006 on the Start menu.

Creating a shortcut icon for Money

When you installed Money, the installation program should have put a Money shortcut icon on the desktop, but if it didn't, you can still create a shortcut icon for starting Money. To do so, follow the standard Windows procedure for creating shortcut icons:

1. **Click the Start button and choose All Programs (or Programs).**
2. **Locate the Microsoft Money 2006 menu command on the Programs menu and right-click it.**

A shortcut menu appears.

3. **Choose Send To→Desktop (Create Shortcut).**

The shortcut icon appears on the Windows desktop.

Pinning Money to the Start menu

Short of double-clicking a shortcut icon on the desktop, the fastest way to start a program is to pin its name to the Start menu. This menu appears right away when you click the Start button. By clicking a program name on the Start menu, you can start a program, as shown in Figure 1-1.

Figure 1-1:
Starting
Money on
the Start
menu.



Follow these steps to pin Microsoft Money 2006 to the Start menu:

- 1. Click the Start button.**
- 2. Choose All Programs.**
- 3. Locate Microsoft Money 2006 on the All Programs menu.**
- 4. Right-click Microsoft Money 2006 and, on the shortcut menu, choose Pin to Start Menu.**

Now, when you click the Start button, you see the command for starting Microsoft Money 2006. If you want to remove this command from the Start menu, right-click it and choose Unpin from Start Menu.

Starting Money for the First Time

After you install Money and start the program for the first time, Money grasps you by the hand and attempts to help you do a number of things that I respectfully suggest you should wait until later to do. First, Money creates a data file called My Money for storing your financial data. So far, so good. Then, as shown in Figure 1-2, Money asks you to do these things:

- ✓ Choose a sign-in name and password. You can secure your financial data by requiring anyone who opens your My Money file to enter a password or a .NET passport, as Chapter 11 explains.
- ✓ Create a bank account for recording transactions in your savings or checking account. Money stores financial transactions in accounts, as Chapter 3 explains.

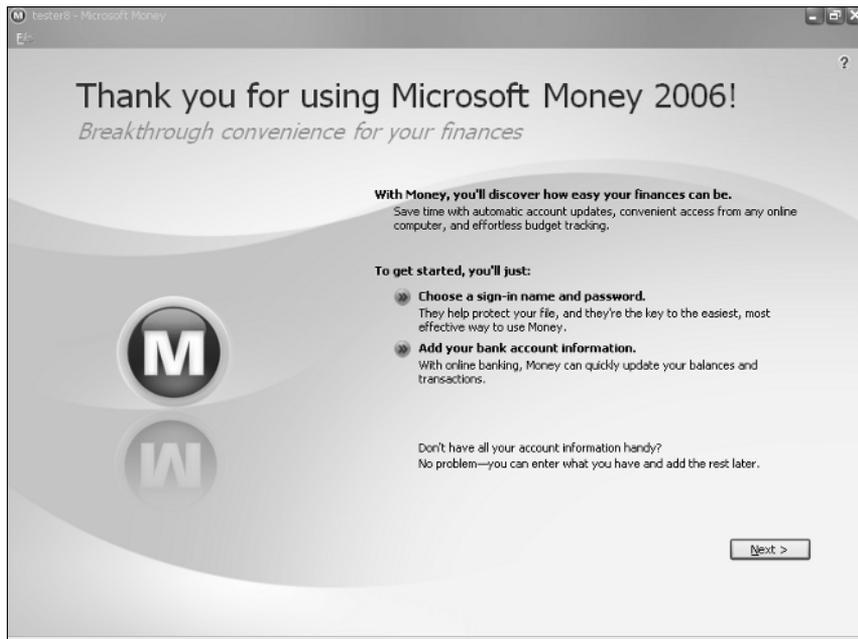


Figure 1-2:
You see
this screen
when you
start Money
for the
first time.

Rather than dealing with passwords or setting up a bank account now, I think you are better off waiting until you know your way around Money. All you have to do is turn to Chapter 3 when you want to set up an account, and turn to Chapter 11 when you have entered enough financial data in Money to warrant locking the data with a password.

Follow these steps to cruise through the initial screens that Money presents when you start the program for the first time:

1. Click the Next button in the Thank You for Using Microsoft Money window (refer to Figure 1-2).

The next window, Help Protect Your Online Privacy and Security, appears. (If you have been using Quicken, Money will ask to convert your Quicken data file for use in Money. Don't worry about Money converting your Quicken file — the program makes a copy of that file and then converts it. Chapter 22 explains the ins and outs of converting Quicken files to Money files.)

2. Click the Decline button.

By clicking the Decline button, you tell Money that you don't want to create a Microsoft passport just yet. Remember: You can turn to Chapter 11 to find out about passports and passwords.

3. Click the Yes button in the message box that asks whether you want to continue without setting up a Microsoft Passport.

The Add a Password to Your File window appears. Do you get the impression that Money wants you to have a Microsoft Passport? Don't worry about it. As I've already informed you three times, you can find out how to create a password in Chapter 11, if you decide you need one.

4. Click the I Don't Want to Use a Password for My Money File check box, and click the Next button.

You see the Add Your Accounts window. I don't know why Money is in such a hurry to make you set up an account and create a password. It's not as though you can't do these tasks whenever you want to. I repeat: Turn to Chapter 3 when you want to create an account for tracking your checking and savings account activities.

5. Click the Skip Account Setup link.

You come to the Congratulations! window.

6. Click the Finish button.

Finished at last! Not a moment too soon, the Home Page window appears. This is the window you see each time you start Money.

Chapter 2 explains what the Home Page is, how to find your way around Money, and what the various Money windows are for. Go to Chapter 2 if you are the kind of person who likes to plunge right in. If you like to take your time, consult the rest of this chapter. It describes the many ways that Money can help you track your finances and be a smarter, wiser person — financially speaking, of course. Oh, and the end of this chapter explains how to shut down Money.

Discovering How Money Can Help You with Your Finances

This is your tour guide speaking. What follows is a quick tour of Money. Read on to discover the many ways that the Money program can help you. Money is much, much more than an electronic checkbook. It is a research tool and a means of gazing into the future. It's a way to track your investments and be a better saver. You can bank online and even estimate your income taxes with Money.

Keeping accurate records of your spending and income

All the personal finance advisors agree that keeping good, accurate records is the first step toward financial security. Before you can start saving for a down

payment on a house, you have to know how much you are capable of saving. Before you can tell whether your investments are doing well, you have to track them carefully. If you want to make sound financial decisions, you need to know what your spending habits are and how much income you really have.

Microsoft Money makes keeping accurate financial records very, very easy. All financial transactions you make — writing a check, making a deposit, transferring money between accounts, charging an item to your credit card, buying and selling stocks and mutual funds, and so on — are recorded in account registers like the one shown in Figure 1-3. You create one account (and one account register) for each bank account you have and each account you have with a brokerage house. The account register shown in Figure 1-3 is for tracking activity in a checking account. Chapter 3 explains how to create accounts, and Chapter 4 explains how to enter transactions in account registers.

Num	Date	Payee	C	Payment	Deposit	Balance
ATM	4/29/2006	Withdrawal	R	200.00		7,394.57
2415	4/30/2006	Dept. Of Parking And Traffic	R	35.00		7,359.57
DEP	4/30/2006	Franchise Tax Board	R		705.00	8,064.57
2416	5/1/2006	Susan Thack	R	250.00		7,814.57
DEP	5/3/2006	SFUSD - Addle's Pay	R		2,742.50	10,557.07
2417	5/4/2006	Capital One	R	1,637.80		8,919.27
ATM	5/4/2006	Withdrawal	R	200.00		8,719.27
	5/10/2006	Billingfree - BillPay	R	5.95		8,713.32
ATM	5/10/2006	Withdrawal	R	200.00		8,513.32
	5/12/2006	Bank Of America Credit Card	R	328.62		8,184.70
	5/12/2006	Bank Of America	R	1,908.90		6,275.80
2418	5/12/2006	Cal State Auto Insurance	R	196.00		6,079.80
2419	5/12/2006	California Casualty	R	1,212.00		4,867.80
2420	5/12/2006	Homecomings Financial	R	331.34		4,536.46
ATM	5/12/2006	Withdrawal	R	200.00		4,336.46
DEP	5/12/2006	Micro Corp.	R		6,000.00	10,336.46
ATM	5/13/2006	Withdrawal	R	200.00		10,136.46

Figure 1-3:
A typical
account
register.



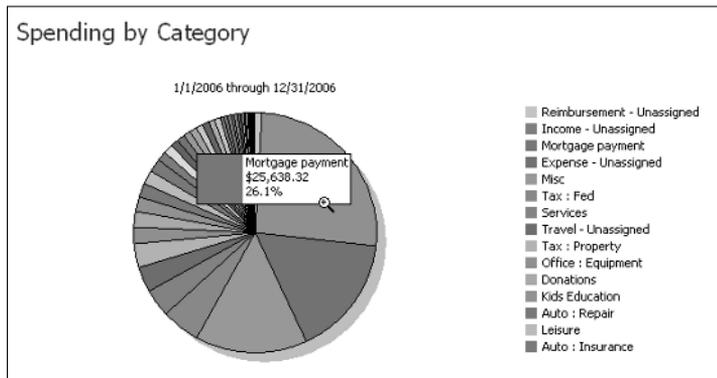
Entering data correctly in Money is essential. Money can't do its job well unless you carefully and conscientiously enter financial data. If all you want to do is balance your savings and checking accounts, you've got it made, because Money offers lots of opportunities for double-checking the accuracy of transactions in savings and checking accounts. However, to track investments and loans, draw up a budget, or do a handful of other sophisticated things, you need to take care when you enter the data.

Categorizing your spending and income

Each time you record a transaction in an account register, you categorize it. A check you write to a clothing store, for example, is assigned the Clothing

category. A credit card charge you make after stuffing yourself in a restaurant is assigned the Dining category. A paycheck deposit is assigned the Salary category. After you have recorded transactions for a few months, a picture of how you spend your hard-earned cash will start to come into focus. You can generate reports or charts that show precisely what your expenses are. The guy who generated the chart shown in Figure 1-4 spends the majority of his money on mortgage payments. Chapter 5 explains how to set up categories; Chapter 15 describes how to generate reports and charts.

Figure 1-4:
By carefully entering your financial data, you can create meaningful charts like this one.



Estimating your income taxes

Another advantage of categorizing expenses and income is being able to estimate your income tax bill. Rather than pay an accountant to search for tax-deductible expenses or determine what your income sources were, you can generate tax reports that do the job in lieu of an accountant. By totaling the amount you spent in categories that describe tax-deductible expenses, you can find out what your tax-deductible expenses are. You can see exactly how much you received in income from different clients. Money also offers tools for estimating capital gains taxes and exporting Money data to a tax-preparation program such as TaxCut Deluxe. Chapter 14 explains tax tracking with Money.

Handling your investments

In the late 1990s, all you had to do to be a successful investor was to plop down money on stocks or mutual funds, but the bull markets of the 1990s have been overrun by bears. These days, you have to be shrewd and insightful to be an investor.

Money makes it possible to find out — literally in seconds — how well your investments are doing. You can find out how much they have grown (or shrunk) and compare the performance of your investments against stocks, mutual funds, and bonds you don't own, as well as compare your investments to indexes such as NASDAQ or the S&P 500. You can download security prices from the Internet and find out right away what the stocks and mutual funds you own are worth. As long as your computer is connected to the Internet, you can also research stocks, mutual funds, and bonds without leaving the Money program. You will find links throughout Money that you can click to go on the Internet and research investments. Chapters 8, 9, and 10 describe how to handle and research investments with Money.

Pinching your pennies

As I already explained, you categorize your income and spending when you record transactions in Money. Categorizing this way makes it easy to formulate a budget. Because you know precisely how much you spend in the different categories, you can set realistic budget goals by limiting your spending on a category-by-category basis. You can tell Money to alert you when you have exceeded your budget goals and in this way tame your spending. Money can also tell you when bills fall due so that you can pay your bills on time. The program can even track your frequent flyer miles. These and other techniques for pinching your pennies are described in Chapter 14.

Planning ahead

Planning for your retirement isn't easy. It's hard to tell what the future will hold. Money, however, can help you peer into the future and plan for your retirement. If you track your investments with Money, you use the Retirement Planner to project how your investments will grow and see whether your investments will cover your living expenses in retirement. Money allows you to realistically find out whether you are saving enough. The program can also show you how to plan better for your retirement and do the things you need to do now to ensure that your retirement years are golden ones. Planning ahead with Money is the subject of Chapter 13.

Banking online

Money was the first computer program to offer online banking services. Over the years, Money has refined these services such that online banking is easier

Turning off the ads

As I explain in Chapter 2, Money is modeled after a Web site. Rather than choose options in dialog boxes and opening menus, you do most of your activity in Money by clicking links. I like this computer-program-as-a-Web-site concept very much. I like everything about it except for one thing: As are most Web sites, Money is full of advertisements. Some of the links are thinly disguised advertisements that take you to Web sites that tout different financial services.

Fortunately, you can turn off the ads if they bother you. Follow these steps to turn off advertisements in the Money program:

1. Choose **Tools**⇨**Settings** to open the **Settings** window.
2. Click the **Program Settings** link.
3. On the **Program Settings** tab of the **Settings** dialog box, click the **Turn Off Sponsorship and Shopping Links** check box.
4. Click **OK**.

than it has ever been. You can pay bills online, download bank and credit card statements, and balance your account online. Online banking is covered in Chapters 17 and 18.

Shutting Down Money

When the time comes to close the Money program and get on with your real life, do one of the following:

- ✓ Click the Close button (the X in the upper-right corner of the program window).
- ✓ Choose **File**⇨**Close**.
- ✓ Press **Alt+F4**.



Veteran computer users are accustomed to saving files before exiting a program, but that isn't necessary with Money because the program saves data as soon as you enter it. If you look for a Save command or button in Money, you will look in vain — there isn't one.

When you shut down Money for the first time, you see the Back Up When Money Closes dialog box, as shown in Figure 1-5. This dialog box tells you how often Money thinks it is supposed to back up your financial data and

invites you to back it up now. Chapter 11 explains everything you need to know about backing up a data file. For now, click the Postpone button to be done with it, and click the Postpone button in the Scheduled Backup dialog box as well. Chapter 11 also explains how to schedule when your Money file is backed up.

Figure 1-5:

For now, click the Postpone button instead of backing up your data.

