

THE BIRMINGHAM NEWS

Financial Insights

“Simplest Money Management System in the World”

To become wealthy, you must become a good money manager. For many people, all that is needed is a straightforward trouble-free money management system. Here’s a system anyone can use to become a money master. The key to this system is to set up a control account with automatic transfers to several sub accounts. Here’s how it works:

In order to simplify the approach, I will assume you first pay your income taxes and make your charitable and religious gifts immediately as you receive your money. So the system is based on taxes and gifts already being paid.

Control Account. This will be your main checking account where you will deposit all of your checks including paychecks along with any cash gifts, bonuses, etc. In most cases, this will be the primary checking account that you’re already using.

Next, you’ll need to open three additional checking or money market accounts, which will serve as your sub accounts. In most cases, you can do this at the bank where you have your primary checking account or Control Account.

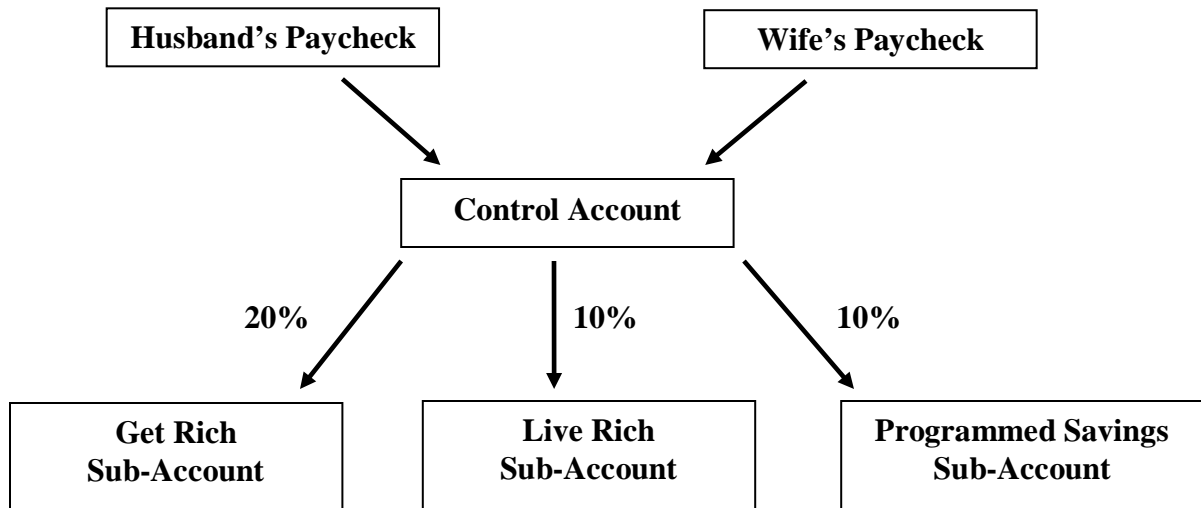
Get Rich- Sub Account. For this account, set up an automatic transfer of 20% per month from your Control Account. If you are already contributing to your company’s 401k, you can reduce your automatic transfer by that amount. For example, if you are contributing 10% to your 401k, you would set up a 10% automatic transfer to your Get Rich Account. Once you have enough funds, plan to transfer to your investment account (see next week’s column).

Live Rich- Sub Account. It’s important that you ‘practice’ being rich by doing some of the things that rich people do. For this account, set up an automatic transfer of 10% per month from your Control Account. The rule is that you must spend all the money in this account each quarter-- on something that you would consider lavish. It might be an incredible meal, a day at the spa, or that exquisite pair of shoes! Doing things that rich people do will serve as further incentive to stay with the program. It also allows you to feel rich while you’re getting rich!

Programmed Savings- Sub Account. This account is for saving for future known purchases such as a car, furniture or special vacation. Set up an automatic transfer of 10% per month and then wait until you’ve saved enough to pay cash for your purchase.

After making these automatic transfers to your sub accounts, 60% will remain in your Control Account to pay for necessities such as mortgage, rent, utilities, basic food and clothing and basic personal expenses. Some of you may find that 60% is not enough. What’s important is that you set up the system and make sure you have some money automatically going into each sub account. Use the system as your template and as your

income rises or you receive bonuses, continue to work towards the target allocations I've provided. You'll find that even a little success encourages more success and eventually you'll be able to meet the target amounts.



Stewart H. Welch, III, CFP, AEP, is the founder of THE WELCH GROUP, LLC, which specializes in providing fee-only financial advice and management to families throughout the United States. Mr. Welch has been recognized by Money, Worth, Mutual Funds Magazine and Medical Economics as one of the top financial advisors in the country. He is the co-author of *The Complete Idiot's Guide to Getting Rich* (Alpha Books) and *J.K. Lasser's New Rules for Estate and Tax Planning* (John Wiley & Sons, Inc.). Visit his Web Site www.welchgroup.com. Consult your financial advisor before acting on this advice.