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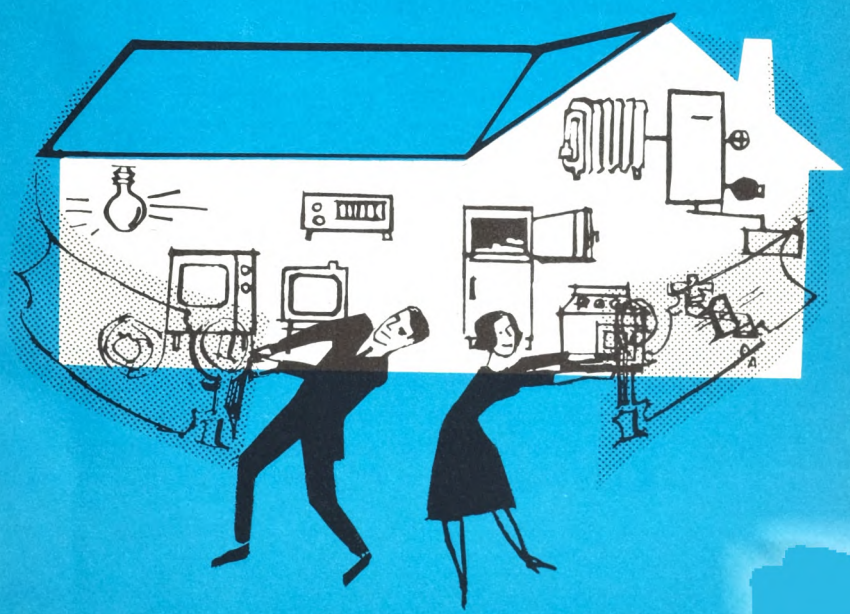
HOW TO S-T-R-E-T-C-H YOUR M-O-N-E-Y

Modern Techniques of Money Management

BY SIDNEY MARGOLIUS

PUBLIC AFFAIRS PAMPHLET No. 302



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HOW TO S-T-R-E-T-C-H YOUR M-O-N-E-Y

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BY SIDNEY MARGOLIUS

One of the country's leading experts on consumer problems, Mr. Margolius writes a syndicated column which appears in 65 newspapers and is author of a best-selling book, Consumer's Guide to Better Buying. *He is active in a number of consumer organizations, and lectures widely in his chosen field. The pamphlet was illustrated by Visual Services, Inc.*

A woman in Chicago wrote this letter to a financial counselor: "Please help us to get off the financial merry-go-round we've been on for the ten years we've been married. Our problem is and always has been debts that are practically impossible to pay but must be paid. To do so we rob Peter to pay Paul, and so have never really paid any of them. We've simply shifted the load from one finance company to another. When we got married my husband was making $18 a week and was $1,000 in debt. We still are, though now he makes $120 a week. With our four children came much happiness, many doctor and hospital bills, the responsibilities, and again debts, of establishing and furnishing a home. This was done on the installment plan, and when the pinch was tight, back to the finance company again. Surely there is an answer but it is evading us completely."

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The answer is evading many families today. And even when they know what they need to solve their problems, they don't always know where to get it, as this poignant report from an Indiana wife shows:

"The shortest way I know to say it is: We don't know how to handle money. We have three children, are trying to buy and remodel an old house and have gone too far in debt. We barely manage from one payday to another by getting overtime. I feel we need an education. I believe we are failing in many things but I don't believe it is too late to do something about it if we only knew where to start."

But the letter from the third wife is one of success. The story of this Iowa family offers valuable clues to how a family can stay in command of its money:

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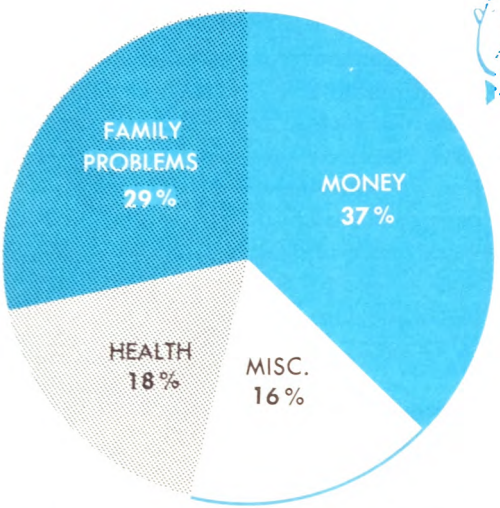
WHAT MOST PEOPLE WORRY ABOUT





A Roper Poll found 37 of every 100 people worry most about money, compared to 29 who are vexed most about family problems and 18 about health. Young families worry most. Generally, this all-pervasive anxiety about money does not begin to subside until people pass their mid-forties, the interviewers found.

The real trouble today is that many families, especially younger ones, do not plan for themselves. They have abdicated their right to manage their own money. They rely on installment plans, "budget accounts" and "compulsory savings plans." In effect they are paying someone else to do their budgeting. For example, they often pay more than they need to for household and car insurance because they buy it from a mortgage lender or finance company for the convenience of including it in a single monthly payment.

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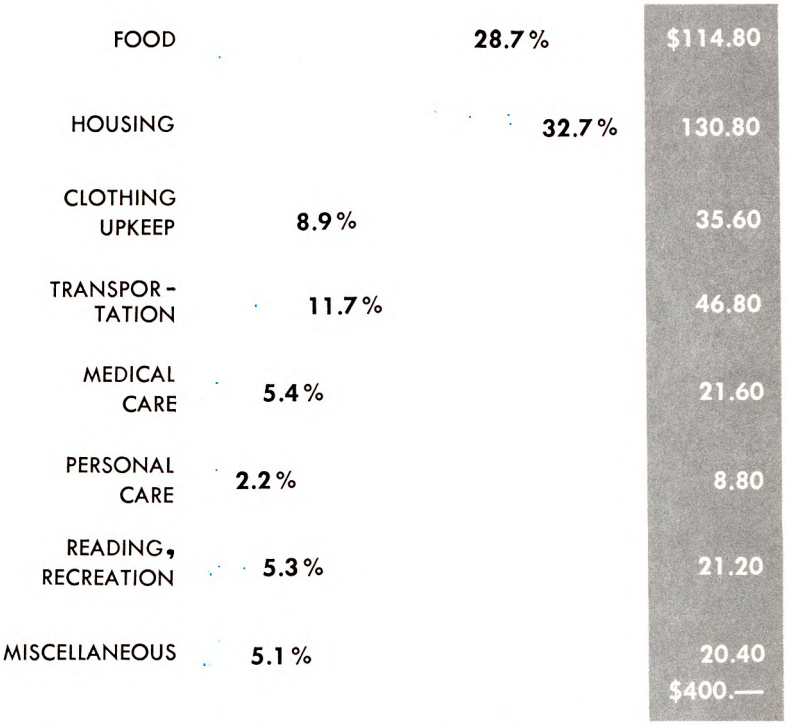
TYPICAL SPENDING OF A BUDGET OF $400 A MONTH



expense. Almost every expense can be reduced if you want to use that money for other goals. In fact, a main purpose of the "spending plan" is to shine a spotlight on so-called "fixed" expenses to see if they actually are that immovable.

The Moores, for example, have decided that college education for their children is a major family goal. They decided this in open family conference with their children encouraged to participate although their boy is only 10 and their girl, 7.

So they set aside $12 a month for this purpose. To achieve this goal, they had to reduce certain other spending. U. S. Agriculture Department home economists estimate that a family with

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THE MOORES' SPENDING PLAN AND SPENDING RECORD

	Estimate	January	February	March
Food	$112.00			
At home	103.00			
Outside	9.00			
Housing	$130.00			
Mortgage, Taxes or Rent	91.00			
Fuel	15.00			
Repairs, Insurance	5.00			
Utilities	12.00			
Cleaning Supplies	2.00			
Furnishings	5.00			
Clothing	$ 35.20			
Purchases	33.00			
Repairs, cleaning	2.00			
Transportation	$ 38.00			
Car Expense	16.00			
Car Depreciation Fund	18.00			
Other Fares	4.00			
Medical Care	$ 21.60			
Personal Care	$ 8.00			
Haircuts, sets	6.00			
Toiletries	2.00			
Education Fund	$ 12.00			
Advancement	$ 19.20			
Periodicals	3.00			
TV Set, upkeep	2.50			
Other Recreation	7.00			
Gifts, Contributions	6.70			
Allowances, Miscellaneous	$ 12.00			
Life Insurance	$ 4.00			
Savings, Revolving Fund	$ 10.00			

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YOUR SPENDING PLAN AND SPENDING RECORD

	Estimate	January	February	March
Food				
At home				
Outside				
Housing				
Mortgage, Taxes or Rent				
Fuel				
Repairs, Insurance				
Utilities				
Cleaning Supplies				
Furnishings				
Clothing				
Purchases				
Repairs, cleaning				
Transportation				
Car Expense				
Car Depreciation Fund				
Other Fares				
Medical Care				
Personal Care				
Haircuts, sets				
Toiletries				
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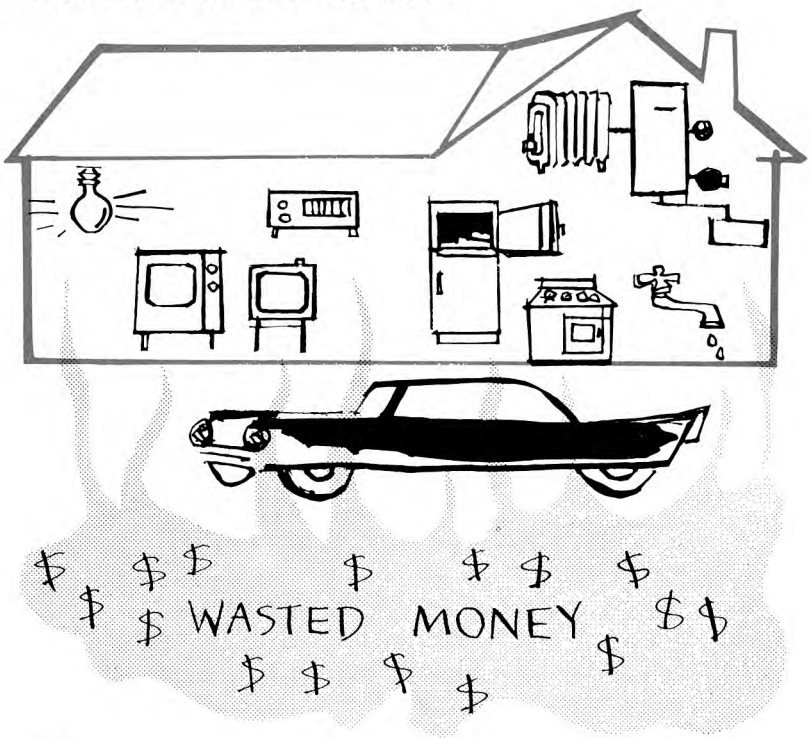
standard. A family bent on achieving its own goals can beat many typical costs. In fact, most families have to beat those figures. Typical income of non-farm families has been about $450 - $460 a month in recent years.

plugging the spending leaks

Often families spend more than they mean to for some things without realizing it. Food, insurance, commercial entertainment, transportation costs and household upkeep expenses, such as fuel and utility bills, are five especially-frequent leaks.

HOUSEHOLD OPERATING COSTS



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KNOW THE TRUE INTEREST RATES

INSTITUTION	AMOUNT BORROWED	STATED INTEREST RATE	TOTAL ANNUAL INTEREST RATE	TRUE ANNUAL INTEREST RATE
CREDIT UNION	$100	1%	$3-6	6-12%
COMMERCIAL BANKS	$100	6%	$4-6	8-12%
DEPARTMENT STORES MAIL ORDER HOUSES	$100	1-2%	$6-12	12-24%
INSTALLMENT DEALERS	$100	1-1½%	$6-9	12-18%* *MAY RAISE INITIAL COST OF ITEM
LICENSED SMALL-LOAN COMPANIES	$100	1½-3½%	$9-12	18-42%
FINANCE COMPANIES	$100	6-7%	$6-8 $9-21	12-14% ON NEW CAR 18-42% ON USED CAR

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