

By KRIS FRIESWICK

**FIVE WAYS
TO TELL IF
YOU'RE IN
OVER YOUR
FINANCIAL
HEAD.**

In Too Deep

The federal deficit is predicted to top \$407 billion this year. Your personal balance sheet might not look quite as dismal, but it's never a bad idea to take stock of your current spending patterns. Because unlike our elected friends in D.C., you are keenly aware that cash flow is not unlimited. (You *are* aware of that, right?) Just in case, here are some simple ways to find out if you're already living beyond your means.

1. YOUR DEBITS ARE LARGER THAN YOUR CREDITS.



Take a year's worth of bank statements from your primary bank account. Add up all 12 "total monthly debits" amounts (on the front page of the statement). Do the same with the total monthly credits. If the debit figure is larger, you've got a problem. Even if you still have cash in that account right now, eventually that will be gone too. Don't go on about how you had a year full of unexpected expenses. If they happen every month or two, they're not so unexpected – or at least they shouldn't be. Make some spending cuts, and do it now, before it's too late.

2. YOU SPEND MORE ON YOUR CAR THAN YOUR HOUSE.



The Bureau of Labor Statistics reports that in 2006, about 17.6 percent of total after-tax income in the country was spent on transportation (only 1 percent of it on public transportation). By comparison, about 20 percent of total after-tax income in the United States went to pay for shelter (excluding utilities). We spend almost as much on our cars as our houses. That's stupid. Don't be stupid. Buy a quality used vehicle instead of new. Use a car-sharing service. Move closer to work. Or better still, ride your bike or walk, if you can. Car-free is the new black.

Are you spending more than you should, trying to imitate someone else's lifestyle? Lola knows that in this case, getting real prevents financial headaches.

3. YOU SPEND MORE ON CLOTHES THAN GROCERIES.



If you're spending more on clothes than food, you're way out of whack. Americans spend three times more on food (dining in and out) than clothes. Of course, allocating your grocery money to couture would be an interesting way to ensure that it always fits.

4. YOU CAN'T REMEMBER THE LAST TIME YOU HAD A ZERO BALANCE ON A CREDIT CARD.



Have we learned nothing from the last two years of national financial mayhem? The rampant, unchecked use of credit is the root of almost all evil. Unless you are really, truly paying your cards off every single month, you are feeding the monster. Don't be that girl. Just get some scissors, light some incense, and perform an exorcism. It hurts more to spend cash than credit, so you'll also spend less overall if cash is all you have to spend.

5. YOU CAN'T AFFORD TO PUT MONEY INTO A TAX-ADVANTAGED RETIREMENT ACCOUNT.



Come on! You've heard this 1 million times, at least. Pay yourself first, especially if your employer offers a match. It's free money. You're going to need it. If you're counting on Social Security to get you through retirement, take special note of the deficit figure cited at the beginning. You've likely got a better chance of seeing Elvis than ever collecting on all those thousands you had "withheld" from your paycheck all these years.

Kris Frieswick, who lives in Boston, writes frequently about money.

“There are people who have money and people who are rich.”

– COCO CHANEL