

Debt/ Needs and Wants

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Prepared for:

Manage Debt

Beware of credit card debt!

The amount of credit you have is how much money others are willing to lend you, based on your ability and willingness to repay. Credit is an important part of our financial picture and can be an asset if used correctly, such as to purchase a home or a car.

On the other hand, credit card debt is the number one obstacle to getting ahead financially. There are people who spend hours shopping for the best deal on a purchase only to turn around, charge it and end up paying 50% or more of the purchase price in credit card interest. In general, credit cards are the most expensive way to borrow money. Unless it can't be avoided in the event of an emergency, pay off credit card debt each month. Alternatively, avoid credit cards altogether and use a debit card.

Distinguish Between Needs and Wants

Learn to make trade-offs!

Needs are the essentials of life, like food, clothing, transportation and housing. **Wants**, on the other hand, are not necessities, but they do enhance the quality of life. Saving and investing isn't an "all or nothing" proposition between needs and wants, but rather requires a balancing act.

For example, we need food to survive, but we don't have to eat out five nights a week. In order to keep your financial roadmap on course, you may opt to purchase a used car instead of a new one. It goes without saying that clothing and housing options vary widely in their cost. It's not a question of denying yourself all the luxuries of life. Instead, indulge yourself occasionally, but only after paying yourself first each month!