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Quiet Your Inner Scrooge

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By Michelle Singletary
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The online discussions I host give me an opportunity to see the financial issues that trouble people the most. Often what I find are people racked with fear.

And the fear isn't just displayed by folks deeply in debt. Some worriers are people who are doing everything right -- saving, living within their means, investing.

For example, here's a note from one chat participant. She wrote: "My husband and I are federal employees who make a decent salary, about \$140,000 combined per year. I save 15 percent of my salary in the Thrift Savings Plan (a government retirement plan), hubby saves 10 percent. We have about \$15,000 set aside for our toddler son's education and contribute another \$150 a month to a 529 plan for him."

This reader went on to say that she and her husband invest another \$150 a month in a mutual fund they've designated for retirement. They have a townhouse with a small mortgage that they've been renting out while living overseas.

"We have no debts other than the mortgage and, while we've been overseas, we've been able to save an additional \$30,000 a year," she said.

I can just imagine what some of you are thinking: What in the world does this woman have to be worry about?

Here's what.

"Even though I know that we are financially stable, I worry all the time about money because my parents poorly managed their money, and I worry that I'll end up like them," she wrote. "They have minimal savings, health problems and are likely to run out of money in their retirement. Hubby's family was also bad with money. Every purchase -- even a routine one -- makes me worry if I shouldn't save more. How do I stop viewing money as a ticking time bomb about to blow up in my face?"

The timing of this question gives me the chance to recommend again my selection for the Color of Money Book Club for December: "The Financial Wisdom of [Ebenezer Scrooge](#)." In this book the authors, two psychologists and a financial planner, talk about the "money scripts" we all have that are based on long-held beliefs typically planted during childhood.

Look at this woman's money script: "My parents were poor money managers, and I may be just like them" and "You can't ever save enough to feel secure."

She rehearses these lines so often it has become her reality, despite the obvious contradiction with her situation.

If you have a lifelong fear that you will never be financially secure even though you're saving and investing well, you've got to flip the script. You can change your lines. As an adult, it's time to let go of

that fear and replace it with new information.

Here's one way: If you haven't done this already, use the end of the year to update your net worth statement (or do one for the first time). You calculate your net worth by adding up your assets and subtracting your liabilities.

On the asset side you list, among other things, any cash, the value of investments and most importantly your home. For your home, put down the approximate fair market value of the property.

On the liabilities, include such things as your mortgage, any home equity loan, car note, student loans and outstanding credit card balances.

The goal is to own substantially more than you owe.

You don't want to have a negative net worth, meaning you have more liabilities than assets. For a template of a net worth statement, go to <http://www.washingtonpost.com/wp-srv/business/pdf/networth.pdf>.

You should update your net worth statement at least annually because it's a snapshot of the current value of your financial holdings. Keep in mind that the market value of your assets can change, as many homeowners have found during the mortgage crisis. Some homeowners assumed the value of their home would always go up. They were wrong, of course.

Home values in many parts of the country have declined, leaving some borrowers owing more on their homes than the current market value. That in turn has resulted in a negative net worth for some.

If it helps to compare your progress with others', the average net worth of U.S. families increased 12 percent between 2003 and 2005, according to a [University of Michigan](#) study. In constant 2005 dollars, overall average net worth rose from \$275,600 to \$309,600 -- including home equity.

The poorest 5 percent of U.S. households had a negative net worth in 1984 of a little more than \$1,000. By 2005 that figure had climbed to nearly \$9,000.

Since this is the season to count your blessings, if you're spending a lot of time worrying about your wealth, think about those who have less.

Â¿ On the air: [Michelle Singletary](#) discusses personal finance Tuesdays on [NPR's "Day to Day"](#) program and online at <http://www.npr.org>. She also has a new personal finance [call-in show that airs Sundays on XM Satellite Radio, Channel 169 "The Power,"](#) from 8 to 10 p.m.

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