

Financial Literacy 2.0: 6 Modern-Day Upgrades to Classic Money Lessons

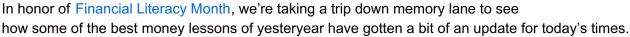
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It may not be Thursday, but let's talk throwbacks.

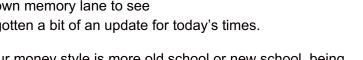
You know, like your '80s perm, pet Tamagotchi ... and your checkbook?

That's right—even old money management mainstays, like scribbling your signature on a check before handing it to the cashier, have evolved over the years.

Be honest: When was the last time you wrote a check for anything but rent?



But before we get started, a word to the wise: Whether your money style is more old school or new school, being financially savvy *never* goes out of style.



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Classic Lesson #1: Balance Your Checkbook

That Was Then ... Way back when, diligent money managers wouldn't dare skip their weekly checkbook-balancing date.

The value of this crucial to-do was two-fold: Not only was it the only way to know how much money you'd shelled out, but it also helped prevent mistakes. Thanks to the time delays between writing a check and the recipient depositing it, balancing your checkbook helps you determine how much money you *really* have available to spend.

But the system is laborious, to say the least. Payments need to be recorded and subtracted on your paper ledger at the time of purchase, lest you forget about a transaction and make a costly miscalculation.

This Is Now ... If you're among the 93% of mobile banking users who lean on technology to review your accounts and recent transactions, you're fully aware that checkbook balancing went out of style long ago.

It was a transition that needed to happen in order to bring our personal finances up to pace with the rest of daily life, says Dan Geller, Ph.D., a behavioral finance expert and author of "Money Anxiety."

"The modus operandi of the 'new schoolers' is mobility, interactivity and speed," Geller says. "They are accustomed to being in touch and informed at any time and from anywhere—and they expect the same from their banking relations."

That said, mobile banking apps and other budgeting tools that link to your checking, savings, and credit card accounts haven't replaced the fundamental reason why people once pored over their checkbooks—apps just serve up the information in a simpler, real-time way.

So take a few minutes every day to scroll through your app and make sure you recognize every charge on your accounts, so you can keep your budget on track.

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Classic Lesson #2: Keep a Piggy Bank

That Was Then ... Who doesn't have fond childhood memories of emptying out their piggy bank to tally up their savings?

This beloved old-school tradition is rooted in the original Depression-era financial crisis that this country faced, says R. Joseph Ritter, Jr., a CFP® with Zacchaeus Financial in Hobe Sound, Fla.

"My grandmother saved dimes to pay for her first microwave in the mid-1980s," Ritter recalls. "She literally walked into the department store with that jar of change, and waited while the cashier counted them out. It was the method that worked best for the Depression-era generation."

This Is Now ... In recent years, penny-saving tools have gotten a face-lift in the form of investing apps like Acorns, which rounds your purchases up to a whole number and deposits the remaining change into a savings account; and online piggy banks that track your savings progress virtually.

But the idea of keeping yourself motivated to put every cent to good use lives on. "Watching a jar fill up with money gives you a sense of accomplishment, whether it's tangible or virtual," Ritter says. "It still encourages you to add more."

Another bonus? Virtual savings tools provide a layer of insurance when the urge to splurge strikes.

"I can always throw the piggy bank on the floor to break it open and spend the money," Ritter says. "But if my money is deposited into an account and tracked virtually, I no longer have immediate access to that money."

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The lure of saving a buck dates back to the late 1800s, when big companies like Coke discovered they could boost sales by incentivizing customers with coupons.

Classic Lesson #3: Clip Coupons

That Was Then ... The lure of saving a buck dates back to the late 1800s, when big companies like Coke discovered they could boost sales by incentivizing customers with coupons.

The strategy took off—and dominated the money-saving scene well into the 2000s.

But here's the problem: The process requires a lot of organization to ensure you're buying the brand name and quantity of products the coupon stipulates—and that you're actually saving more money than you would by going with a different brand.

This Is Now ... These days you can transform your smartphone into a saving machine by downloading a coupon app

for seamless, on-the-go discounts for everything from gas to your favorite restaurants.

And certain software solutions like Favado and Meal Planning by Food.com are completely customizable, offering price breaks based on your personal preferences, and shopping lists.

"That means you no longer have to fit your needs to the coupon but rather have the coupon fit your needs," Geller says.

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Classic Lesson #4: Diligently Pay Bills—Manually

That Was Then ... Once upon a time, people paid their bills by parsing through the mail, writing checks, and popping them in the mail, with the hope that they'd arrive by the due date.

But this method introduced plenty of room for error: Payments could get lost in the mail, incorrectly addressed—or forgotten entirely.

Aside from the cost associated with potential late fees, a consistent history of timely payments is an important factor in the calculation of your credit score—so failure to stay on top of your bill payments could seriously derail your finances.

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This Is Now ... Automation—the new-school upgrade to manual bill pay—is a double-threat, considering its potential to save you significant time *and* money.

Setting up recurring payments for your monthly bills ensures that every due date is met—even if your statement gets lost in the mail or, for some reason, you completely forgot about your cell phone bill.

"Paying bills is painful enough," Geller says. "So don't spend unnecessary time going through such an ordeal. Automate your finances!"

"If you put your emergency, new car and vacation funds all in one place, it can be tempting to 'empty the piggy bank' on one goal without realizing you've just blown the others."

Classic Lesson #5: Adopt the Envelope System

That Was Then ... Some people may still utilize this basic budgeting system from yesteryear: Allocate funds for your monthly needs—like groceries or gas, along with bigger savings goals, such as car repairs or a vacation—by stuffing money into different envelopes dedicated to each priority.

"This method forces you to plan how you will spend money in a certain budget category," Ritter says. "By strictly controlling your spending, you're assuring there will be money leftover to meet your goals. That's the power behind envelopes."

And that power is great to tap into from time to time—going on an all-cash diet can help keep you accountable when you want to pay down debt.

But there's a catch: By keeping your savings in cash all of the time, you're missing out on a valuable opportunity—collecting interest on that cash.

This Is Now ... These days, smart money managers know how to make their savings work for them by earning interest in a high-yield online bank account.

The added benefit of this new-school approach: automation. "You can establish monthly transfers into a savings account to ensure you don't procrastinate saving," Ritter says.

And don't be shy about opening more than one account to segregate your savings. "If you put your emergency, new car, and vacation funds all in one place, it can be tempting to 'empty the piggy bank' on one goal without realizing you've just blown the others," Ritter says.

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Classic Lesson #6: Scan the Financial Section of the Newspaper Every Morning

That Was Then ... Before news was served up in real-time and on demand, the daily newspaper was one of the most reliable methods for tracking the financial markets.

The rub: The nature of printing added inherent time delays to how quickly the news was available.

To a person with money invested in the stock market—where prices, demand, currency exchanges and analysts' recommendations can change by the second—that time gap presented a potential loss in the form of a missed opportunity.

This Is Now ... Nowadays you don't even have to roll out of bed to get your daily news digest, since countless wires and newsletters can send curated updates to your phone in a few seconds flat.

For example, the *Financial Times'* Daily Briefings e-mail rounds up breaking business headlines and expert financial commentary, and the Stocks Trending app lets you track top performing stocks and even your own holdings.

And that's a good thing. After all, the more information you have at your disposal, the better choices you're likely to make, right?

Well, kind of, says Victor Ricciardi, a finance professor at Goucher College in Baltimore, Md., and co-editor of "Investor Behavior: The Psychology of Financial Planning and Investing."

"A major concern of using this new-school method is that people may be overwhelmed with *too* much financial news, causing them to apply a decision-making tool known as mental shortcuts," he says, referring to the psychology principle of heuristics, in which you only process certain details and ignore others to make choices faster. "That can result in poor outcomes or bad decisions."

For example, you might be swayed by the headlines to buy the hot stock of the moment, rather than do your research and buy based on your long-term strategy.

So embrace the knowledge-is-power mantra—the right way—by tuning out the noise and using those readily available resources to ensure every financial decision is the best one for you.

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