

Money
Management
in
Wartime

COOPERATIVE EXTENSION WORK
IN
AGRICULTURE AND HOME ECONOMICS
STATE OF OKLAHOMA

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OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE
AND UNITED STATES DEPARTMENT OF AGRICULTURE
COOPERATING

Distributed in Furtherance of the Acts of Congress of May 8 and June 30, 1914

MONEY MANAGEMENT IN WARTIME

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Saving, spending, and investing money in a wise manner affects the welfare of every individual; yet many persons seldom give much study to this subject.

How money is spent and saved in peacetime is usually a concern of the family only, but how money is used in wartime is of national concern also. In this war people are asked to spend less for family living and to save more to buy war bonds and stamps, pay higher taxes, pay off debts, and to do less installment buying.

The large number of families on public relief before the war would indicate that many American families are failing to make adequate personal provision for periods of emergencies, unemployment, and old age. The families who were free from mortgages, owned their homes and farms, and had money saved were in a better position to meet the last depression than some other families who had not made such provision. These facts have caused much public discussion concerning compulsory savings for old age and insurance against unemployment. The history of most wars has been that a depression followed. If a period of mass unemployment with low money incomes should follow this war, families who save, spend and invest wisely now will be in a better position to meet such an emergency than families who have not made such preparation. People with small incomes, as the great majority of families have, who desire to prepare for such emergencies, must not only decrease their expenditures for current wants, but must save a part of their present money income and make safe investments. Everyone is now encouraged to buy war bonds which are not only safe investments, but will help to win the war.

Why Should We Save Money?

Saving money regularly and in a systematic manner is an admirable virtue, but money saved is only a means of buying goods and services needed in the future. When considering the problems of saving money, the following information might be useful.

Why is saving money now so important?

Because money incomes are higher than prewar money incomes.

After the war money incomes will probably be lower.

There will be more and better quality items to buy for family living after the war.

Work and jobs most likely will be scarcer after the war.

Dollars buy less now when prices of goods are higher, and more after the war when prices are lower.

Why should people save money for security in old age?

So they will not be a burden on the Federal Government, the state, the county, or upon society.

In order not to be dependent on their children or other relatives.

So they will not fear the lack of the essential needs of life as food, clothing, and shelter.

To have enough money to pay taxes so they will not lose the farm, the home, or other property.

For burial expense, if not provided for through burial insurance.

Because one's earning capacity often decreases with age and some money should be saved for this period.

As a payment to society for what society has done for the individual.

For the mental satisfaction of being financially independent.

To prevent the "dole" system.

When are the most logical times in life to accumulate savings?

When incomes are high, as now.

In single life between adulthood and marriage.

From the time of marriage until the children are in high school.

After the children are self-supporting.

When one is young and strong.

What is the Importance of Spending Money Wisely?

Money was created to be spent, but not in an unwise manner. A thrifty person is to be admired, and a miser to be abhorred. Money is a tool of exchange for what the family needs and desires. This may be food, education, travel, home ownership, or other items. Money spent for human desires is a good investment if it gives a satisfactory return to the investor, such as the physical comfort of a new lounging chair, mental happiness from reading a good magazine, or social prestige from the entertainment of a prominent visitor.

Why Should a Family Make a Spending Plan?

In order to spend money wisely.

To give the family an over-all picture of the financial status.

To stretch the money income to cover cost of family needs and desires when possible.

To more evenly distribute money among family members for needed items of living.

For helping children to know how to spend money wisely.

To promote family cooperation.

How Can a Family Make a Spending Plan?

Such a plan would include an estimate of the money to be available for spending and saving whether from farming, salary, or other work. In order to make a good spending plan, all members of the family should have a part in the making. In making a plan it is necessary to list fixed expenses such as taxes, insurance, rents, payments on short-term debts, and utility bills as telephone, lights, and fuel. In another group could be listed the estimated expenses for other items of family living as foods, clothing and its care, recreation, education, church and charity, gifts, personal care, medical care, house furnishings and equipment, household operating other than utility expense, automobile, and investments other than insurance. In another group should be placed the estimated business expense whether farming or some other type of business. Add the fixed expenses to the estimated expenses and subtract this from the estimated money income to get a picture of the family financial status. The blank space under section below "How Groups of Farm Families Spent Their Money" has space for estimating your family income and expenses for family living.

What do Other Farm Families Spend for Family Living?

The table given below is based on the summarization of 799 Home Account Books kept by Oklahoma farm families in cooperation with the Extension Service. This information might be of help to other farm families in making financial plans for wise use of their money income.

The analysis of home account books reveals that money incomes have been rising since 1938. These figures show that as the money income increased, the amount spent for all other items of family living increased, except for education.

If the family has difficulty in making a financial plan for spending their income wisely, a farm account book and a home account book are available for keeping accurate financial

How Groups of Farm Families Spent Their Money for Family Living over a 5-Year Period.
 (These are averages for the groups, and the average size of the family was 4 or 4+ for each group)

| No. Families | Year | Money Income | Food Purchased | Household Operation | Personal Care | Education | Recreation | Church and Charity | House Furnishings; Equipment | Medical Care | Gifts | Clothing and Its Care | Total Spent for Family Living |
|--------------|------|--------------|----------------|---------------------|---------------|-----------|------------|--------------------|------------------------------|--------------|-------|-----------------------|-------------------------------|
| 75 | 1938 | \$1,467 | \$163 | \$50 | \$12 | \$31 | \$27 | \$13 | \$54 | \$26 | \$16 | \$77 | \$469 |
| 250 | 1939 | 1,667 | 161 | 49 | 11 | 27 | 26 | 15 | 62 | 41 | 20 | 86 | 498 |
| 230 | 1940 | 1,846 | 160 | 55 | 12 | 26 | 29 | 18 | 72 | 41 | 23 | 89 | 525 |
| 180 | 1941 | 2,488 | 173 | 60 | 13 | 25 | 32 | 18 | 89 | 41 | 27 | 99 | 577 |
| 64 | 1942 | 3,653 | 240 | 82 | 19 | 24 | 34 | 37 | 135 | 59 | 49 | 127 | 806 |

Estimate of our money income and family living expense for the coming year (fill in)

[5]

THE FAMILY CHECK SHEET ON MONEY MANAGEMENT

| | CHECK IF TRUE OR FALSE | |
|---|------------------------|------|
| | False | True |
| Children should be given a money allowance | | |
| Children need directed guidance in spending money | | |
| The husband should make all decisions on how the money income is to be spent | | |
| Spending the family's money income is a family problem | | |
| Half the money income should be used for house and half for the farm | | |
| One person in the family should be responsible for keeping the account book | | |
| The wife should have the privilege of writing checks on the family bank account | | |

records of incomes and expenditures. These books may be secured through county agricultural agents' and home demonstration agents' offices of each county.

What is the Value of Keeping Home Accounts?

- Guidance in better financial planning.
- To know how the money income has been spent.
- As an aid for making income tax returns.
- For checking against unwise spending.
- To encourage regular savings for the future.
- To know what the farm is contributing in home produced food for home use.

Do You Carry Out These Good Money Management Practices in Your Home?

(Check yourself in columns below)

| | Yes | No |
|--|-----|----|
| Keep a duplicate of all bank deposit slips | | |
| Keep all cancelled checks written by the family | | |
| Check and keep all monthly bank statements | | |
| Keep insurance policies and receipts for payments | | |
| Retain duplicate blank for income tax returns | | |
| Keep receipts of payments for income tax | | |
| File all credit slips of bills until paid | | |
| Keep copies of all receipts for bills paid | | |
| Keep in a safe place all securities as war bonds | | |
| Have a record of what the family owes to others | | |
| Have a record of what is owed to the family | | |
| Make a yearly financial inventory of money, property and investments | | |
| Keep a record of balance due on installment buying | | |
| Have a duplicate of all property deeds on record | | |
| Keep all yearly property tax receipts | | |
| Have a will for distribution of all money and property | | |
| Have a joint bank account Mr. or Mrs. | | |
| Keep a receipt of insured packages until package is received | | |
| Have a fireproof lock box for all valuable documents (Bank boxes should be held jointly by husband or wife or children) | | |
| Have a business center in the home for financial records | | |

How Can a Family Plan to Cut Down on Spending for Family Living?

When the family has made its plan for spending, then it is well to list the ways to further reduce expenses, as raising more food for home use and buying less, doing more home canning, making over clothing, and repairing household furnishings and equipment rather than buying new. Other ways might be to become a better buyer of items for family living as food, clothing, and household furnishings, save on utility bills by turning out lights when not in use, and heat only rooms used. These are ways families can further help to win the war.

Money Investments for the Small Investor

Few problems of family living are more vital, and often less considered, than the investment of savings. Much study and thought should be given to this problem. Reckless investing, especially by the small investor with limited means, is inexcusable. The inexperienced investor will often profit by seeking advice on anticipated investments from reliable sources. When buying a farm, the county agricultural agent would be able to give advice on the quality and relative productivity of the soil. When making investments in securities, a reliable banker friend will often be able to give helpful suggestions.

It might be well if the small investor would seek adequate safety with a reasonable income rather than the higher income with a greater risk. No investment is absolutely safe, but usually the safe income suggests a safe principal. For example, a farm that produces a good income from year to year is usually a good and a safe money investment.

A minimum investment program that often has been suggested for the small investor is an adequate life insurance, a savings bank reserve fund, home ownership and some security investments. The extent and the rate at which a person places his savings in each phase of this suggestive investment program will depend upon his position. The following information may be of help in making these investments.

Life Insurance, especially for a man with a family, is desirable. The amount of insurance bought will be determined by the number of dependents, the amount of other finances on hand, and the personal obligations or debts of the buyer. It is important to remember that life insurance is an investment in protection or security of the family. Life insurance should not be confused with methods of saving. People don't carry life insurance as a means of investing their savings.

Life insurance is carried for the purpose of protecting the economic security of the family in case of death of the person who is insured. Persons or families desiring to take life insurance should see an agent of a reliable company—an agent who is qualified to give advice on the amount and kind of insurance to buy. Remember, insurance is protection. You want the best and most protection you can afford at the lowest cost—a protection which extends over the period during which particular and general risks run.

Savings Banks are logical depositories for the small investor who wants maximum safety and does not feel competent to choose his own securities. Since this type of savings exists for the investor of small means, there is a limit to the amount of money that can be deposited, and the accounts are often open only to people with checking accounts.

Saving accounts pay a small rate of interest, about two percent in the prewar period, and can be withdrawn on short notice which is an advantage for emergency purposes of the families with small checking accounts.

Most banks carry a government guarantee against loss up to \$5,000 for each depositor, which makes the small investor's money fairly safe.

Home Ownership for the Small Investor often requires a down payment and a loan for the balance. A conservative loan on real estate does not exceed two-thirds of the property value, while the cash down payment should be one-third the value of the home. There are many agencies that help small investors to finance payments on a home at a small rate of interest. Most families expect to own a home at some time during their lives and a home for every family would be a good slogan as it not only gives financial security and protection, but affords mental satisfaction and social benefits even though it might be cheaper to rent a home in certain localities.

Postal Savings Investments can be bought at any United States Post Office from \$1 minimum to \$2,500 maximum to a person. The account is payable on demand and the rate of interest is two percent yearly. Your local post office department can give the information desired concerning these types of investments.

United States War Bonds not only furnish safe investments but offer a special opportunity for every investor to help win the war. These bonds are as safe as our Government and are offered in denominations from \$25 to \$1,000, mature in 10 years, pay 2.9 percent and can be cashed after 60 days' notice. The bonds will not only help to win the war but will help to buy homes, household conveniences, automobiles and other wants after the war.