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Small Bills Get the Best of Single Mom and Paramedic

By Naomi Snyder

As a paramedic in Maury County, Norma Jean Peden has been working to save lives for more than a decade.

But her bank account is on life support.

The 41-year-old sometimes finds herself paying for groceries with a credit card because she doesn't have enough in her checking account.

Even though she makes \$45,000 a year working for the Maury Regional Emergency Medical Service - and gets \$5,900 annually in child support to help raise her daughter, now 16 - Peden says she never seems to have enough money.

"I rob Peter to pay Paul," she said. "It's the small bills that get me, not even the big stuff."

Peden sat down with certified financial planner Bobby Harris in Columbia, Tenn., to figure out how to get a handle on her bills, plan for retirement and prepare for daughter Joanna's college education.

Over the years, Peden has tried to be conservative in her spending and make good financial decisions. She bought a used Ford Explorer instead of a new one. She owns a three-bedroom, two-bath modular home, which she bought four years ago for about \$80,000.

She's been socking away about 7 percent of her income into a retirement plan at work, and she gets a partial matching contribution from her employer on top of that. Now, she has more than \$11,000 saved for her old age.

Peden even got a paralegal degree by taking classes online from an accredited university.

"I need something to fall back on," she said. "Your body starts to wear down. There's no way I could (be a paramedic) at 60 years old."

Daughter earns, learns

She's been teaching her daughter about money, too. Last year, Joanna bought her own back-to-school clothes using money she had made baby-sitting.

But somehow the family's monthly expenses keep derailing the household budget.

After Peden wrote down her monthly expenses, Harris pointed out that she isn't accounting for about \$11,000 annually.

"That bothers me," Peden said. "Where is my money going?"

Some of that could be the expense of eating out three times a day during her 24-hour shifts as a paramedic. Peden typically works 24 hours and then gets 48 hours off, but the long hours away from home end up costing her more than \$25 each workday for food.

Peden, a smoker, also estimates she spends nearly \$3,000 a year on cigarettes, buying two packs a day to satisfy that habit.

Review 3 months of bills

Harris suggested reviewing three months' worth of bank account statements and detailing each expense by category - food, entertainment, etc. Divide each expense category by three and you'll get a more accurate description of your monthly spending, he said.

"You've got to figure out what you're spending and then you can go forward," Harris said. "It will be an eye opener."

Peden also has had too much income tax withholding taken out of her paycheck each month, the financial planner said. She received a \$3,700 tax refund this year from the Internal Revenue Service - Peden called it a second Christmas - but Harris said it really amounted to poor planning.

Harris advised her to go to the human resources department at work and adjust her withholding to reflect two exemptions - herself and her daughter. That way, less money will be taken out of her paychecks, and she'll have more money to work with each month.

"You don't need to treat the IRS as a savings bureau," Harris said. "That's \$3,700 per year that could keep you from adding debt for things like groceries."

Once she gets a handle on spending, Peden will be able to start paying down her consumer debt, nearly \$13,000 at last count. Most recently, Peden bought a riding lawn mower on credit to trim her yard's seven acres. The price tag was about \$2,000.

"I couldn't get my grass cut," she said, pointing out that her old mower had broken down. "I was afraid I'd have snakes running around my house."

Harris advised her to pay off her smaller debts first to get income and debts in better balance.

"This is almost criminal," he said. "You're paying 25 percent interest" on one credit card.

On a \$114 bill for another credit card, \$78 went to pay late fees and \$26 to pay finance charges.

Focus on retirement

As for her retirement, Peden is making progress. Harris advised her to ramp up her contributions to her work's retirement account to 15 percent of her income, the maximum allowed.

If she retires at age 66, she'll receive an estimated \$1,600 a month from Social Security and should augment that with her own savings to achieve an income of about \$25,000 a year in today's dollars.

Paying for her daughter's college education may be an elusive goal, though. With Joanna reaching college age in just two years, Peden probably won't be able to come up with the money to fund a four-year education at Joanna's current choice, the University of North Alabama, Harris said.

At the rate of tuition inflation, that could end up costing \$50,947, including room and board, over four years of school.

"Lord, help me," Peden said.

Harris said Joanna might consider getting student loans to pay for college.

The average college graduate who works for 40 years as an adult will make about \$1 million more over his or her lifetime than someone who doesn't get a college degree, the planner pointed out.

After the financial planning session (arranged at no cost by The Tennessean) was over, Peden said she felt slightly depressed.

"I guess I'm wasting \$11,000 a year, and that's sad," she said. "Mine is the typical story. I just don't pay attention. But I will now."

Ready for a makeover

Who: Norma Jean Peden, a 41-year-old paramedic and single mom

Goals: Manage monthly bills, plan for retirement and help her daughter attend college.

Annual salary: \$45,000

Savings for retirement: \$11,900

Consumer debt: \$12,943

The planner

Bobby Harris is a certified financial planner working for Edward Jones in Columbia, Tenn., where he has been a financial adviser since 2002. He serves as chairman of the Maury County Public Education Foundation and was a Maury County commissioner from 2002-06. He also was president of the Kiwanis Club of Columbia in 2002 and co-chairman of Maury Vision 2020.

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