

# Review

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Book Review Chapter Book Review Chapter In the contemporary society besieged by financial constraints and increased preferences, possibility exists of an individual living below the poverty line irrespective of constant income. Societal needs have increased over the years possibly prompted advancements in technology, innovations, and increased food insecurity. Modern innovations and social networking trends have also accentuated human needs and preferences. In addition to increased needs and global economic meltdown, a thin line distinguishes the employed and unemployed members of the community. It is essential for society members to comprehend personalized financial accounting techniques that assist in balancing their needs, spending, and income.

Warren and Tyagi, 2006, discuss most efficient strategies of personalized financial accounting. They also elaborate the importance of creating a balance between an individual's needs and income. Warren and Tyagi's model of financial accounting presents a management plan for community members with high-income ratings that do not reflect in their living standards. She also offers a financial management strategy for public affiliates with low income.

Warren and Tyagi, 2006 financial management strategy separates an individual's income into three distributions which include wants, must-haves, and savings. According to Warren and Tyagi, the three distributions possess the capacity to maintain a balance between income and needs. In achieving the healthy financial balance, Warren and Tyagi, 2006 distributes the three groups into 50 percent must-haves, 30 percent wants, and 20 percent savings. The percentage distributions of income create a healthy balance that satisfactorily meets an individual's needs and wants. The authors

explicate that straining distribution by increasing or decreasing the percentages consequently causes stressful lifestyle for an individual. In eliminating the inherent risks that may imbalance the distributions, Warren and Tyagi, 2006, deliberates the distributions as a function of a balanced money formula. The balanced money formula based on the distribution percentages helps in maintaining a healthy balance devoid of strain on financial income. Warren and Tyagi, 2006, however, present an exception phenomenon that requires an individual to adjust the balanced money formula. Such exceptional cases include periods when there is no apparent income activity or family constraints such as sickness. It is apparent that in such cases, expenditure on the must-haves would undoubtedly increase. In such scenarios, individuals may infringe the proportions of wants and savings to help in offsetting the must-haves. However, Warren and Tyagi, 2006 advises that the best money plans should maintain the balanced money formula irrespective of financial constraints that may imbalance the aforementioned distributions.

Warren and Tyagi, 2006 highlight the relevance of the golden rule of financial responsibility in the management of individual's finances. They suggest that it is undemanding to follow the rule once an individual defines the wants and must-haves. According to the rule, the central priority is to pay all the must-haves before the wants. In addition, the first line of defense in cases of financial constraints should aim at reducing expenditure on wants.

Despite financial constraints, the society should embrace effective financial management strategies. Effective financial management strategies such balanced money formula assist in observing the golden rules of financial

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responsibility. In addition, the strategies are indispensable in balancing financial requirements for the must-haves, wants, and savings.

#### Reference

Warren, E., & Tyagi, A. W. (2006). *All Your Worth: The Ultimate Lifetime Money Plan*. New York: Free Press.