
How Much Is Enough?

◆ Issue #29 ◆ Douglas E. Reese

The “B” Word: Part II – Surplus or Shortage?

Last month I began a mini-series of articles addressing the “B” word (Budget). The reason I have decided to present this concept in a series is that I don’t believe we can give it the proper attention in just an issue. And although it is the least favorite topic among topics of personal finance (maybe with the exception of death and taxes), it is the single most important part of any well designed stewardship program.

Let’s briefly recap last month’s introduction to this series. My primary hope for this series is to provide you with the tools to better understand and develop your own personal discipline of stewardship and to create your own definition of the “rightful use” of money. I shared Covey’s definition of stewardship which is “a job with a trust.” And we looked at Peck’s four tools of discipline: acceptance of responsibility, dedication to the truth, delaying of gratification, and attaining balance. We reviewed three methods of balancing budget and lifestyle. We looked at the three components to a personal budget: spending, saving, and giving. And I asked you to ask yourself the question, “Am I living a personal financial lifestyle which results in a financial surplus or shortage?”

Because this is the beginning point to building a foundation for your personal finances, we will focus this month on this issue. Are you living a personal financial lifestyle which results in a financial surplus or shortage? Your first question may be, “How can I tell?” Let’s begin here.

A simple definition for a lifestyle which produces a “financial shortage” is when your income does not cover your spending needs, your savings needs, and your giving needs. As these are the three basic components of a personal budget, we’ll begin here to define whether or not you have a lifestyle which is creating a financial shortage or surplus. Obviously then, the definition for a financial surplus is when your income more than provides for your spending, savings and giving needs. On the back page of this issue I have provided a brief worksheet for you to determine if your lifestyle is producing a financial surplus or shortage. Please take the time to complete this very simple worksheet. It will be a valuable building block for our future work.

When I say this is a “very simple” worksheet, I mean simple in the aspect of its limited number of entries you are asked to fill in. There are only 5 numbers requested, including two income sources and three outflow sources (spending, savings and giving). The part that may not be so simple is the work required to arrive at accurate numbers to fill in the blanks. For this first try I’ll simply ask you to make your best guess at these 5 numbers. You may do a little homework by browsing through your financial records to get a closer number. Here’s a hint. Your best sources will be your checkbook, your credit card statements and your bank statements.

The last blank to be filled in will begin to tell the story of your current financial lifestyle. It asks you to tally up income minus outflow and determine if your current lifestyle is producing a financial surplus or shortage. Once you’ve completed this worksheet, set it aside to be used for future reference.

Let’s leave the numbers for now and return to the earlier focus where I suggested a goal of developing your own personal discipline of stewardship and defining your “rightful use” of money. One fairly constant thing I’ve

learned in this business is this...money makes people do strange things. It definitely has an impact on our behavior, our thinking, our attitudes, and our actions. Let's look a little deeper into this matter of money behavior.

I'll pose a few questions to you, and I want you to take a moment and think of how you would respond, if I were to ask you in person. Maybe more importantly, I'll ask you to be aware of how these questions and your responses make you *feel*. Money behavior is often associated with not so positive emotions such as fear, greed, guilt, or shame.

1. Are you comfortable with the shortage or surplus created by your lifestyle?
2. If you are living a lifestyle which is creating a financial shortage, how long will this shortage continue, and what part of your future are you now spending (any shortage you create today must be made up at some point in the future. Will you make it up by increased income, having less for things such as savings, education, retirement)?
3. If you have a surplus, how do you plan to use the extra money?

In closing for this month, let me share with you some feelings after reading through the financial papers this past week. I have a genuine concern, and a growing concern, about how we as Americans, living in the most prosperous nation on earth, are choosing to develop our personal discipline of stewardship. The most recent figures I've seen show that consumer credit is at an all time high, and consumer defaults on credit payment (whether for a credit card, a car loan, school loan, etc.) are at an all time high default rate. To me, as a financial planner who is concerned with stewardship discipline, it suggests that we are not doing a very good job as individuals, disciplining ourselves as to how we spend our dollars, and how we manage our debt.

As an individual, it says to me that we are not being very responsible as a nation (as our growing burden of federal debt clearly illustrates), and we have little more control as individuals. I think it's time we all take a closer look at our stewardship discipline and revisit our own acceptance of responsibility, our dedication to being truthful with ourselves and our spouses (which equates to open and honest communication around money issues), our willingness to delay gratification if we don't have the means to pay for everything we want, and most of all...a dedication to balance in our stewardship efforts.

WORKSHEET:

Income: Total from sources a and b below \$ _____
a. Wages \$ _____
b. Other Income \$ _____

Outflow: Total from sources c, d and e below \$ _____
c. Spending \$ _____
d. Savings \$ _____
e. Giving \$ _____

**(Shortage)/
Surplus:** Income minus Outflow \$ _____

Does your current financial lifestyle create a shortage or surplus? _____

"Life's Short...Plan Well."