
How Much Is Enough?

◆ Issue #30 ◆ Douglas E. Reese

The “B” Word: Part III – Who Gets What?

In this third part of a series on the infamous “B” word of financial planning (i.e. “Budget”) we will begin to develop your thinking around the three basic elements of money management which I have overviewed in the past 2 issues. My focus here is to help you be clear as to how you manage these three basic elements of money management. If you can accomplish this task, you will have accomplished what less than 5% of all Americans accomplish in their lifetime, namely you will have an understanding of the budget process and be able to predict your future with a greater degree of certainty (at least where money is involved). Once again, the three basic elements of money management include 1) spending, 2) saving, and 3) giving. That’s it. Every action you take with money can be grouped into one of these 3 categories. If you think of one that can’t fit into one of these three, let me know. I have yet to find a fourth category.

So given that there’s only three things we need to work on, this shouldn’t be all that complicated. Actually, it’s not. The complication comes in when we begin to delve into the question of “why” we act the way we do around spending, saving, and giving. In my work in personal financial planning, and my travels across the country I spend many hours discussing these three areas with people of all ages and backgrounds. Many recurring themes surface in these discussions, which leads me to believe that there are some broadly felt frustrations around money management with people of all backgrounds and circumstances. Let me share some of the issues which seem to come up the most.

Recurring money management frustrations (in no particular order):

1. “My partner and I don’t seem to be able to talk about money matters very well. We have different views about how our money should be used. One of us wants to have a comfortable lifestyle today, and the other always seems to be worrying about the future. We can’t seem to find a healthy middle ground. So we usually just don’t talk about it at all.”
2. “The whole “budget” concept doesn’t make any sense to me. I mean I either have it to spend or I don’t. What’s the use in planning for things I can’t afford. It’s just too frustrating and I really don’t see the value in it. I’m going to do what I do, whether its down on paper or not.”
3. “Our personal debt has seemed to just kind of creep up on us. We were almost debt free a few years ago, then we bought a home, started furnishing it, needed some extra things for the kids, and all of the sudden we have a mortgage and a bunch of credit card bills that don’t seem to be getting any smaller. How did we get into this mess? How do we get out?”
4. “I’m pretty good at managing the monthly bills. What I can’t seem to control is the bills that come in randomly, like car repairs, or insurance premiums only due a couple time a year, or the big tax bill due at the end of the year. These slip up on me and there isn’t ever enough money there to cover them. So I scramble around to make it work. But it makes me crazy. How do I plan for these random expenses?”

5. "I know I need to be savings for the future. The kids will need money for college and we'll need money for retirement. And I'd like to have a little emergency fund set aside. But we seem to spend everything we make just to keep even. How can we possibly save for these things when the bills are taking up all of our income?"
6. "I've always wanted to give more than I do. I was raised with the belief that you should give 10% of your income to those in need. I can't even seem to make ends meet. So how in the world can I come up with 10% of my paycheck to give away? I know I should be doing it, and I feel guilty because I'm not."

Do any of these sound familiar to you? There are many more common themes which seem to come up with most people when discussing money matters, these are just a few of the most commonly shared frustrations. If I now asked you to reread these 7 issues and ask yourself, "are there any common themes between these money frustrations?" what would your answer be? Go ahead, reread them and try and answer this question for yourself...I'll wait here.

...Did you come up with anything? When I reread these money issues that frustrate people, the following words come to mind..."lack of" and "choice." Let me expand on these thoughts. When I read these issues I get a sense of the following 6 themes woven into the frustrations.

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| 1. Lack of communication (with partner) | 1-----2-----3-----4-----5 |
| 2. Lack of understanding (around money) | 1-----2-----3-----4-----5 |
| 3. Lack of discipline (around managing money) | 1-----2-----3-----4-----5 |
| 4. Lack of planning (for spending, saving, giving) | 1-----2-----3-----4-----5 |
| 5. Choice of behavior (around dealing with money) | 1-----2-----3-----4-----5 |
| 6. Choice of priority (around use of money) | 1-----2-----3-----4-----5 |

Maybe these 6 themes seem a little harsh, a little judgmental. How would you grade yourself on them? Circle the score that best reflects your current position on each of these themes. Use "1" to signify *not an issue at all with me*. Use "2 to 4" to signify *somewhat of an issue up to yes a significant issue*. And finally use "5" to signify *a major issue which is negatively impacting the health of my money management*. I suggest you have your partner do this also.

I believe these themes suggest that we typically fall short of our desired money management results due to two common actions. We fail to use discipline. We fail in our actions. I can't seem to find a gentler way to put it. It's all about our personal choices around how we act with our money and how we act with our behaviors around money. Well, its food for thought anyway. Most people don't like to spend much time in this area of personal accountability around money, so it usually doesn't make the print in articles like this. So I'll close with this thought.

Your homework for next time...take a piece of paper write at the top "Who Gets What?" Then go back through your checkbook register and credit card statements for the past 3 months labeling each item with an "S" by spending, "V" by savings and "G" by giving. Add them up monthly and write them down on this piece of paper. It's the beginning of really understanding where your money is going. If you really want to be more accurate, go through the past 12 months and do the same. Next time, we'll put this information to work.

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