

Do You Have a Working Spending Plan (Budget)?



The plans of the diligent lead to profit as surely as haste leads to poverty- Proverbs 21:5

A few years ago, Gallup released a poll that said one in three Americans prepare a detailed household budget. When you compare that with a similar stat that says that 70% of us are living paycheck to paycheck it is painfully obvious that most of us are flying blind. Is it any surprise that the financial stress in our culture is palatable?

One of the key components of being well managed in your finances is to have a written working budget. We say that not just because we like budget (though we do like budgets), but because year after year we sit down with families who are working through the consequence of not having a firm handle of where their money is going? Consequences like

- Financial stress
- Arguments with loved ones
- Thwarted goals
- Negative health issues
- Fear
- Anger with God
- Frustration with Employers
- Low self esteem
- Confusion

Like the child who is convinced that the boogie man is under the bed or in the closet, we shutter in fear of the unknown that comes with not having a plan and not knowing where our resources are going. It is time to turn on the light. I am not aware of any child yet, who once the parent turned on the light and looked under the bed or in the closet, who actually found a monster (and the children rejoice). But the fear is dispelled by the examination of the problem. We need to do that in our finances.

What is a Spending Plan- The story goes that a couple came in to talk with one of the early coaches and the male coach and the husband were talking about the family budget. Every time they said the word budget the wife became more frustrated. Finally, she confronts the boys and says, "is there anyway we could call it something besides a budget? That word gives me the eeby jeebies". They asked her what she wanted to call it, to which she suggested, "how bout a spending plan?". And it stuck. To be sure, the difference is more semantical in nature as a spending plan or a budget is merely the name of a financial tool that captures the plan we are putting into place.

But over the years, we have seen that semantics matter. In fact, how we think about our finances says a lot about us and financial terminology can help us overcome some of the trappings that come with the area. Helping people put together financial vocabulary is key to their problem solving in the area.

The Spending Plan Captures our Life Goals- Most of us have a dream. Maybe not as big as Martin Luther King's, but we have a dream. Stated or unstated. Written or not. There are things that we wish were true of our life that would make us happy. But sadly, our money may or may not be headed in the same direction as our dreams. That ends today.

Our encouragement to you is to start thinking of your budget as **the** tool that is going to help you reach your goals in life. It helps you to know what to say yes to. Should I keep spending too much on entertainment and eating out or save for the down payment for the house we want to buy? Yes, to house! This is just one example, but what if month after month, year after year we were making progress to the things that we really wanted to see happen in our lives. Wouldn't that be encouraging?

A spending plan (budget) can help you with that.

A Spending Plan Requires Master Tracking- We were in a client meeting with a family where the husband was the CFO of his company and we asked him if he would hire himself as the CFO of his personal finances to which he nervously laughed and said, "absolutely not." The CFO is responsible for helping the leaders of a company (in our example- your family) understand the financial condition of the enterprise. Your family and ours need a CFO. And like it or not that is you.

One of the pieces of advice that we give clients is this: If you were willing to follow only one of our suggestions we would say- you need to become a Master-Tracker. By that we mean, you need to know where every penny you spend goes. Only then will you be able to really understand what is going on in your finances. Another way to say that is you need to become the CFO (Chief Financial Officer) of your personal finances.

Now you may make so much money that you never have to worry about competing goals because you have enough money for all your goals. But most of don't have that luxury. Most of us need to be well managed in our budgeting planning and evaluation of spending habits (tracking) to reach our goals. Tracking will help you do that.

How do I Track my Finances- For argument's sake, let's say you bite on the idea of tracking. What does that look like? Here are a few ideas. 1) **use an app-** the technology out there is pretty amazing. You can link an app to your bank and then all you have to do is categorize the expenses as you go. Some of our favorite apps are YNAB, Mint, Every Dollar or most large banks have tracking apps in their mobile banking world 2) **use paper and pen-** while this may be too old school for some of you, some of our best tracker are cranking out monthly reports by writing everything down 3) **use an excel document-** some people love spreadsheets and this may be your best mode.

Honestly, we don't care how you do it so long as you do it. Some easy mile marks along the way to evaluate the implementation of your tracking system.

- Are you capturing every transaction?
- Are you categorizing your expenses at least once a week?
- Are you producing a monthly report so that you can look at where the money is going? We highly recommend that.
- What is the deadline for having your monthly report done? We suggest having it done by the 5th of the month. So, October's report is due by November 5.
- Does your system give you the ability to look at multiple months so that you can look at trends? This could be a quarterly look, 6-month look, or maybe even an annual look.
- Do you have a regular time to sit down, put on your CFO hat and really look objectively at the numbers. If you have a spouse, a monthly or quarterly meeting to discuss where things are going is helpful. If you are single, you might consider inviting a friend, mentor or confidant to meet with you so that you can talk about your progress. We suggest making an event out of it. One family we know has a "**Burgers and Budget**" meeting when they talk about their finances.

As we talked about in our introductory article in this series. The goal of our coaching is to help you become a Generous Steward with your money. Which means you are

God Centered, Generous and Well Managed. Go back and read that article if you haven't already.

Putting together a Working Spending Plan is essential in being well managed in your finances.

Continue to read as we talk about the other aspect of being well managed.

- Do you have a **WORKING BUDGET**– Proverbs 21:5
- Are you reaching your **GIVING** goals- 2 Corinthian 9:6-7
- Are you **SAVING** for the future- Proverbs 21:20
- Are you **MANAGING DEBT** well- Proverbs 22:7
- Are you protecting your family with **INSURANCES**– Proverbs 27:12
- Are you protecting your family with an **ESTATE PLAN**– Proverbs 13:22
- Do you have **INTEGRITY IN YOUR FINANCIAL DEALINGS**– Proverbs 28:6

If we can help you get there let us know. We would love to help. www.freedom5one.com