From the Heart. . .

. . . Life Skills for Today

By Sharon L. Benedict MS, ACC

Money comes…money goes! But where?

This month, *Recordkeeping,* will be the focus in helping you find and plug those spending leaks you have discovered in your budget. Let's then continue playing monetary detective for a moment and track down some more hidden curves in your currency trail.

Leaks in your budget mean you are spending money without knowing where it is going. This can be a serious and threaten your financial security. Budgets leak for many reasons. ***Learning to recognize some of the reasons may help you plug the leaks.***

First, do you plan how you spend your money? If not, this is where you start. Planning can be simple and make your dollars buy exactly what you need and want. Planning will help you spend your money wisely rather than magically disappearing. Design a family spending plan that will provide for current spending, savings, and short- and long-term goals. Utilize a financial management software program, such as Money or Quicken. Create your budget within the linked feature. Denote what your income sources are and your expenditures each month, for one year. Designate those expenses that are mandatory/fixed, and those that are discretionary. Within your discretionary expenses, you will then start to see where the leaks are first.

Are you dining out too much? Are you buying clothes you really don't need? Look at each category and give some time to being honest with yourself and your family. Then commit to reducing that discretionary spending by an amount you definitely know you and your family can commit to. Make sure all amount are SMART—specific, measurable, attainable, realistic, and time-phased. After you go through the discretionary expenses, review each mandatory one to see if there is any way you can reduce that expense. One example is refinancing your car loan to a lower rate. The same goes for your house. Do you think you can do without an extra car that sits in your driveway? With a little creative thinking, you just may come up with some possible ideas.

Next, ***do you keep meaningful ongoing records of where your money goes?*** Records show where and how your money is being used. If you don't save receipts, you probably don't know where at least half your money goes—I almost guarantee it! There are two steps to start your money management commitments after you have created your first budget:

1. **Start saving ALL your receipts** in a dedicated file box or file cabinet with category labels/tabs. Mark your receipts accordingly. Make sure the whole family does this if you are all living on the same budget.
2. **Start using money management software** (Money or Quicken) to do automatic transaction downloads. You will then very easily be

able to reconcile each month, matching your bank statement balances. And if you have any investment account, you can include them in the software program, keeping track of your dividends, interests, and growth of assets. All spending transactions will also be categorized so you can see how they match your budget at any time. You will then see where you are overspending and become aware of your poor buying habits. Recordkeeping and budgets also help you decide if you should keep using your present spending plan or make changes. You may want to not buy one item and use the money for something your family has wanted a long time. But make sure you include those goals and wish lists in your budget.

You will need both hard receipts and software reports to match against to insure you are accurate with your spending categories and any tax credits you may be able to take advantage of.

Remember, when you are surprised by how fast the money goes, you have any number of leaks. Unfortunately, after discovering the leaks, we often times regret the purchase and feel it wasn't worth the money. In the next issue, we will begin to understand how family characteristics, personalities, and attitudes affect spending.

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Money Memories, Attitudes, Characteristics, and Personality

"…most peoples' biggest problems in life—even those that appear on the surface not to be money related—are directly connected with their early, formative experiences with money." According to Suze Orman, she also believes the road to financial freedom begins not in a bank or even a financial planner's office, but in your head—and what you experienced early in your life with money.

For so many of us we say, "I'm just too busy to deal with my money. Yet, Orman admonishes us with this question, "How is it possible that we're all too busy working so hard to earn our money to be able to deal with the money we're working so hard to earn?" Much of the answer is not in what you do with your time but more often with your fear of money.

Memories and attitudes of years gone by so often get us stuck. Maybe the reason we may impulse buy has something to do with an event happening many years ago that created a fear about money and its role in our lives. Stop a moment here and consider your childhood experiences with money. Were they positive or negative? Did you learn early how to earn and manage your own money as a child and teen? Did you experience positive rewards for your effort?

If not, I encourage you to share your thoughts with your spouse or close friend on what has got you stuck and how to get unstuck.

Different families also have different attitudes about the purpose of money. Some may see it as a source of power or prestige. Others may save, enjoy, and share; others may bribe or influence others with their money. Here is where you need to dig a little deeper again. Have you recognized any of your personal weak spots or spending leaks from the previous articles? According to Josephine Turner, University of Florida IFAS Extension Program (http://edis.ifas.ufl.edu/FY580), here are a few other leaks you may recognize:

- Vacuum cleaner attachments that are never taken out of the box.
- A variety of fishing gear when only the old favorites are used.
- Large expenditures for faddish clothes that will go out with next year's new styles.
- Buying the wrong form, size, or quantity. Planning your spending will help you decide the form, size, or quantity of merchandise you need.
- Buying things that take too much upkeep. Non-washable, light-colored fabrics mean extra dry cleaning costs.

What other spending leaks do you think your family has? Right now, choose two your family is committed to plugging. Be sure to check in with the family at the end of the next couple months to see how you are doing.

Then begin to recognize how certain ***family characteristics*** influence your spending habits.

1. **Your family size, age, gender**. Young families need a great deal to get into their first homes, to start a family, and even a business. With teens in the family, expenses mount and the earlier years seem small by comparison. The needs and wants of boys and girls also differ. Retired couples often have limited needs for material goods. Many single people have homes and are head of a household. All these scenarios have different spending needs.
2. **Where you live.** Housing prices, products and services, and even climate can influence such expenditures as housing, utilities, and the amount and kind of clothing required. Cost of living can be much higher in some areas than in others.
3. **Cultural background.** Depending on your family's nationality background, your lifestyle, attitudes, and beliefs are formed from these factors.
4. **Values and goals.** Even if you are not consciously aware of why you buy something, every purchase is based on your core values. What ever you think is most important to you fuels your reasons for that purchase. For example, what kind of auto do you prefer—one with all the deluxe features or those that basically provide reliable transportation? Is sending your children off to college one of your goals, to save for a comfortable retirement, or both? Are you trying to decide right now between buying some new clothes for your family or some new furniture?

Turner offers these basic tips on knowing how to buy:

- Shop with a list.
- Learn to shop for food as well as for other items.
- Teach your family to shop too.
- Ask yourself, "When will I use it?" "Where will I store it?" “Am I committed to taking care of it?”
- Always sleep on a decision to make a major purchase. The offer should be just as good tomorrow.
- Beware of your mood when you shop. If you are tired, you can be easily influenced.
- Try not to shop if you are in a hurry.
- Make a long-term spending plan and try to stick with it.
- Always allow in your budget an amount of money to spend for entertainment.

You may be surprised a little, but ***personality*** also has a lot to do with how a person spends. Basically, if you are a very outgoing, people person, your buying habits will be centered around relationships and sharing the time with them while shopping. Emotions usually run high in this type of personality so leaks in spending tend to happen more easily. If you are a more quiet personality that tends to be content alone and just putter with things, you may only tend to purchase something when you definitely need it for a project or job you are working on. Yet, if you are a very detail person who has to have all questions answered before making a purchase, you are the one who will do the needed research before buying and only if you feel your budget can handle it. Can you imagine the lively dialogue with a couple—one with this type of personality and the more outgoing who may tie all their purchases to encouraging relationships, even if the budget can't handle it!

So, as you ponder your money memories, attitude, family characteristics, and personality, know that you are taking the first big step toward changing the way you spend and how your recordkeeping will show it.

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Recordkeeping Resistance

Every day you plan, buy, save, and invest. Yet, for most of us we seldom focus on the big picture of how each daily action we take fits into our lives. Where do we go to get that bigger picture? Maybe to the checkbook; maybe to that last conversation with your spouse; maybe to a life plan you wrote down and filed away 5 years ago and haven't seen it since.

The financial records you keep on a routine basis tell more about what's most important to you and whether you are missing out on fulfilling those dreams and goals you set many years ago. What kind of records do you keep on a weekly or monthly basis? Who keeps track of them? Do you save receipts and record those everyday expenses?

Money managers may advise to keep only certain tax-related receipts. However, I have found over the years that thousands of dollars can slip through your fingers on many discretionary items—such as dining, clothes, and entertainment. Keeping records and reviewing them from month to month helps gain a clearer picture of where all your money goes; and helps you make conscious decisions about spending.

If you are resistant to keeping complete records on all your monthly expenses and usually throw your receipts away, ask yourself why. For most, they say they are too busy; or just don't see the value of keeping them. What are your reasons for resistance? Here is a short list of some of the more typical reasons:

- "I think I have enough money each month, so why save them?"
- "I really just don't want to take the time."
- "I don't have the skills or personality for keeping track of every dollar I spend."
- "If I record and save all my receipts, I will then have to give more effort to watching and controlling my spending habits; and that's no fun!"
- "I'm single and don't really see why I need to save them. No one else depend on me."
- "I work hard all day, and I just don't want to think about it when I come home."
- "As long as I pay my taxes and monthly bills, who cares?"
- "I don't want my spouse to see what I spent."
- "No matter how I spend, I just know things will work out alright."

And the list goes on. Take a few moments right now and write down those statements you routinely make that fuel your resistance to keeping thorough spending records. Then replace the most predominant statement with one you will recite to yourself each day for one month. This new statement will express your reason and commitment to keeping thorough records of all your receipts, mandatory and discretionary.

Then organize a file box or cabinet where you will save your receipts by category. Next, mark your calendar to set aside one hour per week to record and review your expenses per designated category. Make sure you don't do this close to your bedtime, or you probably will have difficulty getting to sleep! Choose a time that works best for you.

In the months ahead, you will then begin to find the motivation and means to reign in your spending habits and more successfully reach your short-term and long-term goals.

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Cost of Living Crunch!

When you drive into the gas station to pump gas, do you just shake your head in dismay at the per gallon price you see. Every day it seems to be going up. Yet, at the end of the month, you are not sure on much more you paid for gas. This holds true for just about every item from clothing, food, to doctor bills. So, let's get a closer look at what is really going on with your cost of living crunch.

The term, Cost of Living Index, is calculated from data compiled from the US Census Bureau, the Dept. of Labor Statistics, and others. The index includes categories such as grocery items, housing, utilities, transportation, healthcare, and miscellaneous goods and services. According to AARP Public Policy Institute, the term, Consumer Price Index, has a slightly different intent. "A cost-of-living index (COLI) would take into account the concept of a person's welfare; thus it would reflect, over time, the changes in the amount that a consumer needs to spend to maintain a certain standard of living. In contrast, the CPI measures changes over time in the amount consumers need to spend to purchase a specific basket of goods and services." Also, a complete cost-of-living index would take into account changes in other factors that affect consumers' well-being, such as safety and education, and other broad areas of health, water quality, and crime.

Whether you are looking at the CPI or COLI, your purchasing power not only is dependent on what the future prices will be but also where you will be living next month, next year, or the next ten years. California or New York prices are very different than Texas or Mississippi—at least for now in most categories.

According to the Bureau of Labor Statistics consumer price index calculator (http://data.bls.gov/cgi-bin/cpicalc.pl), in 2008, what costs $1 used to buy the same goods and services for 81 cents in year 2000. This is more than a 20% increase in less than 8 years. With the Cost of Living Index (COLI) at 100, the US Census Bureau reported in 2005 that composite COLI for California's major cities ranged from 115 (Riverside) to 171 (San Francisco). New York COLI runs from 98 (Rochester) to 204 (Manhattan). Texas has a range from 84 (Lubbock & McAllen) to 95 (Dallas-Plano). This means if you decide to move to Manhattan from Dallas, your cost of living could possibly double, and considerably reduce your purchasing power—unless you get a very big raise! Yet, you may experience the reverse when moving from Manhattan to Dallas.

If you want to know how far your salary will go in another city, just check out CNNMoney website, (http://cgi.money.cnn.com/tools/costofliving/costofliving.html), to calculate the difference. For example, if you were to move from San Antonio, Texas to Riverside, California, your salary of $40,000 would need to be $50,000 in Riverside; and $66,000 for Los Angeles, in order to maintain expenses for groceries, housing, utilities, transportation, and healthcare. So make sure your salary supports where you want to live.

I found some interesting stats on my own community of Boerne, Texas, with Moving.com website. I checked the cost of living indexes, comparing my community with two nearby San Antonio zip codes. First, the average household income for Boerne was $60,667, and for two nearby San Antonio zip codes from $30,208 to $90,244. The average for Texas is $46,005.

I also found a considerable cost of living index spread just between two San Antonio zip codes. You can see from the table below how Boerne fares with two San Antonio zip code areas, Texas overall, and National used as the index of 100. Any index number below the national says the cost of living is less, and any number over the national says the cost of living is more expensive. You can find out about your community in a variety of categories by accessing http://www.moving.com/real-estate/city-profile. Or you can try another well known website, Sperling's Best Places, http://www.bestplaces.net/city/Boerne-Texas.aspx. The stats are not always the same for these types of sources. For Boerne, one says the overall expenditure index is 114; and the other says it's 106. Close enough. Yet, you will get the idea without having to dig into the Bureau of Labor Statistics and US Census Bureau yourself.

After you determine the cost of living for your community, now is the time to check your budget. Do the routine records you keep help determine your current status? How does it line up with what's coming your way? Is the cost of living going down or up, in what categories, and how much; and at what rate? Do you believe you can sustain your lifestyle with any increases in the years ahead?

If these stats are close to correct, notice the spread with the *Average Total Household Expenditures* where the National annual average is $50,898; Texas is $49,201; San Antonio is from $37,247 to $73,385; and Boerne is $57,788. Boerne community's *Total Household Expenditure Index* is over the national index by 14. Compared with nearby San Antonio, Boerne has a household expenditure index 41 over one zip code and 11 under another. It is also 17 over the index for all of Texas.

So, when you set down to record your latest expenses, check to see how your bills were six months or a year ago. You will then understand how important it is to know your COLI over time, close to where you live —and even within those larger nearby communities. But, it is still considerably lower than California or New York—like I said, at least for now, and hopefully forever!! I can always dream! At least that won't raise my cost of living!

Cost of Living Comparison					
Household Expenditures	**Boerne TX 78006**	**San Antonio TX 78201**	**San Antonio TX 78266**	**Texas**	**National**
Average Total Household Expenditure	$57,788	$37,247	$73,385	$49,201	$50,898
Total Household Expenditure Index	114	73	144	97	100
Apparel	114	73	146	97	100
Contributions	116	65	171	96	100
Education	116	68	170	97	100
Entertainment	114	72	147	97	100
Food And Beverages	112	76	138	97	100
Gifts	115	67	163	96	100
Health Care	111	78	131	96	100
Household Furnishings And Equipment	116	69	153	96	100
Household Operations	116	68	162	97	100
Miscellaneous Expenses	112	75	136	96	100
Personal Care	113	74	141	97	100
Personal Insurance	116	67	164	97	100
Reading	113	72	144	96	100
Shelter	114	73	147	97	100
Tobacco	109	85	116	97	100
Transportation	114	73	140	97	100
Utilities	111	78	131	97	100
Source: Moving.Com, http://www.moving.com/real-estate/city-profile					

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