Know Where Your Money Goes

By Rulon T. Burton

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Would you be willing to do just about anything to get out of debt—and stay out? Probably not. When a person says, "I would give anything to get out of debt," what he most often means is, "I would do anything except that which is necessary."

I don't mean to infer that people are too lazy to do something about their financial problems. But too often they do not recognize that what needs to be done is to choose what they can afford from among the things they have decided they want. Surprisingly enough, few people take the time to go off by themselves to discuss for a few hours, or a few days, what they want out of life. But everyone must make these choices. Most of us do not have enough money to buy everything we want whenever we want to buy it. Making these choices is vital. We must prepare a financial plan and then find happiness in working the plan.

As you and your wife or husband do your financial planning, determine that your first goal will be to free yourselves absolutely and completely from debt. Never let a creditor control your lives. You must decide to pay cash or do without. Exceptions to this might be the purchase of a home, an automobile, or an educational program to better your situation.

The first step toward this goal is to get together with your spouse and determine short- and long-term goals. Make these decisions yourselves; don't let them be made for you. Look at your short-term goals and decide which ones come first. With these decisions behind you, consider your long-term goals: a down payment on a home, a new car, special lessons for the children, a second honeymoon.

Be honest about your past habits and adjust them to your future goals. Learn to do without items of lesser importance in order to obtain those of real value. Accept the fact that you cannot buy a lot of small items impulsively and still have enough money to buy the truly important things. Every decision to buy one item is a decision not to buy another.

After you have determined that you both want to avoid debt, with its accompanying restrictions and disappointments, it is wise to design a practical course for handling your income. That is where a workable budget comes in.

Starting a budget may be compared to hopping on a moving bus. Things are in motion and financial demands won't wait while you leisurely get on board and look for a comfortable seat. A forgotten insurance premium may be due, the hot water heater may have gone out, you may have incurred an unexpected medical bill.

Your financial life moves on, even as you are establishing your budget. How, then, do you get on a moving bus—that is, how do you start a realistic and practical budget?

To calculate what an average monthly budget will be, first total your separate monthly financial obligations for the previous year and divide by 12; this will give you a base to work from. Of course, no month will really be average, for one month may range below average and the next month may soar above average. But by the end of the year, total monthly budgets should average out pretty well.

When you have decided to live strictly by your budget, you should spend nothing unless there is money in the budget for that item.

For example, perhaps one of your children needs new shoes that will cost $12. If you have allowed for that much in your clothing budget, you can purchase the shoes. But if you need a coat for $60 and do not have that amount set aside for clothing, you must do without the coat for now.

While it may not be too difficult to go without an item of clothing temporarily, if you get behind in your utilities bills and fail to pay them, the matter could be serious. Perhaps you have allocated $35 a month as an average for utilities, but this month you have received bills totaling more than $50. What should you do?

This is an example of the importance of including an emergency fund in your budget. If you do not have the equivalent of at least one month's salary in the bank for an emergency fund at the time you set up your budget, you are already living beyond your means. There must be some give and take even in a tight budget, and an emergency fund provides for this flexibility.

Even though for the first months you may not have enough money in your budget to meet actual expenses, try not to take money budgeted for one expense to satisfy bills from another. If you must, take the money from the emergency fund, even though it is still small. Then, with each new month, try to find fewer occasions to draw from that fund to adjust your budget, so that before the first year is over, you are using the emergency fund only for genuine emergencies.

Always try to maintain the emergency fund at a certain level. When you draw from it, build it up again as soon as possible. This fund is a must, and it ought to be built up as quickly as possible.

It is rewarding to set goals, chart a course, and follow through. Most of all, it feels good to be out of debt.

No corporation would think of hiring an untrained person to handle its finances. Successful companies hire those with education and years of financial experience. Your home is, in fact, a financial business. Hundreds of thousands of dollars may pass through your hands during the course of your marriage, and with determined effort, you can become an expert in handling finances so that you can successfully manage your "business."

Gospel topic: financial management