

Balance and Rotate

Do you ever balance and rotate your tires? Have you tried that with your spending??

I balance my checkbook! Well I did once, anyway...I think... And some-times I buy Coke® and sometimes I buy Pepsi®, and sometimes I buy Sprite®. Does that count?

Not exactly what I had in mind. By “balance your spending” I mean what you spend on your basic needs, what you spend on stuff you want, and what you save. In the book *All Your Worth*, Elizabeth Warren and Amelia Warren Tyagi suggest that your spending is in balance if you spend 50% on basic needs, 30% on whatever you want, and you save 20%.

I was with you, dude, until you got to the savings part. I mean, 50% seems like plenty for food, a roof over my head, some decent clothes... And 30% for whatever I want? Man, I can live with that! But save 20%? No way, José!

Really? If you've got the 50% and 30% working, then the 20% takes care of itself! Shouldn't be a problem.

Yeah, well, I guess maybe I must be spending a little more than I thought on my needs and wants. Sure seems like 50% and 30% should be enough, though. You'd better fill me in on how this really works.

It's pretty simple. Make three lists – one for all of the things you spend money on that you need to live, a second for the things you buy just because you want them, and a third list for amounts you're saving. Put down the monthly amounts for each, add them up and divide by your monthly after-tax income.

Seems simple enough...

It is. Here are some guidelines that will help.

To get your after-tax income, take your gross income and subtract out the amounts withheld for income taxes, FICA, HI – all of the mandatory withholding. DON'T subtract amounts withheld for benefits (those go on your "Needs" list) or 401(k) or 403(b) contributions (those go under "Savings").

Your needs list will obviously include things like your house or rent payments, utilities, the benefits you're buying at work, car payments, gas and insurance, etc. But DON'T include your payments on any old credit card balances – those go in the "Savings" column. That's because they're actually negative savings – if your spending had been in balance all along, you wouldn't have those payments.

Want a worksheet to help you see if *your* spending is in balance? How about one for balancing your checkbook?

Send an email to BudgetGuy@SHPC.org or call Allen Gunter at 292-4035.

Obvious wants are things like that jet ski you got this summer, the four-wheel drive option for your SUV that never leaves the pavement or the home theater system with 108" plasmodal screen and quintuplex surreal sound. You really enjoy them, but when push comes to shove, you don't really *need* them.

And of course that's the tricky part – finding the fine line between "need" and "want." Basic cable might be a need because it gives you access to news, weather and some basic entertainment. But do you really need all those premium channels? (On the other hand, the golf channel may be the one thing that helps you unwind at the end of the day so that you're fit to live with!) Your call – just be honest with yourself.

For more information on financial issues and how the Bible tells us to manage our money:

- # Check out one of the Crown Financial Ministries study groups (call Margaret Fetty, 288-9034, for more info).
- # Come to the Finding Financial Peace classes at 11 a.m. Sunday mornings this fall.
- # Get personal budget counseling - free and confidential (call Allen Gunter at 292-4035 or BudgetGuy@shpc.org)