Money Matters

A starter worksheet to confront your money
demons and rescue your future self from financial stress

The Juanita Center LLC
Davin Fladager-McCullough

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Financial Self-Evaluation

Dread it, run from it, [~~destiny]~~ money matters all the same. - ~~Thanos~~

<u>What is your relationship with money?</u>

Say it simply, my relationship with money is…" [mark all, none, or some]

Complicated	***Uncertain***	***Dreadful***	***Overwhelming***	***Neglected***	***Estranged***
Abusive	***Crazy***	***Messy***	***Rich***	***Stressful***	***Poor***
Unpredictable	***Aimless***	***So-So***	***Inconsistent***	***Unfamiliar***	***Not great***

To build better financial habits, it's **incredibly important** to be truthful in your self-evaluation. It might hurt now, but the more honest you are, the more potential you have for growth!

I understand the stress that can arise when thinking about your finances, but the longer you put it off, the more difficult it will be to reconcile in the future. Money ***can*** be frustrating. Does the quote below feel at all relatable?

"*I hate it! Money just floats there, how can I really feel anything if I can't see it, feel it, or hold it? I don't feel anything when I treat it poorly! It just seems like *poof* magic to me…*"

That's one thing we'll work on—transforming money from shapeless voodoo-magic to something more tangible—i.e., making money real. From now on, *your* money will be more than just numbers to *you*, it will be a newborn baby (if you have kids) or a pet (if you have pets). Remember this: In order to transform your relationship with money, you must change how you think about it. Stop treating money like a pile of rocks. Treat it like a living, breathing being. We might not have that complete mindset by the end of this article, but it will hopefully set us on the right path to build a better relationship with our finances.

<u>What is money?</u>

We use it every day for nearly everything. Just about everything in our world is dependent on money, so why do so many people have a poor relationship with money if it's so integral for living? Well, according to financial literacy blog, [Investopedia](), some defining characteristics of money include:

- Money is a medium of exchange; it allows people to obtain what they need to live.
- Money has worth because, for most people, it represents something valuable.
- Above all, money is a unit of account—a socially accepted standard unit with which things are priced.

Would you agree? How would you define money? What can money do? What can money *NOT* do? Below, circle what best represents money in your opinion.

How are your current finances?

On a scale from 1 to 10, 1 being the worst, 10 being the best, highlight the most appropriate number:

How would you rate your finances?

1	2	3	4	5	6	7	8	9	10

How do you think a financial advisor would rate your finances?

1	2	3	4	5	6	7	8	9	10

Evaluating Impulsive Spending

The impulse monster is a nemesis too many undeserving individuals struggle with daily. Whether it be food, drugs, alcohol, or money, it's always lurking, never fading, waiting patiently to rear its ugly head, and put a big red stamp on your monthly balance. Even the most money disciplined people can succumb to this beast every now and then. Has the impulse monster recently taken a big bite out of your financial baby? Think about it for a moment and reflect below.

Identify your spending cycle and money habitudes (a habitual tendency or way of behaving). When, where, what, how much, and why? These are the questions you need to ask. What are the exact circumstances in which you end up making an impulsive money decision?

When did you spend it? ____

Where did you spend it? ____

What did you spend it on? ____

How much did you spend it on? ____

How did you justify the purchase at the time? ____________________________

Beating Poor Financial Habits

Mobilizing your good money mind today to beat your bad money mind tomorrow

The Saving Tree

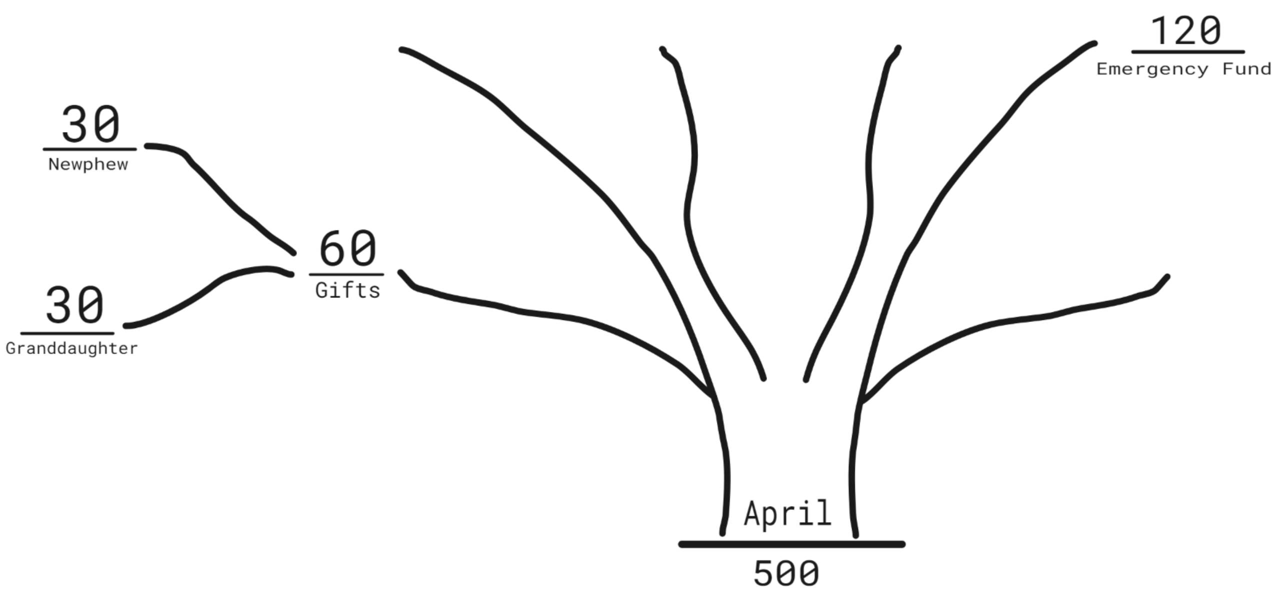
Saving is not, not spending your money. It is simply delaying the spending of your money for something you may or may not need in the future. Saved money, unlike invested money (which won't be covered in this starter worksheet), is supposed to serve a near-term or medium-term purpose. It would be unwise to stash away all your hard-earned dollars in a standard savings account with no intention to ever use it. Imagine you have a small seed. You plant and water it. You watch it slowly grow, until one day, you can pick fruit from its limbs in a time of need. This is practical saving— saving with a strong financial aim and goal.

Don't ever feel guilty about spending money on a need*;* whether that need be health related, housing related, food related, or anything else you deem to be essential. You might think you're a bad saver, but the truth is, if you have enough to buy food, pay rent, or own a car, you save monthly for those very things. I bet you didn't realize it! *That* is the fruit from your tree, which grew from your seed! This is practical personal finance. Personal finance with a strong aim and goal—financial habits necessary for everyday life. It may be done unconsciously, but you do it, nonetheless. So don't worry, if you can make money and spend money, you can save and spend better.

Right now, your saving tree might only bear two or three or four fruits per month. Those fruits might be small, mealy, and hardly ripe, and that's okay. You can learn how to cultivate your Saving Tree to bear juicier, sweeter, and more substantial fruits if you water it and treat it right.

Saving money with no goal, purpose, or time frame in mind can be troublesome as there is a tendency to pull money at any time at any place for anything. When it comes to saving money, the intention and structure is incredibly important. Each dollar needs to have a purpose, a function, or a destination. The bigger the goal, the riper your financial payout. Let's use an emergency fund as an example. Everyone should have an emergency fund.

Saving towards an emergency fund could be a month's worth of expenses, two months, six months, a year, or even more, it's up to you. In this case, you are combating your impulses by associating potentially saved money with a need. Just like you do weekly and monthly with food and bills. The point is, you'll never have a chance to taste your tree's sweetest (impactful), ripest (purposeful), most delectable (fulfilling) fruit if you: 1) eat it prematurely (withdrawing and spending indiscriminately), or 2) let it rot on the vine (sitting large amounts of cash in a savings account with very low-interest rates). To make it clear, attach a purpose to every dollar saved. I can guarantee you won't spend your money impulsively if you are mindful and treat your money tree right. Try filling in the Saving Tree below. Using the examples as guidance, fill out the remaining portions of the Saving Tree until the month's total savings amount is allotted. Alternative, get a blank piece of paper and try making your own tree with your personal financial information.



Ruth has $500 leftover from the month of April that needs to be assigned to important future expenses as outlined on her Saving Tree. In your mind, what important future expenses does Ruth need to save for?

Do Yourself a Favor; Make it Hard to Spend

"Don't make it complicated. Just don't touch it. Yes, it's hard. But it's something you have to do if you want to improve your relationship with money."

This is something you would probably read in a popular editorial magazine promoting strategies in financial health and freedom. Who is their target demographic? I would think people with at least a smidgen of self-control. To be honest, it makes my eyes roll. They're not necessarily wrong, but let's consider that those with real issues with money and financial stability can't just do this. The concept of poor self-control seems lost on publications such as the type parodied above. People with poor financial habits need external inhibition to help manage their poor money habits. Since most people seem to struggle with saving money and managing their impulsive spending, I'll make a relevant saving strategy/recommendation that I think is the perfect solution.

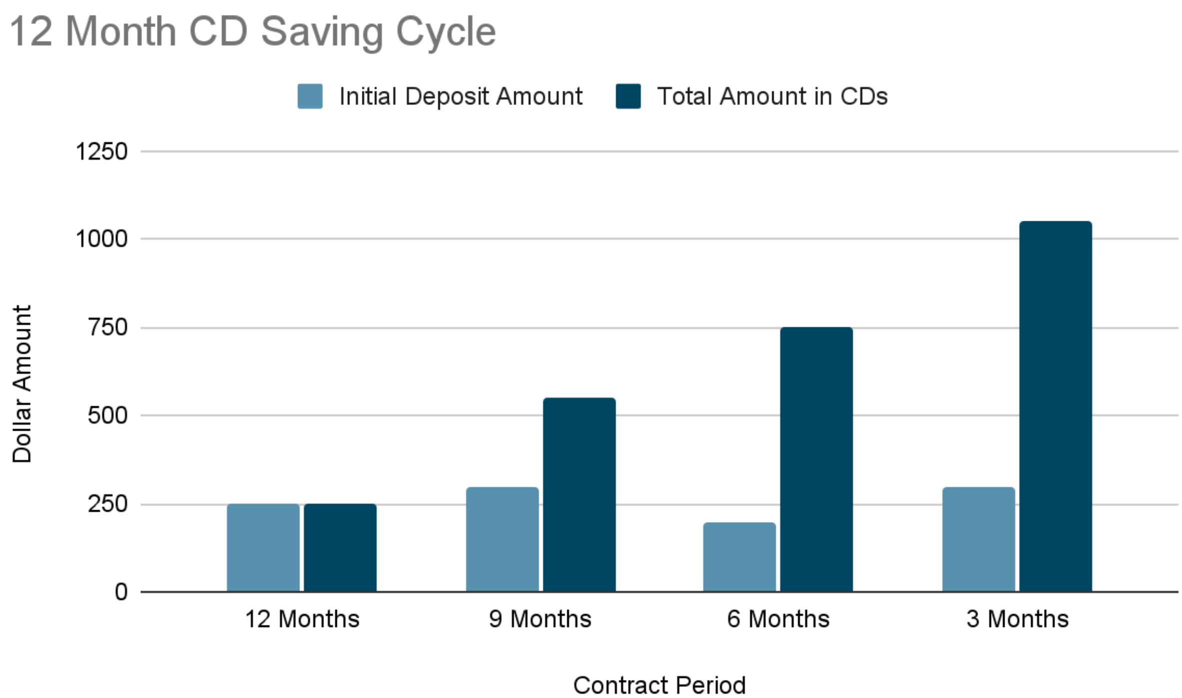
Let me introduce to you the Certificate of Deposit (CD). The CD is a nifty tool that allows anyone to lock away money for a period of three months to five years (this could be you; it could be me; it could be a small business or a grand institutional investor like a bank). Another special perk about the CD is that it also earns interest while it's locked away. For example, if you choose to issue a deposit at a period of three months, the issuing bank will inform you of the interest rates and you can expect to earn more than if you utilized a standard savings account. BUT the most important, potent, and pertinent aspect of any CD is that you can't withdraw it until the agreement period has concluded. "*You mean if I go to the bank, and ask for my money, they won't give it to me?*" Well, yes and no! Technically your money is locked away per the deposit contract you signed. Negating the contract is possible but comes with **HEAVY** fees and a prolonged wait period before requested funds hit your account. This is great news! Especially for those who too frequently dip into their savings account for absolutely no logical reason (yes, I'm looking at you). Here's my suggestion on how to use a CD to better combat bad money habits.

1. Go to the local branch of your bank.
2. Ask them if they offer Certificates of Deposit as a product (they all should).
3. Ask about the rates.

4. If it sounds good, have them issue you a CD for your first deposit (let's say $500) at 12 months.

Congratulations! You've just locked away your money for 12 full months. While technically you can make withdrawals there is a hefty penalty that should dissuade even the most prudent self-saboteur. Even if the penalty wasn't dissuasion enough, you can expect a significant waiting period before the funds are deposited to a spendable account. In our case we're using two structural barriers to crush bad money habits.

Look at the two charts below to see how our example individual, Ruth, skillfully utilized the perks of the CD to combat her bad money habits.



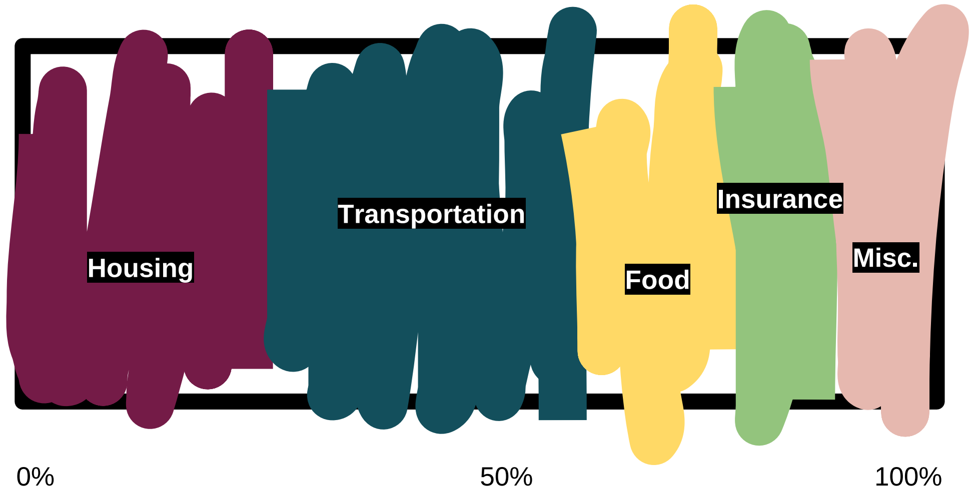
Can you notice what steps Ruth has taken to combat her poor money habits? If you don't see it, she's using cyclical structural barriers against bad financial behavior. In essence, she's using her good money mind to beat her future bad money mind. If you still don't get it, let me briefly explain.

Ruth's first initial CD is issued for 250 USD at 12 months. This means her 250-dollar deposit will be locked up for 12 months before it's eligible for withdrawal. Her second deposit is issued for roughly 300 USD at nine months. Each subsequent deposit is issued to expire at the same time as the previous deposit. By the end of the year, all deposited money will be eligible for withdrawal without penalty. By now I'm sure you understand. At the end of the year Ruth can withdraw the total amount (plus interest!) and issue a new CD for 1050 USD! Now she's locked away a significant amount that will only gain more interest over the coming year! With the help of the unique characteristics of the CD, we can use structural inhibitors to alter, and hopefully change bad financial behavior. At the same time, we are passively creating new and better financial habits! Investing in ourselves and investing our money isn't all that different, now, is it?

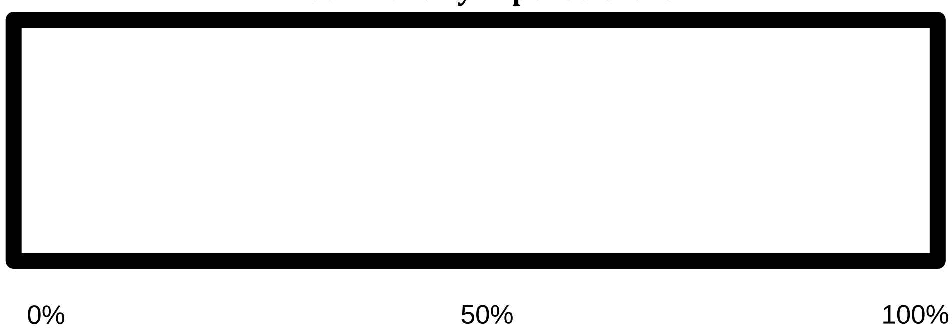
Don't Just Cut Back, Make More

Don't eliminate the things you enjoy; a morning coffee, a rock polishing hobby, a family camping trip; your aim should be **TO MAKE MORE MONEY**. Don't feel guilty about subsidizing spending habits that give you joy, build relationships, or create great memories. Cutting back on small and meaningful purchases makes little sense. First and foremost, your intent should be to Identify your biggest expense and reduce it. Reduce it hard and significantly if you can. To provide perspective, let's look at two of the largest expenses for both individuals and families in the United States. Can you guess what they might be? Yup, if you guessed housing and transportation, you are correct. According to the National Association of Realtors, in 2018 the average American household spent roughly $20,000 to own, and $17,500 to rent a home per fiscal year. Likewise, in 2018, the US Bureau of Labor Statistics estimated a nearly $800 per month payment was made on personal transportation (not including interest on car payments!). Both represent a significant sum of the US median household take-home pay of $50,000 per year or $4,250 per month. To get a better visual representation of your greatest expenses, use the box graph below to color segments that correspond to the total amount appropriated for each expense for the previous month. It's just an estimate, don't worry about being exact!

Example Expense Chart #1



Your Monthly Expense Chart



Take a hard look at your greatest expenses and ask yourself, am I living within, or below my means? If your answer is yes, you're off to a good start. If your answer is no, you need to conduct a real evaluation of the biggest personal financial expense above. At the very least, start to evaluate the state of your expenses from a common financial rule of thumb: 50/30/20. 50% for needs—housing, food, insurance, etc. 30% for wants—gifts, tithe, entertainment, etc. and 20% towards savings. How do the largest expenses as outlined in the example expense chart above fit into the financial framework—the 50/30/20 rule? In the example expense chart, both housing and transportation fall under 50% of monthly utilization, however, this excludes both food and insurance. Once food and insurance payments are accounted for, the budget as presented above, allocates nearly 75%-80% exclusively to the need category. If your monthly budget looks similar, I'm almost certain you feel squeezed for money. An income devoted solely to necessities, although justly allocated, can leave anyone feeling financially anxious. Once you've completed the Monthly Expense

Chart presented above, get another blank piece of paper, and illustrate in the same fashion how you would like your expenses to look in the future.

<u>Good Money Mind Vs. Bad Money Mind</u>

"Did I really need to buy this...?" "Ate out 4 days in a row this week, what was I thinking? I really should have saved extra this month…"

The Good Money Mind as it relates to finances is proactive, thoughtful, objective, conserved, strategic, and caring. The Bad Money Mind is impulsive, selfish, unguided, and a saboteur of our financial situation. For anyone that must consider their finances (which is mostly everyone) there is a constant, never-ending struggle between the Good and Bad Money Mind, whether that be daily, monthly, or yearly.

Not everyone can be in their Good Money Mind all the time. That's unreasonable. In fact, if you were in your Good Money Mind all the time, I'm sure you wouldn't be reading this. There are some individuals who are exceptional with their personal finances, but for 95% percent of everyone else, feeling financially anxious is a monthly if not weekly occurrence. That's not to say you or I don't have the capacity to be exceptional with our finances, I think it's possible, although much more sparingly. That's why it's important to be strategic with our financial thinking. Think of it as "stacking the deck in your financial favor."

If you're familiar with the myth of the Werewolf—the mythical man-beast that arises only at the sight of the full moon—we can use him as a euphemism for your Bad Money Mind and Good Money Mind. In our case, the Werewolf is our Bad Money Mind, and the man or woman the Werewolf inhabits is our Good Money Mind. For the sake of the example, imagine you live in a world where the full moon occupies the night sky 20 days out of every month. Can you imagine the carnage that Werewolf would cause if proper precautions were not taken to negate, or at least mitigate that potential damage? What would your house, or car, or backyard, or job, or relationships look like? Probably disastrous, or close to it. That's why it's extremely important to use those 10 (ish) days to make a good plan to mitigate that damage. Who knows, after a while you may be able to sedate the Werewolf entirely if your planning is optimal. To make the above euphemism clearer, look and work through the chart presented below.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday

 **= Bad Money Mind**

Think back over the past two weeks and recollect all the financial decisions you made. After taking a moment to think, use the above bi-weekly calendar to fill in (using the Werewolf icon) all those days you've felt the Werewolf was making your financial decisions. If you can, write one or two poor financial decisions that were made whenever the Werewolf was present. Here's an example of what your bi-weekly calendar could look like.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Eating Out $40 		**Eating Out $30** 	**Eating Out $35** 		**Eating Out $50** 	**Eating Out $20** 
Amazon $30 		**Amazon $30** 	**Eating Out $35** 	**Eating Out $40** 		

After you're done filling in your calendar, identify any patterns that stand out. In the example calendar, eating out seems to be a regular weekly occurrence. Some simple math reveals $250 was spent over a period of two weeks. Wow! That's not including groceries, and probably doesn't even account for more than one or two meals for each day—an entire meal short of the recommended 3 meals per day. You're probably thinking, "well, that's great, there's no question my Bad Money Mind was making those decisions, but what about my Good Money Mind?" That's easy, you're using your Good Money Mind right now. Reflecting on past financial behavior is a great way to gain perspective over your own bad money habits. The phrase "past behavior is the best predictor of future behavior" may sound scary, but it's only scary when no conscious effort is made to change that behavior. How would you combat the above bad money habits since you're currently in your Good Money Mind? Remember, be strategic! We are trying to beat your future self! This is my formula for combating this bad bout of Bad Mind Money, as it relates to the chart above.

1. Reserve grocery shopping for Mondays (because Monday evenings are open).
2. Pre-prepare cooking ingredients like chopping, washing, portioning, so cooking later is easier.
3. Precook and refrigerate entire meals Monday night for the week.

Although not all encompassing, the three simple steps above include a few ideas that can help dissuade you from eating out when you don't need to. The more time you spend preparing now (in this example, cooking) the easier it will be to make those Good Money Mind choices in the future. Even if you were able to just reduce your eating-out expense by fifty percent per month, that's about $250 that could go towards your personal Saving Tree!

It's in these moments of clarity (like when reading this) that it's integral to act. Yes, it can feel like a struggle, a continuous feeling of fighting your future self. A familiar future self that shamelessly dislodges you from financial security in the past, time and time again.
The trick is to conspire with your future self, and its Good Money Mind, and conspire against your future Bad Money Mind. ***It is often a battle—Be a General of Your Finances.***

To Conclude

Evaluate your finances, search for answers, utilize tools, reflect on your performance, and strategize for the future. These five statements should encapsulate what you've learned. This is not the end of your financial journey, simply an introduction...a beginning. Don't worry so much about immediately making great strides in revising poor money habits, for most of us, it's a journey, myself included. Be practical, be objective, and be sympathetic/empathetic to your current circumstance.

Lastly, don't become discouraged. Even the smallest actions matter. A penny into the piggy bank today could be the seed of a secure and stable financial future.

Reader Advice

1. "Don't spend what you don't have"
2. "Don't gamble your money on risky financial utilities: i.e., options trading"

"*Put 10%- 15% of paycheck into Roth or traditional IRA. Review every monthly bill you receive and challenge any increase. Don't use autopay unless you are religious about reviewing the bill monthly to catch errors. Regarding autopay, it's much harder to get money back once it's been taken from your account. For those who like to know/watch their spending, I would advise writing checks. It forces you to be more aware. Always pay cash when you can. Don't use charge cards. That's my 2 cents.*"

-Maureen Grant, 6/4/2021, User Contribution

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