A Simple Plan

Put Your Money in its Place.

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An Advisor for the Times of Your Life!

A Simple Plan

Welcome

Tom and I are somehow coming up on six decades of combined experience with cash flow support; looking real people in the eye through years from first apartments to long-term care facilities. This expanded edition of *A Simple Plan* includes many more answers to the *Why?* questions of your cash flow; not only connecting your values and vision to your money decisions, but also describing how we've come to make these suggestions.

This book is written to meet you where you are with relevant information, give you pause to reflect, and set you up with a system that brings confidence and clarity to your money decisions… without adding complexity to your already-rich life.

The best cash flow plan for you supports your visions without consuming too much administrative time. Your system doesn't have to be 'our' way, but every element in this plan was worth writing.

- **If you are already completely satisfied with how you're putting your money in its place,** then you don't need this book. But you might enjoy reading and thinking your way through to reinforce and refine what's already working.
- **If you're satisfied with where your money is spent but want a more simple planning and bookkeeping system**, you can find the mechanics to Put Your Money in Its Place neatly contained in Section 3.
- **For the rest of us**, we suggest reading the whole book cover-to-cover. Plan to work through the exercises across a few days. We also recommend printing a copy on paper, then using a pencil to jot notes and sketch the exercises, even if you usually read on a screen. You can find additional blank forms at the end of this book, along with printable forms and fillable templates on our website.

You'll see that we're not here to help you figure out your big mission in life, create a perfect map, or draw up structured 5- and 20-year plans. We'll take some time to discuss purpose to frame the connection of your money to your life; you'll take your value exploration to the next level later if, and when, the time is right.

A Simple Plan

Many budgets pile on detail until your purpose gets buried in line items, pennies, and graphs. It's easy to expect that more information equals better understanding or decisions, but results can be the opposite. We can end up spending our energy managing – or ignoring - the budget system instead of using our money well.

> **"Learning is about more than simply acquiring new knowledge and insights; it is also crucial to unlearn old knowledge that has outlived its relevance. Thus, forgetting is probably at least as important as learning.**
>
> *Gary Ryan Blair*

A Simple Plan names just four main categories for your money. These categories are based on the *timing of the decision* rather than the *type of item*. Your big-picture job is to step back and draw a simple Spending Map that puts your money in its place across these four categories, in harmony with your vision of life balance. You might check in with yourself and adjust your map once or twice each year.

Your purchasing decisions are then made in context of their own category, uncluttered by thoughts of the others. The four categories are broad and flexible so you can adjust for opportunities and emergencies as they arise.

A Simple Plan also takes a contrary approach to automation. Seamless spending is designed to benefit the seller, not the buyer. Instead, make your savings automated and invisible as practical, and make your spending as manual and visible as practical.

Section 1: You can have anything you want, but not everything you want.

Remember (or imagine) being in high school with a part-time job for pocket money. You get paid every Friday, gas up the car, run around with friends over the weekend, run out of cash at some point in the week, and wait until next Friday to start it all over again. It felt good to have money in your pocket, and it wasn't a crisis when it was empty. Your parents provided the roof over your head, made the expensive decisions, bailed you out of trouble when needed, and always had something in the cupboard if you were hungry enough to eat it.

This was an effortless kind of budgeting, even though there were always more things to spend money on than you had money to spend. It felt good to have money, and you were fine when you didn't.

Then imagine this high school life getting more complicated. Your parents ask you to contribute to the cell phone plan and car insurance. You're making purchases on the Apple Store. You become responsible for saving towards college or a car. You've got to pay your share to go to Duluth with friends. Bit by bit, parts of your paycheck are spoken for before you even get paid. It takes more mental gymnastics to remember what is being set aside and what is available to spend.

Then push that high school life out a dozen years. You're working full time. You've got a house, a sweetheart/kids/pets, more kinds of insurances and taxes than you imagined exist, and any one of these can surprise you with a $3,000 emergency on any given day. Your monthly credit card bill is four figures even when you haven't bought anything, thanks to subscriptions and autopays. Other people are counting on you to do this right, and you want retirement to be part of your future. Or you wish retirement was in your present.

You can no longer make $5, $50, and $500 decisions based only on your checking account balance because there are too many moving pieces. There seem to be no limits to the number of available streaming services and promotions pushed from retailers. And the toys and vacations only get more expensive with adulthood.

It was actually easier when you had little and could afford less, and your limited funds were all in one place.

Infinite options, finite resources

All of our resources – time, energy, and money – are limited. Finite. Never 'enough'. Always 'enough'. Complex and interrelated. Too precious and powerful to waste on unquestioned habits. Too valuable to not leverage in concert with each other and your values.

This is all the more reason to deliberately align your specific resources with your unique purpose.

To start you thinking about infinite options for finite resources - without the arithmetic and emotion of money - let's look at time instead.

Every week, you spend 168 hours. Through a series of circumstances and choices, that number is spent every week by every living person on the planet. Never more, never less, and there's no saving for or borrowing from next week.

Here's a grid of 168 squares – 24x7. Grab a pencil, and shade in sections to account for the number of hours you spend in a typical week on any 10 time-consuming activities. Don't think too hard about it, or worry about it being perfect.

Activity 1	**Activity 2**	**Activity 3**	**Activity 4**	**Activity 5**	**Activity 6**	**Activity 7**	**Activity 8**	**Activity 9**	**Activity 10**

Take note of how simple it was to hold a week's time in your head. The math was simple to estimate how much time you sleep or work. We plan to make your cash flow that easy to envision.

Your time gets spent whether you plan it or not. There will always be more actions to take with your hours than you have time to spend. A life well-lived includes both time and money well spent. So, allocate your time, and your energy, and your money on your terms, or life will decide it for you.

Four Thousand Weeks: Time Management for Mortals suggests that time isn't something we have; it's something we are. Embrace its limitations.

Purpose: Why are we here?

> **I am here today to cross the swamp,**
> **not to fight all of the alligators.**
>
> *Unnamed NASA Engineer*

You work all day every day 'in the system' of spending your time, energy, and money. You don't always work 'on the system' to align those resources with your own priorities. Now is the time to work on your system.

List any 10 things that are important to you. They don't have to be the 10 *most important* things. Just start writing health, or music, or community, without worrying about the list being perfect.

1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Spending money is not a goal in itself; it's an alignment of your resources to your life's values, including those you just listed.

Planning is where we step back to make sure we're fighting only the necessary alligators – and doing so with both clarity and efficiency - while putting most of life's energy toward moving where we want to be. Fighting the alligators can look like a lot of hours spent researching the best deal or product or service for something that actually isn't all that important to you, once you stop to think about it.

Reframe from
"I'm here (at the store / in this app / on this website, etc.) to buy something."
to
"I'm here to (bring peace / simplify / support my health / enjoy my family / expand my mind)."
and then
Make sure that you're using the best tool for the job.

Here's the tough part: you can justify *anything*. This is especially easy under the umbrellas of wellness and self-care, or what we deserve for how hard we work, or for the good of our family or our community. That's where we must differentiate between having *anything we want* and *everything we want*. And know that values that do not receive your money can still receive your time and energy (there's more for you about this is Section 5, where we talk about leveraging).

When you're stingy with something in one area of life, that resource doesn't get left unused. Being stingy allows to you be generous where it's most important to you.

Also consider the strategy of satisficing for most of your spending decisions, which is finding the first option that's good enough. Save the maximizing – exploring every possible option – for the fun of vacation planning.

Budgets are often the stuff of restriction and judgment. No wonder people avoid them. We hear people say they don't want to have a budget because then they can't spend money on the things they want, or they feel bad for spending money. But the whole purpose of a budget is to help you spend money on the things you want, and to know it's right for you!

Instead of a budget, think of this plan as a Spending Map for your cash flow. You leverage your money along with your time and energy with two goals in mind:

1. Match your specific resources with your unique priorities.
2. Have a simple real-time system to make consistent decisions.

Compared to what?

If you've spent time in our office or reading our newsletter, you've probably heard us respond to a question by asking, "Compared to what?" We deliberately focus on perspective over prediction and nurturing a broad view of ideas drawn from across time and place.

For example, in deciding on the right home size for you, we know it's not relevant to compare against a pioneer sod house, a desert tent, or an Asian efficiency apartment Asia. But do you compare against:

- The average residence in the European Union: 1,035 square feet.[1]
- The average median age (built in 1978) house[2] in the United States: 1,755 square feet.[3]
- The average new house (built in 2020) in the United States: 2,480 square feet.[4]
- Or something else?

Whether you're examining academic studies of money and happiness, browsing social media, or looking up and down your street, you're likely benchmarking yourself against people who are already much like yourself from a historical and demographic perspective. It's important to remember that if you are exactly in the middle of your pack, half of all of the surrounding cars, homes, vacations, education, meals, shoes, memberships, and subscriptions are better than yours.

Then how do we measure 'enough' for self-care or living quarters? Nothing can be enough if we selectively compare our life against his kitchen, her gym, his vacation, and her brow studio. Then we add the complication that you can't *see* someone else's bank balances, credit card debts, and retirement accounts to know their complete picture or their trade-offs.

Yes, it is probably within your reach to have close to your ideal in one category if it is very important to you, but it will likely require being below – or well below - average for the rest. Remember, you can have *anything you want*, but not *everything you want*.

[1] Average square feet for EU residences in 2015: 1035 www.ec.europa.eu "People in the EU: Who are we and how do we live?" 2015
[2] Median year built US houses: 1978 www.census.gov/programs-surveys/ahs 2019 American Housing Survey
[3] Average square feet for single-family houses built in the US in 1978: 1,755 www.census.gov/prod/1/constr/c25/c25-8013.pdf Characteristics of New Housing 1980
[4] Average square feet for single-family houses built in the US in 2020: 2,480. www.census.gov/construction/chars

Simplify your system

When some is good, more is not always better. Think of any time you've oversalted your food.

A hot mess of finances is not a badge of adulthood or busyness, nor is it an excuse to not be in control of your financial life.

A Simple Plan is about giving your attention to the right information, not to more information. It can help you untangle your big picture from your daily details, and create understandable context for you – and your partner if there are two of you – to make decisions with clarity and confidence.

Some people create very 'wishful budgets' that will only work with fingers crossed that nothing goes wrong, or how you think you 'should' do. But life is filled with unexpected opportunities and emergencies. *A Simple Plan* is mindfully designed to help you make the best decision from your available options during your real days and stages, not just your ideal days and stages.

No detailed tracking or recordkeeping. No keeping track of the nickels. Yes, you'll continue to find the best value for your money, but that will be its own reward.

Just as it's easier to clean and organize a minimalist home while living a rich life, think of this as decluttering your financial bookkeeping and decision making.

The need for a real-time system

> **A wealth of information creates a poverty of attention.**
>
> *Herbert Simon, as quoted in Subtract*

Many budgeting tools are too much and too late. It has to be simple enough to hold in your head, like your sketch of hours spent in a week.

When there's too much information to picture at once, your budget becomes a reflective system. You sit down with a screen to give yourself a 'performance review,' either praise or shame yourself, then make a vow for next month. It can tell you where your money went and probably generate some pretty charts, but doesn't help you later beyond a lingering emotion of 'should.' A real-time system helps you make an informed decision in the moment and enjoy the confidence that it's the right decision.

It's like the difference between managing your nutrition from the kitchen counter (time to act) instead of the bathroom scale (time to assess).

Your real-time system's four categories – based on when you make the decision, not the item being purchased – are your **future financial independence**, your **fixed lifestyle expenses**, your **larger occasional decisions**, and your **smaller daily decisions**.

<u>When you're working 'on the system,'</u> you're looking at how much of your income is allocated among those four categories, and how their proportions align with your priorities.

<u>When you're working 'in the system,'</u> two categories don't change (your **future financial independence** and your **fixed lifestyle expenses**) and the other two (your **larger occasional decisions**, and your **smaller daily decisions**) have inherent flexibility and feedback to help you make real-time decisions within that category. Each category is completely distinct from each other category and small enough to hold its factors in our mind, yet each is broad enough to adjust for real-life opportunities and emergencies as they arise. You have confidence that the bigger picture is right for you, and – as you always have – you'll make the best use of the options in front of you.

If you're making financial decisions with a partner, you may still vastly disagree on how to spend your money, but your conversations can be confined to just the one relevant category without taking a trip across the **spending map**.

Food is a great example of categorizing by the timing of the decision, not the type of item: A cup of coffee on the way to work, a jar of creamer at the grocery store, a food subscription delivery, a CSA box, a pantryful at Costco, a half cow split with a friend, a takeout taco instead of cooking, a steakhouse with friends, and a vacation breakfast are all food. But the decisions are made at very different times, and the dollars compete against different options.

What *A Simple Plan* can do:

- Declutter your budget with a minimalist's eye, reducing mental spending games and gymnastics.
- Tell your money where to go rather than wonder where it went, based on your unique purpose, and in less time than managing a budget.
- Simplify your spending decisions in real time instead of retrospect, including emergencies and shortfalls.
- Effectively communicate with your partner through a common language.

What *A Simple Plan* won't do:

- We would love to help you get everything you want. We just can't.
- No financial plan can fix things that look like a money problem but are actually a relationship problem, or a habit problem, or an expectations problem.
- We can't reduce the number of purchases you make. But you might decide to streamline them yourself. If you have too many subscriptions, autopays, purchases, and payments to keep track of, your tracking system is neither your problem nor your solution.
- Finally, this plan won't entangle you in a self-justifying rationalization about wants versus needs. Wants and needs are all relative in today's world, and those lectures are demeaning to rational listeners. Instead, we empower you to best align your finite resources to your unique values and infinite opportunities.

Control the volume.
Make your purpose louder than their noise.

The world is noisy. Daily life is filled with casual conversations, social media posts, news, advertising, the books we read, characters in our entertainment, and more.

Their noise

Left on its own, your purpose is probably the quietest influence on your spending decision. It is easily drowned out by external noise even when you hold it as the foundation.

Your life

You are the only person who can adjust the volume to amplify what is important when you allocate your finite resources.

Control the volume.

Lower their noise. Amplify your life.

Section 2:
You've always made it work; now make your work easier.

Your current habits are perfectly designed to deliver your current results.

James Clear

Every decision you've ever made has been for a reason. It may not be a reason you want to honor going forward, but it was the reason at that time.

The first step towards creating your *Simple Plan* going forward actually begins by looking back. For better or worse, we start from an understanding of how life has recently been, not how you thought (or wished) it had been. You'll create a detailed monthly record of your checking account for the last six months. It's the only time we'll ask you to slog through every dollar in and out.

We know. This isn't the 'right' six months. That particular expense is unusual. We hear that almost every time, and it's actually what we want to hear. Every month is unique, and six months does actually tend to reflect the amount of variation in your life. You'll be able to incorporate the truly unusual or seasonal parts in your bigger plan later, and a critical component of *A Simple Plan* is expecting life to happen. Because it does.

Traditionally, your Six-Month Cash Flow History summarizes the activity in your checking account(s) only.

- If you're paying your credit card company for prior purchases only, include the payment under Debt Commitments.
- If you run many expenses through your credit card and pay it in full every month, break down the dollar amounts into their appropriate categories, and include them in the month that you make the payment.
- If you're paying your credit card and it's a mess of old and new purchases, just include the payment as one figure and we'll figure it out later. Don't let it get in the way of moving ahead on this adventure.

If you're a couple, you may need to layer together a few accounts to get a complete picture. This may be the first time you've seen them combined in writing, and is an especially valuable use of your time.

A few tips for creating your Six-Month Cash Flow History:

- A blank printable copy and a downloadable Excel spreadsheet are available on our website.
- Change the suggested categories to match your life.
- Separate into underlying categories the best you can. “Target” can be anything from groceries to diapers to televisions.
- Enter your net pay and deposits, rather than gross.
- Record exact dollars in and out of the accounts, not ‘I think I spend around…’, though you can leave off the pennies.
- If you withdrew cash or paid someone by Venmo, don’t worry about accounting for where it went unless it was a very large amount for a specific purpose.

And go easy on yourself. Replace any judgment with curiosity. Most people are surprised at how much they’ve spent in some categories and how little they’ve spent on others.

Your Six-Month Cash Flow History

	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6
Your Money Out						
Debt Commitments						
Credit Card Payment						
Loans (student, overdraft, etc.)						
Installment/Afterpay						
Home Bills						
Mortgage/Rent						
Electricity/Gas						
Garbage/Water						
Security						
Other						
Connectivity Bills						
Phone						
Internet/Cable						
Streaming Services						
Transportation						
Loan/Lease Payments						
Car Insurance/Maintenance						
Car Gas						
Rideshare/Transit/Parking						
Other Bills						
Insurances (Healthcare, etc.)						
Memberships/Subscriptions						
Childcare						
Daily Life						
Groceries						
Restaurants/Food Delivery						
Household Goods						
Entertainment						
Sports/Recreation						
Other						
Everything Else						
Gym/Self-Care						
Clothing/Hair/Beauty						
Furniture/Home Projects						
Vacations						
Kid Costs						
Pet Costs						
Gifts/Charity/Tithing						
PayPal/Venmo						
Cash Withdrawals						
Other						
For Future Use						
Transfer to Investments						
Transfer to Savings						
Other						
TOTAL EXPENSES	$	$	$	$	$	$
Your Money In						
Salary/Salaries						
Transfer from Savings						
Other						
TOTAL INCOME	$	$	$	$	$	$
Summary						
Total Expenses	$	$	$	$	$	$
Total Income	$	$	$	$	$	$
YOUR DIFFERENCE	$	$	$	$	$	$

Reflecting on your history

History is the record of an encounter between character and circumstances.

Donald Creighton

Money is intimate. Its use reflects the values we prioritize with exquisite indifference and stunning accuracy. Your Six-Month Cash Flow History serves as a starting point for creating your *Simple Plan* going forward. If you're familiar with scout mindset versus soldier mindset, this is a worthy time to deliberately use a scout mindset.

Pick up your completed page as if you'd found it on the street and didn't know its owner. Pause and reflect with curiosity. Who is this person? What is important to them? What do you appreciate about their lifestyle? What do you wish they could see?

If you're a couple, don't blame the bookkeeper, or the other person's decisions. Look inquisitively as though it's not yours.

There's a common parable about putting rocks (the most important things) in our jar before the smaller pebbles and the pebbles before the granular sand, fitting the small stuff in around what is most important. If it's a new analogy to you, look it up. We'll be here when you get back.

The jars below represent your life's elements, prioritized at your ideal. What are your rocks – the three most important elements that deserve your time, energy, and money? Write them on the largest rocks in a jar. Your smaller stones? Your pebbles? What about you as an individual versus as a parent, or as an individual versus as a spouse? What is the combined jar for your household? Write or draw them out, then take a look. How do those priorities compare to how you've used your resources (money, or combined time, energy, and money) these past six months?

Take note that you likely didn't make a stone for some of your most essential needs that are met without much use of resources, like access to clean water. It's OK if your stones don't reflect basic needs. And OK if they do. This framing exercise is just for you.

When you use today's earnings

Here's an interesting question for you: when do you use today's earnings?

Choose one month from your Six-Month Cash Flow History that feels 'normal.' Did *Your Past Self* spend *Your Today's Self*'s earnings? Is *Your Today's Self* spending *Your Future Self*'s earnings?

Some of today's earnings were already spent by *Your Past Self* (debt besides house and car).

Write down the amount from one month's Debt Commitments section:

$______________

Some of today's earnings are set aside for *Your Near Future Self* and *Your Distant Future Self*.

Write down the amount from one month's For Future Use section:

$______________

The rest of today's earnings are spent by *Your Today's Self* or in the near future.

Subtract the Debt Commitments and For Future Use amounts from your Total Expenses for that month:

$______________

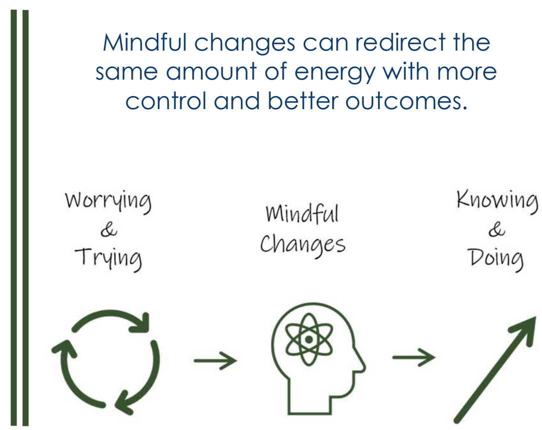
Take a look at the proportion of these numbers to each other. If you like math, sketch the three figures into a pie chart. Does any number seem too high or too low, compared to its importance?

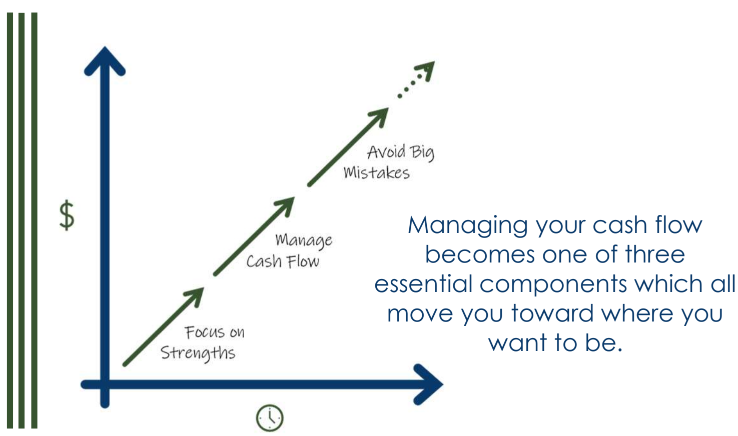
If you're not pleased with your allocation, plan to be patient with yourself. Some changes can be made right away, and others may take years. You'll find information for your situation throughout this book.

Onward & upward

You may be looking at your Six-Month Cash Flow History with proud satisfaction. You may also be looking at it in exhausted frustration.

If you're in the exhausted frustration stage, here's a bit of inspiration. You've probably become an expert at worrying and trying. It's time to shift that same amount of energy and effort into knowing and doing.



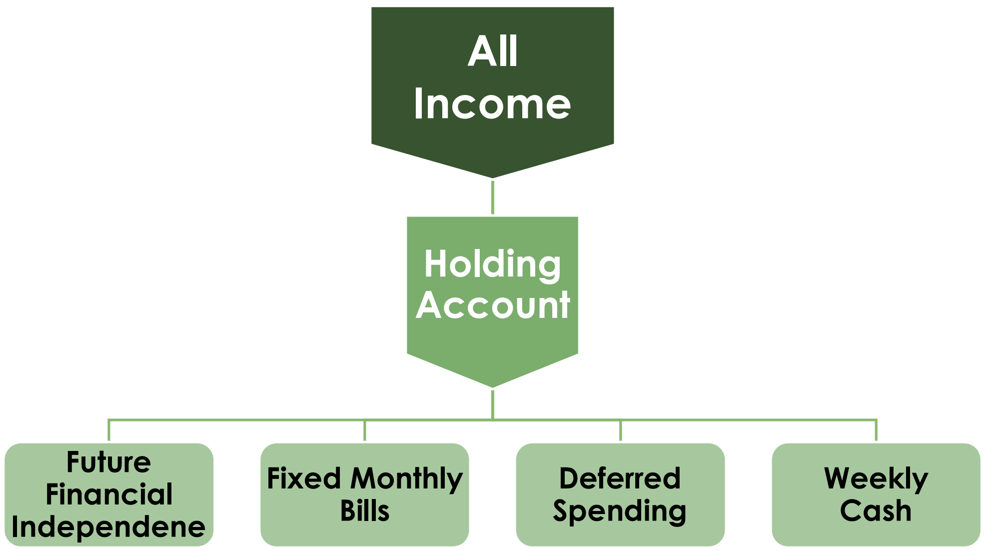


The job of *A Simple Plan* is to provide you with a system that works on your worst days, not only the wished-for days. The bills and unexpected expenses come whether or not you're ready for them. This system will help you align today's resources (whether they're enough or not) with both today's and tomorrow's priorities.

You may need to work with a professional to help sort things out if your paycheck is gone long before it gets deposited.

Section 3:
Put your money in its place.

It's time to declutter your financial life. Radically simplify. Bring forward only the pieces of yesterday that have sustainable value. Tell your money where to go, rather than wonder where it went.



Going forward, you'll have only two bank accounts and four categories of spending.

We'll describe the details soon, but the flow is very simple. All incoming dollars are deposited into your **Holding Account**. This **Holding Account** is simply a checking account that receives all income, then transfers out unchanging amounts to the four areas where you spend or save. No decisions are made here except bookkeeping and timing.

- Once each month, move an unchanging amount to your **Future Financial Independence** account from your **Holding Account**. (Your financial advisor takes it from there.)
- Pay your **Fixed Monthly Bills** from your **Holding Account**. These will be the same amount each month, except for some seasonal fluctuations in utilities. (Pro tip: you may be able to choose your due dates to be similar so you can do bookkeeping just once each month.)
- Once each month, move an unchanging amount to your **Deferred Spending** account from your **Holding Account**. (This will be used for bigger purchases, and fluctuation will happen inside it.)
- Every week, withdraw an unchanging amount of cash* from your **Holding Account**. (This **Weekly Cash** is used in your daily life, and fluctuation will happen inside your wallet.)

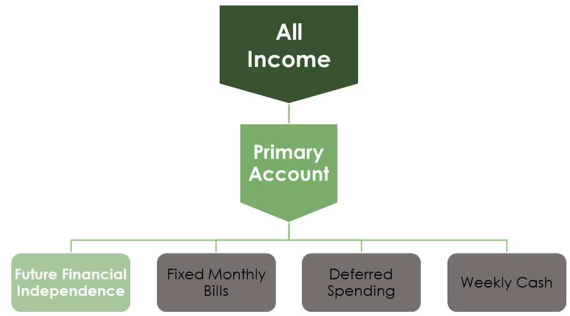
Notice that none of these numbers change in any given month. Once it's set in harmony with your situation and values, your big picture Spending Map will only require your attention for deliberate reasons:

- A time or two each year, as you check in with how your cash flow is honoring your values.
- When your net income changes.
- When a **Fixed Monthly Bill** increases or decreases (because a cost changes, or you want to add or subtract something).
- When your **Deferred Spending** account balance doesn't feel right.
- When your **Weekly Cash** amount doesn't feel right.

That's all.

*** Wait - did we say 'cash'?**
Yes, we did. Just go with it for now, and we'll explain more later.

Your future financial independence bucket



Retirement. Leaving the corporate world for a low-paying nonprofit. Living in a series of vacation rentals. Staying home to care for a loved one. Your vision of the future probably includes time when maximizing your earning capacity isn't at the top of your list; you want to either savor the world or save the world.

If you work full-time, you're probably contributing to a retirement account through your employer. In addition to any 401(k), pension, or other employer plans, it usually makes sense to divert some funds 'off the top' for life's Plan B. This monthly transfer to your **Future Financial Independence** account from your **Holding Account** may be called "paying yourself first" or "taking care of your future self" or your own personal "early retirement account."

If you're having a tough time connecting with the idea of your future self, or you're not really sure you want to acknowledge them today, here are two tricks to try:

1. Write a thank-you letter from Your Future Self to Your Today Self. Think about the broader picture of what they'll be glad you did at this unique stage of life and in the years to come.
2. Download a photo aging app and see what you might look like in thirty years. Think about how you'd like their life to look and the options you want available for them.

We'll assume that you've talked with your favorite financial advisor and have decided to make a monthly contribution from your take-home pay. It may not be the ideal amount, but you start with a number that works, and the lever can be adjusted up or down in future years. The good news about this bucket is that you don't have to make any decisions besides the monthly amount. Your financial advisor will see that you invest it appropriately.

Remember the wonder that is compound interest; investing a small amount today can be worth much more than investing a large amount later. A simple illustration is that, at 6% annual growth:

At age 65, each $100 you had put away at age 60 is now worth $134.

At age 65, each $100 you had put away at age 50 is now worth $240.

At age 65, each $100 you had put away at age 40 is now worth $429.

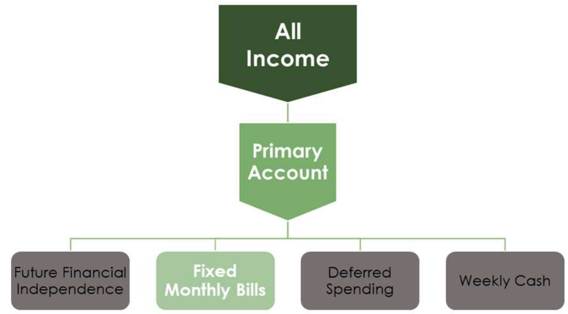
At age 65, each $100 you had put away at age 30 is now worth $769.

At age 65, each $100 you had put away at age 20 is now worth $1376.

One great resource for understanding compound interest is a document named *Visualizing the Extraordinary Power of Compound Interest* at Wealth.VisualCapitalist.com.

Your fixed monthly bills

Your **Fixed Monthly Bills** aren't really a bucket, in that they don't get transferred from your **Holding Account** to their own account. But they are their own category here because you make a decision once in context of your Spending Map and then pay on a recurring basis whether you use it or not. They are unchanged each month except for seasonal fluctuations, and can be projected out into the upcoming year with relative certainty.



For many people, these are their autopays. You'll see your rent, utilities, connectivity plans, car payment, streaming services, recurring donations, subscriptions, memberships, and some insurance paid monthly.

It's a bigger-picture Spending Map decision to buy the house or add the streaming service (though one is $2,000 per month and the other $20 per month) and then the expense happens regardless of what's going on with your grocery or vacation spending.

We don't use too many benchmarks and rules of thumb for cash flow planning. But we have found that, if **Fixed Monthly Bills** exceed around half of take-home pay, then there's usually not enough left for small and big purchases that make up the rest of that lifestyle.

When planning your **Fixed Monthly Bills**, ask yourself big questions. Don't be afraid to radically reconsider your fixed lifestyle. You may decide it is worth scaling back how or where you live in order to create amazing options elsewhere in your life.

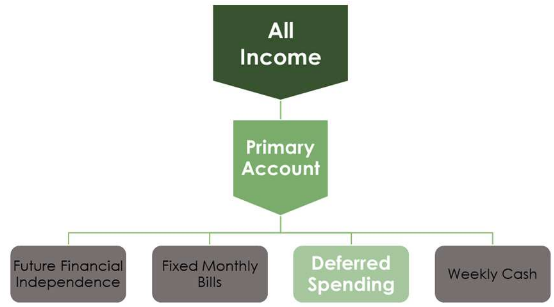
If you have so many subscriptions and memberships that this category is overwhelming, or you couldn't list them all off the top of your head, then it's possible that you've got more items than you're using in your daily life. Or each item doesn't seem big enough to impact your cash flow, but added together they are as meaningful as another bigger category you may value more. If you're looking to free up some dollars for something else that's important to you, there may be some low-hanging fruit here. You can review whether to continue it, or whether there's a way to do it cheaper through the same or different vendor.

Also take note of the ongoing costs of these items. The maintenance and upkeep of these larger purchases are often commensurate to their fixed monthly cost (more size or features in your home or car means more things to break and a higher standard of repair) and will come out of your **Weekly Cash** and **Deferred Spending**.

Yes, this means you pull out your Spending Map before subscribing to that meal service or changing your internet plan, or when you receive an increase notice from your landlord or mortgage company. It's not much per month, but where will it come from if your dollars were already spoken for?

Your deferred spending account

There's a reason you don't see a "Savings Account" in *A Simple Plan*. "Saving" means too many different things to different people. There's saving for retirement, saving for a rainy day, saving for Christmas, saving by finding a sale price, saving by buying a bigger bundle, saving by using an in-store credit card, and saving by turning down the thermostat. And when two people become wedded in financial matrimony, they often bring contrasting definitions to the relationship.



Instead, *A Simple Plan* uses a **Deferred Spending** account. Its purpose is clear, its borders are well-defined, and it is broad enough to accommodate real life.

Opportunities and emergencies arise. Some you anticipate happily (vacation) and others you don't (car tires). Some you see coming (semi-annual insurance renewal) and others you don't (repair bill.) Remember all of those 'unusual' expenses in your Six-Month Cash Flow History? Rather than saving up for some things while hoping nothing goes wrong with others, *A Simple Plan* deposits a set monthly amount into a single account for all decisions that are bigger than daily spending but aren't part of your future Plan B or **fixed monthly lifestyle bills**.

Many people already do this to some extent; they've just missed with their expectations. We often have the following conversation with Newer Clients:

NC: ...and we've put $500 into our savings account every month for the past three years.
Us: Great! [mental math: $500 * 12 months * 3 years = $18,000]
NC: ...and there's over $4,000 in it. We used it for a tuition bill, and plane tickets for a wedding, and to replace the furnace…

This is a fine strategy, just a complicating account name. It's not savings; it's **Deferred Spending**. Open a checking account and keep the checkbook or debit card at home until you've made a deliberate decision with confidence that it suits your purpose and resources. (Also remember that vendors pay fees to process your credit card payment, which they increasingly pass on to you as a surcharge, so using a checkbook or debit card can save you money or help your favorite small business receive your whole payment.)

Life happens. A single account gives you more meaningful context for your decision than the limit on your VISA, and without the emotional highs and lows of a fluctuating account that you feel should only be growing. Sure, when things go bump in the night, that planned new furniture might turn into an emergency room deductible. But the funding of your holiday shopping list is based on just a handful of things you expect to happen in **Deferred Spending** over the upcoming months, not a bunch of competing emotions and thoughts.

The fluctuation in your **Deferred Spending** account doesn't impact—and isn't impacted by—your grocery shopping, the date your phone bill is due, or your distant future. If you're a couple, this narrows down the discussion about how much to spend on patio furniture, whether to repair or replace the washing machine, and how big of a vacation to take.

Blank Slate, savings edition

Our family's favorite group game is Blank Slate. A word is announced with a blank before or after it, like DOOR_______, and each player writes a word on their slate to fill in that blank. Then everyone reveals their word and receives points if they match another player's answer. You may consider only one or two obvious responses, until you see around the table: door *bell*, door *knob*, door *mat*, door*way*, door *prize*, door *nail*, door *man*, door*buster*, Door *County*, dor*mouse*… We've had rounds where there's not a single match across 15 people.

We also fill in the blanks differently when we talk about saving, even when we confine saving to a verb (not a noun or adjective, like a savings account) about money (not saving time/calories/animals).

Are we saving by consolidating errands and adjusting the thermostat, by comparing prices on groceries and hotels, by wearing our boots for another year, by evaluating subscription bundles, by preparing for college or Christmas expenses, by depositing into a savings or investment account, or by skipping an activity we didn't want to do anyway? The options list is broad, and no two people think exactly the same.

Then, saving and spending combine to make it even more complex. When you order your second-choice entrée because it costs less than your first choice, are you spending or saving? When you limit your appliance search to one retailer for their financing offer? When you find a sale price on a luxury grocery item? We can point to a purchase and say how much we saved compared to some other price, but we can't point to something we didn't buy.

As if it's not complicated itself on its own, your complications compound when you make decisions as part of a couple or family.

That's why there are no savings accounts in *A Simple Plan*.

Deferred spending as your water tower

Water towers are a fascinating type of infrastructure. Their value isn't simply their ability to store water; their value is their ability to smooth out the difference between water production and water demand. (Civil engineers, please excuse our oversimplifications.)

Without a water tower, the production and pumps at the water station need to constantly change in response to water use. They must be built so large that they're capable of serving when lots of households are doing laundry and filling swimming pools, businesses are washing buildings and running factories, and municipalities are fighting fires and watering boulevards… all at the same time. The pumps and production must speed up and slow down to match the use, while retaining reserves.

With a water tower, production and pumps can hum along steadily at the pace of average water use. Water is pushed up high into the towers, and users draw from the gravity feed. The water tower's job is to have its level rise and fall, absorbing the variation between production and use. You see that this is more nuanced than filling and draining.

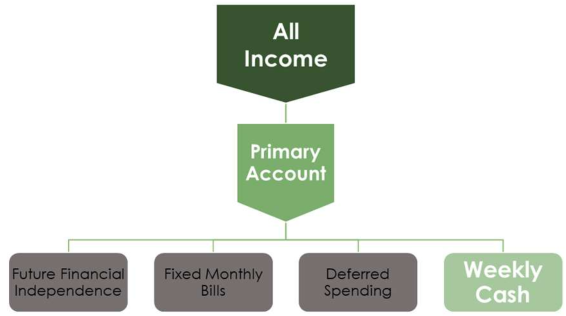
Your **Deferred Spending** account operates like a water tower. Its job is to absorb the variation between your paychecks and your larger expenses. You'll no longer view it as savings to be accumulated (yay!) until it must be drained (boo!). Your **Deferred Spending's** rising and falling levels are a feature and not a flaw as you experience expenses that are not part of your **Fixed Monthly Bills** and are too big for your **Weekly Cash**. Like the pumps at the water station, your output to this category remains level, and its use is isolated from all of the other infrastructure.

While we can't predict the when and how much of larger expenses; we can safely operate based on averages and guesses. The users of a water tower don't coordinate with each other, but you can. You might decide to not fill the swimming pool when you just put out a fire.

You'll figure out your range of the minimum and maximum dollar levels for your **Deferred Spending** Account, and those numbers will naturally change over time. At one stage of life, you might be comfortable as long as your **Deferred Spending** Account doesn't drop below $2,000, and at another stage it might be $20,000 or more.

Remember, the purpose of this money is to be available when you need to turn on the tap. Don't twist yourself into knots trying to squeeze out interest from it. Ask your advisor for more perspective.

Your weekly cash



Your Holding Account has four new bills to pay every month: Your **Weekly Cash**. Take out green paper cash from the bank every Friday. (If you're cringing at the thought of cash, the next page is for you.)

Remember our high school paycheck story? Your **Weekly Cash** brings back a finite amount of money for a finite amount of time. Your **Future Financial Independence**, **Fixed Monthly Bills**, and **Deferred Spending** are all funded, so you can spend every penny this week without worrying about anything bigger picture.

This is your daily lifestyle. We used to call it "Gas, Groceries, Entertainment, and Clothing." It's not all recreational money, but it is all meant to be spent, and you don't need to keep track. Actually, please don't keep track. You know it's the right amount for you, and you'll automatically monitor and adjust as the week goes by. It can become as intuitive as knowing your normal sleep amount for a week and understanding how tonight fits in.

*In **Weekly Cash**,*
*The **weekly** element is essential.*
*The **cash** element is beneficial.*

We recommend a Friday payday because much of our variable lifestyle spending happens over the weekend. If you go to the store for a few things and leave with a cartful or have a social schedule with pricey restaurants and entertainment, that's OK. Hold your breath for the week, and dig in the back of the freezer for dinner. You might find yourself getting creative, or finally applying those gift cards you've been meaning to use.

If you have cash left over from a light week, spend it! Don't punish yourself for using coupons and repairing instead of replacing; reward yourself with a treat or add it to next week's cash and have a lush week. You also get an immediate boost to your cash if you sell something or return it to the store.

Make sure your **Weekly Cash** allowance is an adequate amount, and is the same every week. You'll get nowhere trying to 'get by on less' and then running short. Be realistic about your need, and if it doesn't work out you hang on until Friday. If you're often running out of cash before you run out of week, either look over your Spending Map - maybe it's worth dropping a couple of subscriptions and memberships to gain $50 per week - or reconsider your daily lifestyle.

But remember that this is *A Simple Plan*, not a magic plan. No matter how much money you have, there will always be more things to spend on than you have money to spend.

For months with five weeks (which happens roughly four times each year) you can declare a seasonal emergency and withdraw from your **Deferred Spending** account, or you can use it as an opportunity to have a 'spending fast' or a 'shopping cleanse.'

Why cash?

Yes, cash. Acoustic money. Money, unplugged.

Especially if you're a household with two people making spending decisions, we strongly recommend actually using green paper cash despite the inconvenience, at least until you've gotten the feel for life with a separate bucket for weekly spending. You might compare it to weighing and measuring ingredients; some people will do so for every recipe, others just when troubleshooting or trying something new.

Shopping with cash is different from the swipe of a card. Studies have shown time and again that people make better decisions—not simply spending less, but also making healthier purchases—when using paper money than when using an account. Credit card purchases even look different from cash purchases on fMRI brain scans.

Just smile at those commercials where perfectly choreographed shoppers come to a halt when a customer doesn't pull out their logoed plastic. $50 in your grocery basket actually feels different than $20, and there's something grounding about counting out the bills... forty... forty-five... forty-six dollars and ten... eleven cents. Your money feels connected to its value again, and you're making a meaningful exchange.

<u>At the very least, try it for a month.</u> It will give you something to complain about to your friends, and you'll feel the differences inside and across weeks with the weekly rhythm.

Like the idea of a weekly finite amount, but really, really, REALLY hate using cash for the long run? That's fine. Here are some alternatives:

1. Take cash out just once and keep it in your wallet, with either a clip or sections to differentiate between Available and Spent. Physically move the cash from Available to Spent BEFORE you tap, swipe, or click. (This reminds me of Richard Simmons' Deal a Meal diet program. There are vintage videos.)
2. Use your notepad app on your phone – or a shared doc – to keep track each week. Then delete or reset. An added tally isn't ideal; it's behaviorally better to have a stack of $20 rectangles to drag and drop from your Available side to your Spent side, and do it before you click Pay, not after. Frankly, this adaptation usually fizzles out pretty quickly.
3. The most-last resort is a debit card that you restock weekly, but this should only be attempted if you've got everything else feeling right. You'll know if it's not.

Just remember, more categories and exceptions means less clarity, and more likelihood that you won't bother with the extra steps. See the recipe analogy later in this section. It is our experience that people rarely stick with non-cash workarounds for managing **Weekly Cash**. If your hesitation is because of credit card rewards, consider taking a 3-month reset. Yes, you'll miss out on a couple hundred dollars of rewards, but you're looking ahead to creating a simple system for decades to come. It's an adjustment of noise volumes.

As an added bonus to you, more retailers now add a surcharge for credit card use, which you'll avoid by using cash. Consider it your personal plan to offset inflation.

Differences among Fixed Monthly Bills, Deferred Spending, and Weekly Cash

There is no actual difference among the money in the categories across your Spending Map. Money is fungible (interchangeable) and either you spend it to fund your lifestyle or you don't. We isolate your money in separate buckets to make your decision-making less complicated and more efficient.

If you pay for it every month whether you use it or not, it's a **Fixed Monthly Bill**.

If it's too big to pay from your **Weekly Cash**, then it's a **Deferred Spending** decision.

Deferred Spending is different from "I'm out of Weekly Cash, but this is important."

Every other purchase is from **Weekly Cash**.

Fixed Monthly Bill	Deferred Spending	Weekly Cash
Clothing subscription box	New seasonal wardrobe	New shirt
Meal crate	Anniversary dinner	Door Dash
Streaming service	See a Broadway play	See a movie
Car lease/payment	Change car tires	Change car oil
Pet wellness plan	Dog boarding	Dog food
Car share subscription	Car rental	Uber trip
Subscription gift	Holiday shopping	Birthday present
Club membership	Golf on vacation	Golf locally
Recurring donation	Fundraiser sponsorship	Fundraiser candy bar
Monthly pledge	Capital campaign pledge	Weekly church offering
Lash subscription box	Her "haircut"	His haircut
Daycare	Summer camp	Babysitter
Internet service	Tablet	Charger cord
Maintenance protection plan	Furnace	Furnace filter

One complication of our robust 21st-century marketplace is that there are many different ways to acquire similar types of goods and services. **Fixed Monthly Bills** were once mainly utilities and fixed loan payments, but now can include many kinds of food, entertainment, wellness, and more. It's easy to see that almost any category of item can now be purchased to fit any bucket.

You'll find that putting as many decisions as practical into your **Weekly Cash** (possibly around a quarter of your take-home pay) gives you the most flexibility. If you have a big weekend or Costco run from your **Weekly Cash**, you can – and probably will pretty naturally - adjust the next several days. There's food in the kitchen; cook dinner.

Recommendations to put expenses on subscriptions, digital wallets, and saved profiles can be a case of misapplied precision. Instead, *automate your saving* and *hinder your spending*. Once you sign up for that $15/month autopay, almost $200 is gone each year without any action on your part. Remember, that's for the convenience of the retailer and to increase their sales, not your benefit. We <u>want</u> it to be a bit of a pain to add services and make purchases. That's why a change to **Fixed Monthly Bills** requires you to update your entire <u>Spending Map</u>. And a purchase from **Deferred Spending** requires a consult with yourself (and your financial partner) to see how it impacts your vacation plans and new furniture.

If it feels like mental gymnastics as you twist yourself in knots across categories, the problem may be your cumulative lifestyle expectations, or you've got the wrong proportions allocated across your <u>Spending Map</u>. Also, don't play games with yourself, choosing a purchase based on whether there's a payment plan that fits in the bucket where you have some elbow room. *"Hmmm…if I choose the monthly subscription, it's a Fixed Monthly Bill. If I choose the annual subscription, I have room in Weekly Cash. The multi-year plan would be a Deferred Spending purchase. Where can I slip it in?"*

Your first draft, oversimplified by choice

Now that you understand the pieces, it's time to draw out this Spending Map you keep reading about. We begin with a big-picture ideal, ignoring how your life is set up today.

First, simply weigh your four buckets in relation to each other. Imagine that 12 gold coins represent your income. Allocate those coins to reflect the importance to you of these four areas:

My Future Self's options: __________

Today's lifestyle infrastructure (home, transportation, services & memberships): __________

Today's daily living (eating, shopping): __________

Upcoming big-ticket purchases: __________

= 12 Coins

Second, translate that weighting to the scale of your income. Look back at your Six-Month Cash Flow History and find the Total Income line near the bottom. Write the lowest amount of the six months (if there's a truly unusually-small month, use the average), rounded to the nearest hundred, here:

$__________ Monthly income

Third, stay in that same theoretical mindset that you used with the 12 coins. Divide your monthly income across the four categories in the same proportions as you divided the 12 coins, but translated into real dollars.

My Future Self's options: $____________

Today's lifestyle infrastructure: $____________

Today's daily living: $____________

Upcoming big-ticket purchases: $____________

= $ Monthly income

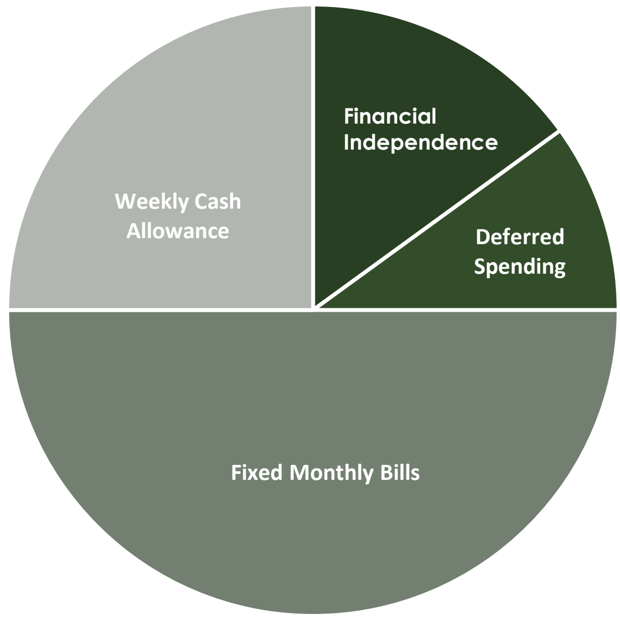
Ignore the costs of your current life and look at those four amounts as if you were just moving to a new town and setting up life from scratch. Take some time to reflect in your mind. Benchmark it against your dreams, and not against how the people around you live.

(Really. Stop and imagine a bit. What would that look like?)

A yard with a garden is worth staying home all year to one person, and traveling regularly is worth a tiny apartment to someone else. If it's clear right now that there's a different way for you, that's OK. Let big life changes ruminate in the back of your mind for a few months. In the meantime, let's work with where you are today.

No two households are the same. But a common problem is that either **Fixed Monthly Bills** (mortgage/rent, car payment, connectivity plans, loan debt, subscriptions/memberships) have swelled just a bit at a time, or **Weekly Spending** (groceries, restaurants, entertaining, general running around) seems to be steering the ship. Or both. Then there's not much left for inevitable **Deferred Spending** expenses, which then get put on a card or loan and the payments join **Fixed Monthly Bills**.

Your Spending Map: put your money in its place



Now the planning can get a bit squishy. You're designing your Spending Map with real available dollars while juggling past commitments, today's life, and tomorrow's desires.

Most people will work forward from here assuming life will stay about the same, with some tweaks, and we'll write for that audience. But this is also where you can start if you're building an entirely new scenario for yourself.

First, you know how the last six months felt. Now pull out your Six-Month Cash Flow History to see how that amount of dollars looks.

Next, begin sketching out on your Spending Map what you might do going forward. Leverage your financial resources toward a purposeful lifestyle, allocating your net take-home pay among the four categories.

> Keep in mind any exercise from previous pages that resonated with you.
>
> You can use a pencil and eraser on the next page, open an interactive spreadsheet from our website, or create your own document in your preferred work style. There is a sample Spending Map on Page 37.
>
> Be sure that you're funding **Deferred Spending** to match what you've actually spent these past six months, unless you are certain something major will change.

Finally, adjust until your Total Monthly Outflow equals your Total Monthly Inflow.

Spending Map

Monthly Income

Amount	Source
$	
$	
$	
$	
$	**Total Monthly Inflow**

Financial Independence or Dedicated Savings

	Amount
	$
	$
Total	$

Weekly Cash

Week	Amount
1	$
2	$
3	$
4	$
Total	**$**

Fixed Monthly Bills

Item	Amount
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
Total	**$**

Deferred Spending

Item	Amount
	$
	$
	$
	$
Total	**$**

$	**Total Monthly Outflow** *Can't exceed Total Monthly Inflow*

Work it out, or make it work

That's it. Your whole Spending Map, or 'budget' on one page. *A Simple Plan*.

If you can't draw it quickly by hand on one page, or you can't understand it with one look, it's not simple. The problem might be in your lifestyle (did modern life bloat one thing at a time over the years?) and not the system.

Yes, you must create a plan where expenses don't exceed your income. If you can't realistically make the numbers work, the problem is outside the scope of the plan and your energy is better spent on tough thoughts about career paths and lifestyle expectations.

Remember that you can have *anything* you want, but not *everything* you want. To paraphrase *The Incredibles:* if everything is a priority, then nothing is a priority.

You'll return here to contemplate your options (Should I finance a new car? Get my own Netflix?) and incorporate increases in both salary and expenses. Changes become more meaningful: a net pay raise of $200 per month can disappear into an app, but feels rewarding if you increase your cash withdrawal every Friday by $40 and add a $40 monthly donation.

Your Monthly Preview

Implementing your *Simple Plan* can be, well, simple. Any variation and surprises are contained inside your **Weekly Cash** and your **Deferred Spending** account. You likely still need to plan the flow inside your Holding Account to make sure money doesn't try to go out before it has come in. None of us has an unlimited amount of money to implement any plan, so a <u>Monthly Preview</u> is where you plan your transition and project forward to avoid overdrafts.

You can write in pencil on our form, open an interactive spreadsheet from our website, or create your own document in your preferred work style. There is a sample Preview on Page 37.

Month

Starting Balance $

	Deposits	To Financial Independence	Fixed Monthly Payments	To Deferred Spending	Weekly Cash Withdrawals	Projected Balance
1						$
2						$
3						$
4						$
5						$
6						$
7						$
8						$
9						$
10						$
11						$
12						$
13						$
14						$
15						$
16						$
17						$
18						$
19						$
20						$
21						$
22						$
23						$
24						$
25						$
26						$
27						$
28						$
29						$
30						$
31						$
	Your Money In	Your Money Out				Your Balance

Enter your starting checkbook balance for next month at the top, and then fill in your anticipated paychecks under Deposits. If your income varies, it's usually best to plan for the minimum expected deposits and make occasional adjustments (like a sweep of excess balance from overtime and bonuses to **Deferred Spending**). In general, your timing of spending will become divorced from the timing of your paychecks, and associated instead with your **Deferred Spending** and **Weekly Cash** rhythms.

Enter your autopays and other monthly expenses under **Fixed Monthly Payments**. This should be foreseeable and essentially unchanging. Round up for utilities that vary.

Enter the dates you'll make your transfer to **Deferred Spending**. Once per month is cleanest, but if funds are tight, you might divide it across a couple of paychecks.

Enter your four or five Fridays for **Weekly Cash**.

It's that simple. Those are the only transactions your checking account will see this month.

Thoughts on your minimum balance:
Every household has their preferred floor in their Holding Account, and it often grows over time. At one stage in life, your goal might be to keep from a negative balance. At another stage, you might have a year's expenses sitting at the bank just to sleep well at night. Your financial advisor can help you see your numbers in context of your life stage.

This might also be the stage at which you decide to peel off a portion of this balance to provide seed money in your **Deferred Spending** or **Future Financial Independence** accounts.

This exercise is no longer 'budgeting,' it's just bookkeeping. If you're a couple, the person planning the flow isn't making any decisions. So give it to the person who enjoys doing math!

If you're running into trouble and can't plan a Preview without shortfalls, don't give up. Not knowing doesn't change what is. A monthly projection will highlight upcoming problems in advance so that you can make informed decisions while there's still time to plan, rather than 'suddenly' facing that you're running short and making panicked reactions that may cost you more later.

Here are two samples of a **Spending Map** and **Monthly Preview**:

Monthly Income

Amount	Source
$ 3,000	John's Full Time
$ 2,000	Jan's Full Time
$ 250	Jan's Part Time
$ -	n/a
$ **5,250**	**Total Monthly Inflow**

Financial Independence or Dedicated Savings

	Amount
	$ 250
	$ -
Total	$ **250**

Fixed Monthly Bills

Item	Amount
Mortgage	$ 1,200
Electric	$ 100
Gas	$ 100
Garbage	$ 50
Phone/Cable	$ 100
Health Club	$ 100
Church	$ 50
n/a	$ -
n/a	$ -
n/a	$ -
Total	$ **1,700**

Deferred Spending

Item	Amount
Insurance	$ 400
Vacation	$ 300
House Maintenance	$ 200
Other	$ 300
Total	$ **1,200**

Weekly Cash

Week	Amount
1	$ 500
2	$ 500
3	$ 500
4	$ 500
Total	$ **2,000**

$ 5,150 **Total Monthly Outflow**
Can't exceed Total Monthly Inflow

Spending Map

Monthly Preview

Month **June**
Starting Balance **$**

	Deposits	To Financial Independence	Fixed Monthly Payments	To Deferred Spending	Weekly Cash Withdrawals	Projected Balance
1	1,250		1,200			$ 350
2			100			$ 250
3						$ 250
4						$ 250
5	1,500			600	500	$ 650
6						$ 650
7						$ 650
8						$ 650
9						$ 650
10						$ 650
11						$ 650
12			50		500	$ 100
13						$ 100
14						$ 100
15	1,000		100			$ 1,000
16			50			$ 950
17						$ 950
18						$ 950
19	1,500	250		600	500	$ 1,100
20						$ 1,100
21						$ 1,100
22			200			$ 800
23						$ 800
24						$ 800
25						$ 800
26					500	$ 300
27						$ 300
28						$ 300
29						$ 300
30						$ 300
31						$ 300
	Your Money In	**Your Money Out**				**Your Balance**

Revisiting your Spending Map

Financial planning is a process, not an event. Most years, you'll have an external or internal reason to open your Spending Map and apply some deliberate thought.

Some external prompts include:

- Raises. We recommend you split your raises across three categories:
  - Part goes toward increased taxes (sad but true).
  - Part goes towards general inflation and the improved lifestyle that you've earned ($50 more **Weekly Cash** or $200 more **Deferred Spending** or finally upgrading your gym membership is something you can point to as a reminder of your progress).
  - Part goes toward your **Future Financial Independence** (this has a twofold benefit: it's not only will be available later, but it also combats a lifestyle creep that sets the bar higher for you to match in retirement).
- Debt paid off. Your car is paid for? That old credit card is done? You've satisfied your last student loan? Congratulations! Put that newly freed money in its place each month deliberately, to whichever category feels the most tight.
- Life changes. Babies are born. Partners come together or come apart. Roommates move on to greener pastures.

Some internal prompts include:

- You're considering a more expensive fixed expense, like a new car, nicer apartment or house, or a wellness subscription. That money has to come from somewhere each month. What's worth trading in exchange for the higher recurring payment?
- You're re-evaluating your values, purpose, and life balance.
- You're in the mood for a little financial 'spring cleaning'. You might drop a subscription, cancel an autorenewal, shop for different insurance (though cheaper does not always equal better), or call your providers (like your internet service or trash hauler) to see if there's a better package available now than when you signed up.
- Something just doesn't feel right.

Regardless, a high-level look at your map can bring more clarity without getting bogged down in the details.

Section 4:
Straight answers for busy people with big dreams.

You'll make this plan work for you, and it won't look exactly how we laid it out.

As you adjust, remember that each exception can move you farther from both the simplicity of the plan and why each part works in real human life.

If you read recipes online, you've probably seen contrasting reviews of the same recipe that was modified by different cooks:

> ★★★ *Best beef stew ever. I used a different beef cut that I had on hand. I added some parsnips, and replaced the garlic with shallots. I was going to be gone during the day, so I seared the meat and placed in a slow cooker instead of oven roasting. It was delicious!*
>
> ★☆☆ *Worst beef stew ever. I wanted it to be lower-fat, so I swapped the beef for chicken breast. I don't like carrots, so I just used more tomatoes. I didn't have any fresh herbs, so I used a seasoning packet I had. I needed dinner ready sooner, so I turned up the heat. It was terrible!*

Both started with the same recipe and made adjustments that made sense to them. If you're modifying *A Simple Plan* and getting 3-star results, that's great. If you're modifying *A Simple Plan* and not happy with your results, go back to the original recipe or ask your favorite financial advisor which modifications might be throwing things off.

A barn builds a house

There’s a settler adage that a barn builds a house faster than a house builds a barn. If your goal is to have both, one order will raise them faster and with more likelihood of success than the other. Sleeping in the wagon or a crude shelter was not fun for the family, but the barn was necessary to protect and grow the livestock that drove their economic engine. Building the barn first allowed them to continue moving forward, while building the house first could lead to a dead end.

It’s tempting to start with the life you want and hope everything falls into place. But that can be asking for trouble, as you stretch yourself to make the living expenses and then your car breaks down and your sibling schedules a destination wedding… and neither asked your opinion first.

You might find yourself deciding to ‘sleep in the wagon’ (live in a crappy apartment with a sloppy roommate, work a seasonal second job, drive that old car, forgo most entertainment and wellness that’s not free, or live like a college student on ramen noodles) while you pay off debt, build up deferred spending, or prepare for that next job or life stage. It’s a temporary hardship, and fodder for telling your future grandkids about walking uphill both ways in the snow when you were their age.

Just make sure you can see the walls rise, first on your barn and then on your house. Don’t let the money ‘saved’ by sleeping in the wagon drip away in little things to make yourself feel better about this stage; make sure it goes to visible progress.

Your "what if…?" questions, answered

What if I'm in debt?

It might feel that having debt is preventing you from saving, but not saving will absolutely prevent you from getting out of debt. Funding your **Deferred Spending** may seem impractical, but it is the key to breaking the cycle.

Your new goal is to get out of debt as *permanently* as possible, not as *promptly* as possible. This might require lowering your debt payments and letting them build some interest charges to make room for a **Deferred Spending** contribution. If you put every possible dollar to your debt, you'll need to acquire more debt in crisis or you simply snap and indulge because you've been running so lean. Even a small **Deferred Spending** balance allows you to make the best of each emergency or opportunity.

Draw a figurative circle around your debt, determine the right monthly payment to dedicate to it, and set it mentally to automatic. As each debt is paid off, reallocate its monthly dollars on your Spending Map to your greatest pain point. That pain point might be in any of the four buckets on your Map. Professional financial advice and support may be appropriate if this is a large component of your picture.

What if something comes up?

Good question. What do you do now, if you don't have a spending plan? You likely gather the available information and resources and make the best possible decision from what is in front of you. No spending plan allows us to print money or spend what we don't have without consequence. *A Simple Plan* gives you foresight and understandable context to clearly see the impact of changes to income and expenses, without getting lost in the details.

What do I do with windfalls?

It depends on the size of the windfall and your most pressing needs. A smaller amount can simply slip into your **Weekly Cash**. A medium amount can pay off a debt permanently (and free that monthly amount to be reallocated elsewhere), be added to your **Deferred Spending** (to be available for your next fun or not-fun decision), increase the floor of your Holding Account or **Deferred Spending** account (to give a bit more breathing room), or finally seed a **Future Financial Independence** account. A large amount can fund a major purchase or boost your **Future Financial Independence**.

How do I plan for major changes and very large purchases?

Most large purchases are incorporated into your **Deferred Spending** account. You know there's a $20,000 expense (ouch!) coming out next year, and you consider that timeline both when you plan your big picture and when you make spending decisions from the account.

Some very large purchases, such as a major down payment or cash purchase of a property or business, are worthy of their own Dedicated Savings account. It's essentially a **Deferred Spending** account that you only deposit into, not withdraw from except to deplete and close the account. You may find a simple online account with a bit of interest to be the best tool.

If you're considering a changed lifestyle that will have a substantial impact, like a first car or larger house, make an educated guess as to how it will impact your **Fixed Monthly Bills**, **Weekly Cash**, and **Deferred Spending**. Start living now as though those expenses are happening, and tuck the additional funds to the side. For example, if you think moving will result in $600/month more in **Fixed Monthly Bills**, $50/week more in **Weekly Cash**, and an average $300/month more in **Deferred Spending**, start setting $1100/month aside each month and feel the difference. After six months, you'll know if you've overshot or undershot the impact without taking any risk, and if you had guessed accurately you'll have $6,600 available for a down payment and transition expenses.

What do I do with the other ways I save?

Don't play games, such as with rounding. They take mental energy and feel like they accomplish more than they do (similar to the 'armchair effect' of liking posts on social media without putting your money where your mouse is), while confusing spending with saving. If you can trim $1,000 per year from your lifestyle by rounding, then you can trim $20 per week from your weekly spending while adding far less clutter to your system and day.

Use rewards programs very sparingly at both retailers and financial institutions. They add justification or reward to spending (to the point that it can be seen on an fMRI brain scan), and the company wouldn't offer them if the company didn't benefit in some way.

What if I can't use cash for something?

The critical function of **Weekly Cash** is to create a weekly cycle length for your variable everyday life spending. Cash is a tool to facilitate that cycle, and has behavioral benefits. If you have to give up one or the other, keep the weekly element and sacrifice the cash element.

Just can't pass up the rewards of your RedCard? That's fine. Do your Target run on Friday, then withdraw the rest of the week's cash from the ATM before you leave the store. If your **Weekly Cash** amount is $400 and your cart costs $220, you bring home $180 for the rest of the week. If your **Weekly Cash** amount is $400 and your cart costs $100, bring home $300 cash. You still get immediate tactile feedback. And the cash in your wallet can buy milk on Tuesday at any retailer, rather than triggering another Target run.

Have to use plastic for Uber/Amazon/PayPal/Venmo, or a business that doesn't accept cash? That's fine. Then physically move the cash from your wallet into a 'spent' section or clip in your wallet when you check out. Next week, replenish your weekly cash by moving it back to the available part of your wallet and withdraw that much less cash from the machine.

Making an in-app purchase? Find a way to physically pause and recognize before each purchase, and not something you'll do when you're done. That pause away from the app is essential.

Using a credit card at the pump? Your gas cost decisions actually happen when you drive and not when you fill up, so it's tough to connect the action to the cost. Figure out your monthly gas costs and consider it like a fixed monthly bill. Just know that you'll need to make adjustments for road trips and changes in driving habits.

What if I don't want to give up my credit card rewards?

Credit card rewards can add up to real money. It may seem strange for a financial advisor to suggest not leveraging every percent on every dollar spent. But you may choose to selectively opt out of electronic payments and rewards from time to time. Your vendors are paying a fee to the credit card processing companies on every transaction, often in the 2%-4% range, and the credit card companies are paying vendors to issue points. That cost is passed on to all consumers (either directly or absorbed in overhead) so we can get our points and cash back. It's quite the shuffle.

More vendors – especially restaurants - are adding a 'processing fee' or 'convenience fee' to credit card transactions to cover this charge. Instead of paying the fee to get your 1% statement credit, consider counting out a few green bills; it saves on that fee and also brings you the cognitive advantages of paying with cash.

When you think about applying your financial resources meaningfully, especially if you like to shop at small or struggling businesses, consider paying cash for small purchases and writing a paper check (I know!) for larger purchases. It directly provides financial support to the business without disrupting the value equation of your purchase.

What if my income fluctuates?

It depends on when and how much your income fluctuates. In general, plan your **Fixed Monthly Bills** and **Weekly Cash** on your lowest expected pay. Then any amount over that gets transferred as a variable contribution to your **Deferred Spending** and/or **Future Financial Independence** accounts. This isolates the variation away from your everyday life and decision-making.

What about healthcare expenses?

Health care expenses generally aren't included in our examples because there is a massive variation in impact. For many people, the deductions for health insurance premiums and health savings contributions are facilitated by their employer before net pay, and bills run through your HSA like it's a dedicated **deferred spending** account. Others will expect to pay up to the amount of their deductible from **Deferred Spending** each year, as an 'emergency' that we expect anytime but never know the timing or amount in advance, similar to car and appliance repairs. Some have regular out-of-pocket expenses or personal care costs, such as chiropractors, mental health care, and therapies, which all vary and add up. You'll know whether these numbers are significant enough to need their own space within a category, or to lump in with general life.

What about the paycheck side of the equation?

<u>Rather than making the same amount go farther, you can change the amount that comes in:</u>

From a long-term perspective, your most powerful option is to find a career where you're paid to create unique value, then to leverage marginal gains over the years. There's more information in Section 5 for you.

Side hustles and part-time gigs are increasingly popular. You may enjoy filling some hours with bringing in money rather than spending it. But tying together your hobby with a job can create a whole mess with your incentives and also take away the pleasure; it's OK to just enjoy a craft as an amateur (the word comes from the Latin term for 'love') without trying to run an Etsy shop.

A short-term or seasonal job can be a fun way to earn funds to either wipe out a debt that's weighing you down or to fund a special trip or purchase that's not comfortably paid through your **Deferred Spending**. Restricting the job to a season (outdoors, holiday, event) with a specific use for that income helps ensure it doesn't become a long-term weight.

There is also the giant difference between your gross and net pay:

Despite all we wish otherwise, you have little control over the amount of taxes you pay. It is easy to get confused by federal/state/Social Security/Medicare withholding, and the differences between taxes withheld throughout the year versus the reconciliation we do when we file our tax returns by April 15 each year. Talk to your financial advisor or tax preparer to learn more.

The benefit options offered by your employer also vary so greatly that it's difficult to provide ethical 'rules of thumb' or guidance in this context. Some benefits are worth paying out of pocket, and others may not make sense for your situation. Talk to your financial advisor or human resources department to learn more, and review them at each year's open enrollment.

What if the plan just doesn't work?

> **A problem well-stated is a problem half-solved, while a problem not well-stated is unsolvable.**
>
> *Charles Kettering, inventor and engineer*

Yes, *A Simple Plan* might not be the right fit for you. There are many popular traditional and digital systems out there (like YNAB and Mint) that work well for some folks, and one of them might be exactly what you need.

However, if you're challenged with taking care of both *Your Today's Self* and *Your Future Self*, some philosophical questions may be lingering nearby:

- What is really going on? What is right, and what needs to change?
- What are the expectations for my life and my lifestyle? Whose expectations are they?
- What is a question I need to be asked, but also hope no one will?

Your answers may be simple and 'normal' parts of life that you haven't made space to address lately, or that have been drowned out by other noise and distractions.

Additionally, while problems in mental health, addiction, unhealthy relationships, spiritual wellbeing, and perspective often reveal themselves through money, no spending system can fix them. However, *a simple plan* (we wrote that in lower case on purpose) can add guardrails while you work on your challenges with the appropriate trusted professionals.

Couples, Money, & Love
a/k/a Yours, Mine, & Ours

When Tom and I would guide the financial segment of premarital retreats, we'd often hear this question: "*Joint accounts or separate accounts?"* It took us some years of working with real folks to understand the only true answer: It doesn't matter. Either you're going to make your decisions with respect for your partner and your shared values, or you're not. While joint accounts are correlated with marriage longevity, no account structure can prove commitment or create security; any unity or division of accounts is just bookkeeping.

That said, we have learned a lot about couples, money, and love:

1. Your shared goal is to put your money in its place, not to put each other in their place.
2. The system that worked for your previous stage - individually or as a couple - may not look like the system that works for your next stages in life.
    a. Adding another person, kids or pets, homes and belongings, and more can multiply your exposure to $3,000 surprises. Any one of these steps can nudge your needs to be greater than your system's capacity.
    b. 'Your way' of managing money, household tasks, and time may simply no longer be relevant, no matter how well it worked for you until now.
    c. Other people are counting on you to do this right. When you're solo, you get to take risks knowing that you're willing to pay the price. When you're in a unit, you're committing others to potentially pay that price alongside you.
3. Something may have strong meaning to your partner, and can't be dismissed through logic no matter how sensible it seems to you.
4. It's often helpful for each person to have some space where they can buy themselves a book or their sweetheart a treat without taking from grocery spending or reporting the exact transaction. Work that however you want, but know that any differences in opinions or control will happen no matter how many accounts you maintain. Disagreements about what is 'fair' for lunch money and vacations are neither caused nor solved by money.
5. Monetary transactions are far easier to count after the fact (sometimes for years) than household and emotional loads. This can make money issues more visible, but not necessarily more important, than other relationship issues.
6. It can be scary to talk about money and your relationship at any stage, as it can cast light on things ignored in the shadows, like substantial differences in your foundational values or struggles with power and control.
7. Common language, equal access to information, and transparency are achievable to all and can both prevent and diminish a whole host of problems.

CML: shared & independent visions

Life moves pretty fast. Take twenty minutes to do this quick exercise together. We've found it's a very efficient way to reveal questions you may have forgotten to ask each other about the decades ahead. Don't aim for perfection or haggle over details; just create one potential future.

Start with the year and your ages ten years from now. Fill in who you're caring for and who is caring for you (kids, aging grandparents, each other), where you're eating lunch during the week (where you're working, serving, or playing), where you're sleeping at night (where you're living), and what fun looks like (recreation, life's pleasures, community, etc.).

Then complete the next line for 20 years from now. Then 30, 40, and as far out as you can. See where it takes you.

	Who are we caring for? / Who is caring for us?	**Where do we eat lunch?**	**Where do we sleep at night?**	**What does fun look like?**
Year 20__ **Ages: ___ & ___**				
Year 20__ **Ages: ___ & ___**				
Year 20__ **Ages: ___ & ___**				
Year 20__ **Ages: ___ & ___**				
Year 20__ **Ages: ___ & ___**				

Keep this conversation in mind as you look at the dollars you're allocating to today's selves and tomorrow's selves.

CML: beyond Ebenezer Scrooge versus Peter Pan; it's all relative

Ebenezer Scrooge saved every penny for tomorrow, causing physical and emotional discomfort to himself and those around him.

Peter Pan did whatever felt good today, and expected every tomorrow to look just the same.

You probably know a couple who identify their money roles as 'the saver' and 'the spender' in the relationship. That's understandable, but it's time to end that feedback loop. Typecasting is both inaccurate and distracting from your common values.

Try this quick exercise with your partner. Each of you take a blank piece of paper and draw a line across it. Label the left end "Scrooge" and the right "Peter Pan." This is an oversimplified range of financial preferences. Mark where you see yourself and where you see your partner.

|---------|---------|---------|---------|---------|---------|---------|---------|---------|

Scrooge **Peter Pan**

Now look at each other's drawings. Any surprises?

Next, throw them away for good.

The reality is that these two-dimensional positions are completely inaccurate in our real lives. It's actually all relative.

It's relative to time and place.

If you're living a middle to middle-upper-class American life in the 2020s, what you spend to feed and house and entertain yourself, no matter how different from anyone else you know, is more a product of your time and place than your unique preferences. You're neither a 14th-century monk nor a Kardashian.

It's relative to reality.

Most things in life fall inside a bell curve. The extremes are actually quite rare. If you were truly on opposite tails of the curve from each other, you probably wouldn't be together for more reasons than only money.

It’s relative to each other.

You and your partner may feel like you’re miles apart in spending habits: one person is a zero (Scrooge) and the other is a ten (Peter Pan). It’s more likely that one of you may be a 4 and the other a 6. The 4 is cast as the Scrooge and the 6 as the Peter Pan, and you risk spending the next 50 years playing out those roles.

It is important to understand that if the 4 joins up with a 2, the 4 can become the Peter Pan; and if the 6 joins up with an 8, the 6 can become the Scrooge.

Yet, as a couple, a 2 and a 4 are going to make different choices from a 6 and 8, regardless of how they view or resolve the space in between each other.

It’s relative to category.

The ‘saver’ and ‘spender’ labels don’t apply consistently across categories. The Scrooge of groceries may be the Peter Pan of concert tickets. The Peter Pan of vacations may be the Scrooge of furniture.

It’s relative to time, energy, and other resources.

Finally, we add the complication that a use of a dollar isn’t measured solely against how else that dollar can be spent. It can be used to buy time, or time can be spent to free up money.

You’ve got enough to figure out together. Skip the typecasting.

CML: invisible money fights

When we start digging in to defend our positions, both people end up unhappy and the bigger picture does not benefit.

There's a great example (paraphrased) from the book *Spousonomics: Using Economics to Master Love, Marriage, and Dirty Dishes*, by Paula Szuchman and Jenny Anderson:

> *Imagine a long room with two ends. Each end has its own thermostat and heating unit, and air from each circulates evenly around the room. On each end of the room is a person. He sits on one end and is most comfortable at 69°. She sits on the other end and is most comfortable at 71°. The room starts out with both thermostats set to their happily-compromised 70°.*
>
> *One day she's feeling chilly. Perhaps a draft of cold air came through with a winter delivery, and that's where the trouble starts. She bumps her thermostat up to 72°, which is warmer than her ideal, but gets the room up to 71° so she can shake off her chill.*
>
> *He tolerated 70°, but he's feeling hot at 71°. So he bumps his thermostat down to 68°. This brings the temperature back to 70° but he hasn't cooled down yet so he bumps his thermostat again to 66° to catch up.*
>
> *She bumps hers up to 74°… and the cycle continues until her furnace is blasting at 90° and his air conditioner is chilling at 50°. The room is 70° so everything seems fine, but there are a ton of resources being wasted to end up in the middle. It's not costly only in fuel for the HVAC systems, but in the mental and emotional energy being spent to keep things "fair" in the relationship.*

A couple's financial picture is like the shared air in the room. Sometimes problems become obvious when the air gets really hot or cold. But sometimes the agreed-upon temperature comes through great waste, and a small fluctuation can set off a tidal wave of adjustments.

This might look like credit card purchases and investment account contributions both escalating as each person bumps their thermostat just another degree. What might have gotten out of whack in the first place (like the cold draft) was an unexpected expense that depleted their **deferred spending** account. One person feels uncertain they can maintain their lifestyle now and starts using the credit card. The other person feels uncertain they can maintain their lifestyle in the future and increases their nest egg contributions. Their overall net worth doesn't change as the silent battle plays out (one more dollar of credit card debt, one more dollar invested), but each action leaves the other person taking a more defensive step with fewer resources available for daily life or rebuilding their **deferred spending.**

Doing the same wrong thing harder doesn't make it work. Talking to a professional for perspective and useful actions can help.

Section 5:
Because you have other passions to pursue.

Discipline is remembering what you want.

David Campbell

Make your personal life, your growth, and your community all interesting and vibrant. Keep your cash flow simple. Like investing, if it's exciting, you're doing it wrong.

Set your plan, and forget it. Set an annual calendar reminder to review it by yourself or with your partner, and trust in the meantime that you've created the right plan to follow.

Put your finances on automatic. Stop fretting over checking and credit card balances when you make a spending (or not spending) decision. Carry cash or available funds, and enjoy spending it – it's a fine feeling.

Living in layers, not compartments

(Speaking generally…)

Once Upon a Time

Once Upon a Time, most of our years were working years. Some early years were spent being kids and acquiring a practical or academic education, but as soon as we could shift from being an economic liability to being an economic asset, we did. Then we worked until we couldn't as much, and spent the rest of our years reducing the size of our footprint.

Most folks worked as soon as they could, for as long as they could, and then "faded away".

Pressures of Prosperity

A few generations of global human advancement later, the Pressures of Prosperity have created more distinct compartments, and encroached on those working years from both ends. We have an expectation of a longer childhood, higher education, and sometimes lose years in the 20-something and 30-something decades to getting ready to be an adult. Those working years are a grind to be endured, then we want to stop working at Retirement-with-a-capital-R and enjoy life with lots of travel and adventures (sometimes compared to junior high but with money).

Opportunities have put pressures on both ends of the earning years and emphasized distinct phases.

Unfortunately, the math can't support all of those pressures at once, especially if you plan to support your own children until they're independently prosperous.

Add to that a changing workplace where the knowledge from your formal education expires as quickly as milk, and the waste of leaving the workplace just as you're reaching your peak between vigor and experience. There's another way.

Living in Layers

Life is filled with natural stages as we and our loved ones grow and age. Building vertical walls to divide Childhood / Work / Retirement can add unnecessary constraints. Consider instead building layers of **Value Creation, Lifelong Learning**, and **Deliberate Recreation** throughout the years, where those layers are present every year, but look different during different stages.

A fluid model incorporates all three elements at every stage of life, adapted to your real world.

Value Creation includes earning money for income, earning money for pleasure or to create a beautiful world, investing money, and managing your nest egg. They all overlap across your years.

Lifelong Learning might include formal education as a young adult, along with building skills, knowledge, and wisdom across all fields in an ever-changing world.

Deliberate Recreation has its own section next, and is all about loving life in ways that are good for you across your years.

Take a few minutes to think about generations past, present, and future. What was life like for your great-grandparents when they were in their 60s? How do you think school and work will look for your grandchildren? Where is your life as a bridge between these worlds?

On Deliberate Recreation: Loving life in ways that are good for you

How do you make the most money, and make the most *of* your money? One important answer doesn't sound very financial: by being deliberate and wise in choosing your leisure activities.

Think about it. Take two employees of the same age and tenure, who can generate the same number of TPS reports [shameless 1999 *Office Space* movie reference] in a given day. Who do you think will have more windows in their office in ten years *and* be more satisfied with how their money is spent: the employee who is physically well, enjoys engaging hobbies with admirable friends, learns things for fun, and networks with others to make the world a better place... or the employee whose only leisure activity is to passively sit alone in front of a screen?

Enjoy dozing in a hammock, taking in a ball game, or getting lost in a story simply for its pleasure. Also aim toward a 'sweet spot' where many of the things we do for fun are also beneficial in some way. They may leave you smarter, healthier, or stronger. They may build a better community or a better world.

Enjoy the family and friends who are part of your life. Also recognize that your network influences the choices you have and the choices you make. These people become your spouse, family, coworkers and business partners, your kids' friends, and more. They become your counsel, your inspiration, your partners in crime for adventure, your reserve capacity in your times of need, and your obligation in their times of need. As Tom says: "If your life isn't surrounded by people who exemplify both your values and your vision for your future, find 'em and join 'em."

These are controllable factors that can leverage your earning and spending, or erode them.

For a useful explanation of marginal gain theory and how changes compound across topics over time, read James Clear's excellent book *Atomic Habits*.

Leveraging for you

> **People don't want to buy a quarter-inch drill.**
> **They want a quarter-inch hole!**

Theodore Levitt, Harvard Business School marketing professor

Your need isn't the goods or services you purchase; your need is the underlying value, like safety or wellness or community. You adjust levers of time, energy, and money to honor or pursue that value. Your need is only met indirectly by your application, which may not be the only way to meet that need.

Most people don't need to play tennis. But you may find tennis to be an efficient tool to meet your need for exercise, fresh air, social time, recreation, mind/body connection, a break, and more… rather than finding several hours to do each separately.

Be watchful for opportunities to meet several needs with the same dollar or hour.

One underutilized tool is subtraction. Activities cost both money and time. Then they can nudge us to spend other money and time because we need to save money and time so we can spend money and time. One silver lining of 2020-2021 is that it forced a pause on many of our activities and created space to see life without what had become routine. Be mindful of whether your activities and actions continue to serve their intended purpose.

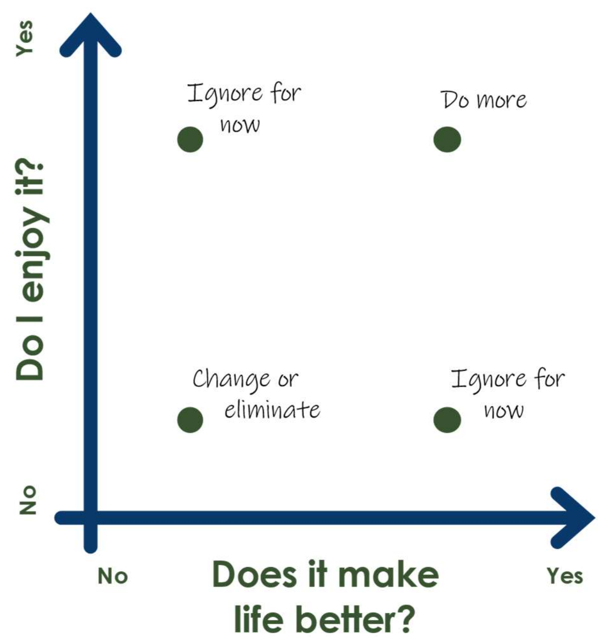
Apply a two-point test for the things that touch your time (hobbies, groups & committees, volunteering, social events, shows and media, and even friends): If it meets neither test (those city committee meetings that you dread and are doomed to go nowhere), make it go away. If it meets both (that engaging discussion group that you love attending and learning from), do more like it. If it meets just one... ignore it for now and change it later if it doesn't evolve or go away due to your more deliberate focus.

1. **Does it make life better?**

   This can mean whatever you want it to mean; smarter, healthier, earning money, learning skill, spiritual exploration, nurturing relationships, making the world a better place; it's up to you.

2. **Do I enjoy it?**

   Just because something is considered a leisure activity or you once enjoyed it, it doesn't mean you actually derive pleasure from it today.



Leveraging for the world you want to live in

While 'analysis paralysis' can kick in when we're acting as consumers, there are even more layers when we act as stewards. We have finite time, energy, and money to apply to the seemingly-infinite needs of the local and world communities we value. Effective Altruism means different things to different people, but make sure you're using the right tool for the job:

- Another part of playing the long game with Deliberate Recreation is in volunteering in an area of concern or leading in your hobby. It's an opportunity to see an organizational style and use technological tools that are different from your workplace, and a low-risk arena to practice communicating, coordinating, leading, listening, and technical skills that you may be looking to build for your next career step.
  - Manual activity volunteering can be fun, whether packing food boxes or digging wells, but it is an underutilization of your skill stack and may be taking away an opportunity for an unskilled worker to earn a paycheck.
  - Consider instead focusing on volunteering where you add unique value, whether it's coaching or tutoring in your area of expertise, providing behind-the-scenes office or tech work, or leading and inspiring other volunteers.
  - View entry-level volunteering as a tool for building your habit of contributing to the world during life stages when cash flow is tight, and as an introduction to a community.
- You may be overwhelmed by the many causes worthy of your financial contribution.
  - Nurture healthy communities through mindful spending choices, both for your essential needs and your recreation.
  - Consider making larger donations to fewer organizations each year, rather than smaller donations to a larger number of organizations. You can even have a list of your top ten, and rotate through two each year.
  - Watch for opportunities to have your gift matched, either through your employer or through campaigns advertised by the organization.
- Consider the concept of *80,000 Hours* (or read about it), which explores meaningful careers from many angles, including the option of working a low-paying job in your area of care versus working a high-paying job in your area of strength and radically donating money impactfully to your area of care.
- Not all needs are connected to a 501(c)3 or organization. You may know a family or individual who would themselves leverage support from you, whether it's in the form of backup childcare, your knowledge of which way to turn a wrench, or grocery money.
- While organizations need long-term supporters who consistently build and pass on institutional knowledge through their service, also consistently re-examine to make sure your investment is both serving the world and serving you. Is the organization appropriately effective for its stage? Is your contribution making a difference? Despite the effort, are you learning, stretching, or growing?

Conclusion:
It’s Your Story. Take it from here.

Money has no inherent value. It’s a tool we use to support our values and vision.

This page is mostly blank so you can write a few words or sketch some images that come to mind with these questions:

1. What’s your story of the past ten years?

2. What do you want your story to be for the next ten years?

A clear vision of your design for your future, coupled with effective real-time, real-life financial choices, will write the story you want to read.

Other Stories: Curated reading

It may seem that consuming books and talks about finance is the best way to understand your finances. It may not be. Instead, read books about how we come to decisions and actions, and how they compound for better or worse, like:

Atomic Habits; Tiny Changes, Remarkable Results, by James Clear

One of my two top-recommended books. The author says it best: "Atomic Habits is the most comprehensive and practical guide on how to create good habits, break bad ones, and get 1 percent better every day. I do not believe you will find a more actionable book on the subject of habits and improvement. If you're having trouble changing your habits, the problem isn't you. The problem is your system."

Dedicated: The Case for Commitment in an Age of Infinite Browsing, by Pete Davis

My other top-recommended book; the author goes far beyond 'kids these days' to explore the influences behind liquid modernity, advocating for doing the work to build the systems our communities need.

80,000 Hours: Find a Fulfilling Career that Does Good, by Benjamin Todd

Written under the Effective Ventures Foundation and connected with Effective Altruism, this book explores meaningful careers from many angles, including the option of working a low-paying job in your area of care versus working a high-paying job in your area of strength and radically donating money impactfully to your area of care.

Predictably Irrational: The Hidden Force that Shape Our World, by Dan Ariely

Dan has written several books on behavioral economics. Choose one that appeals to you.

Thinking, Fast and Slow, by Daniel Kahneman

If you enjoyed Ariely's work and want to tackle something heavier, this tome is the seminal work on System 1 (fast) and System 2 (slow) thinking.

Upstream: The Quest to Solve Problems Before They Happen, by Dan Heath

We build systems to fix problems rather than to prevent them. Dan acknowledges that we might have to let some current problems go unsolved to create capacity to prevent many more.

Subtract: The Untapped Science of Less, by Leidy Klotz

There's no limit to our options for spending time, energy, and money. We're driven to do more, and we pile solutions on top of problems. Leidy reminds us that the overlooked tool of subtracting can solve problems better than adding.

4,000 Weeks: Time Management for Mortals, by Oliver Burkeman

"The real measure of any time management technique is whether or not it helps you neglect the right thing." Oliver embraces the question of whether time is something we have or something we are. And turns frenetic time management on its head.

You may expect that consuming 'the news' is the best way to understand the world and how we fit in it. But reading the hottest headlines of the day and clicking the most prominent links may lead us away from what is both relevant and accurate. Instead, read books and other curated information about people, places, and events, like:

Factfulness: Ten Reasons We're Wrong About the World – and Why Things Are Better Than You Think, by Hans Rosling

Rosling shows us that decisionmakers around the world are taking actions based on outdated and flat-out wrong statistics of topics like poverty, education, and families. The Gapminder.org website is chock-full of valuable resources for a fact-based worldview.

10 Global Trends Every Smart Person Should Know: and Many Others You Will Find Interesting, by Ronald Bailey and Marian L. Tupy

Go beyond 'If it bleeds, it leads' criteria for seeing the world today, and revel in current data about the positive trends happening in our world.

In general, reading history will help you understand today's world better than reading the news. History also provides perspective about today's lifestyle compared to other times and places (rather than compared to someone on TikTok or next door) and help distinguish the timeless from the changed.

Try biographies, microhistories (a book written for a popular audience about a narrow topic, like salt, filing cabinets, or swear words), or accurate historical fiction.

Curate your online reading list by reading a few high-quality longform articles rather than a large quantity of short articles.

If you've made it this far, you've trusted our recommendation to invest your time and energy in reading this budgeting guide that is more about real-life human behavior than the common concepts that could be written by any artificial intelligence generator. Thank you.

Our intent is to inspire the lifelong learner in you, and practically equip you to connect your vision to your life.

You are invited to email us at Service@SullivanFinancialAdvisors.com with your questions and comments. We'll do our best to respond.

Enjoy your journey!

Our Story

Thomas L Sullivan Financial Advisors is a fee-only firm in the business of helping our clients get and keep their financial act together so that they are free to pursue fantastic lives. When the bumps of real life happen, we lean into our advisor-client relationship to clarify and prioritize.

Thomas L. Sullivan

Tom Sullivan started building his practice in 1974. He's always been driven by two ideas: 1) helping folks make good financial decisions that serve their life goals, and 2) protecting them from that part of the financial word that seems to be constantly trying to separate them from their own money.

He can often be found with a musical instrument in his hands and a genealogy document in his mind.

Kelly J. Sullivan Noah

Kelly Sullivan Noah joined her father's practice in 2005, bringing knowledge and experience from the 'real worlds' of corporate accounting and volunteer training and rescue. She is a CERTIFIED FINANCIAL PLANNER™ professional and holds a family financial planning graduate degree.

She can often be found homeschooling her sons, and bringing lessons learned throughout life to clients, parents, and kids.

Appendix

Blank Copies of Exercises

Infinite options, finite resources

Here's a grid of 168 squares – 24x7. Grab a pencil, and shade in sections to account for the number of hours you spend in a typical week on any 10 time-consuming activities. Don't think too hard about it, or worry about it being perfect.

Activity 1	Activity 2	Activity 3	Activity 4	Activity 5	Activity 6	Activity 7	Activity 8	Activity 9	Activity 10

Take note of how simple it was to hold a week's time in your head. The math was simple to estimate how much time you sleep or work. We plan to make your cash flow that easy to envision.

Purpose: Why are we here?

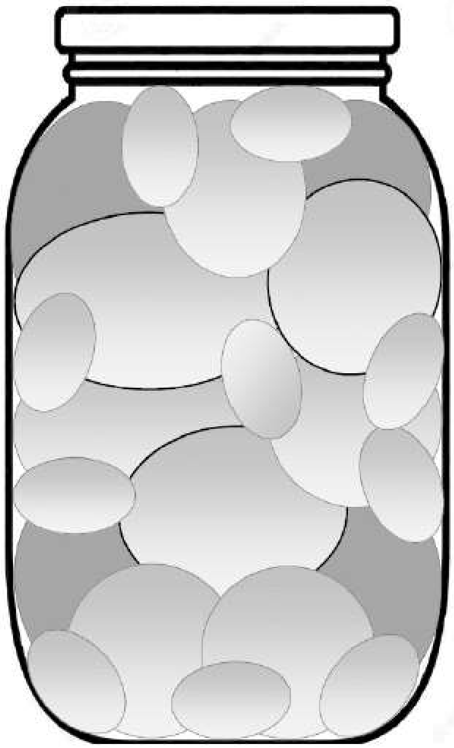
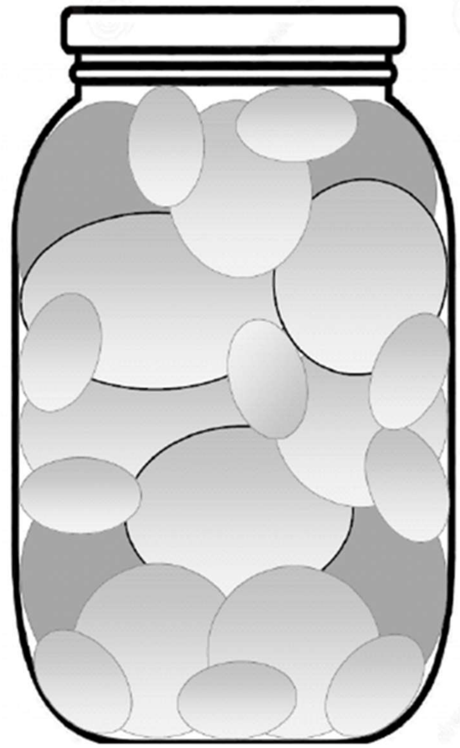
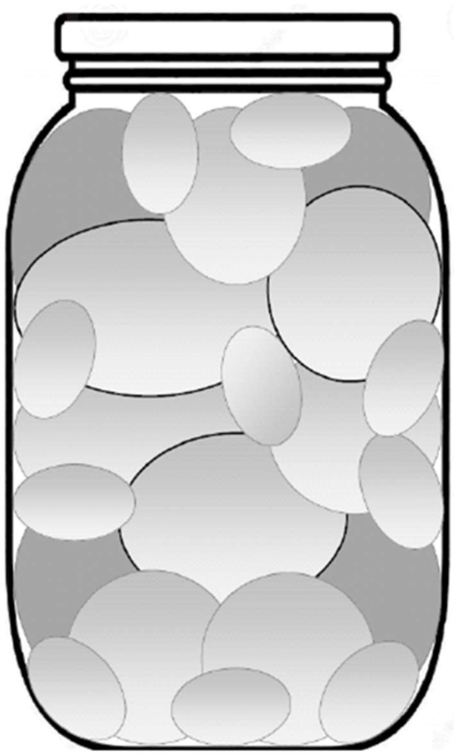
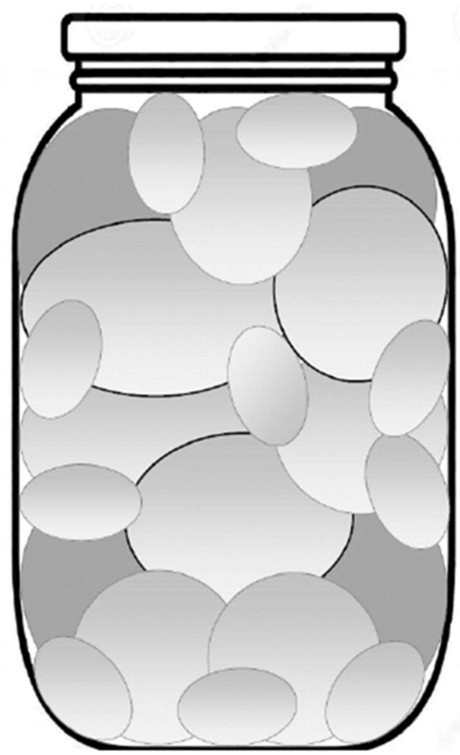
List 10 things (any ten things: health, family, music, community) that are important to you. They don't have to be the 10 *most important* things.

1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Your Six-Month Cash Flow History

	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6
Your Money Out						
Debt Commitments						
Credit Card Payment						
Loans (student, overdraft, etc.)						
Installment/Afterpay						
Home Bills						
Mortgage/Rent						
Electricity/Gas						
Garbage/Water						
Security						
Other						
Connectivity Bills						
Phone						
Internet/Cable						
Streaming Services						
Transportation						
Loan/Lease Payments						
Car Insurance/Maintenance						
Car Gas						
Rideshare/Transit/Parking						
Other Bills						
Insurances (Healthcare, etc.)						
Memberships/Subscriptions						
Childcare						
Daily Life						
Groceries						
Restaurants/Food Delivery						
Household Goods						
Entertainment						
Sports/Recreation						
Other						
Everything Else						
Gym/Self-Care						
Clothing/Hair/Beauty						
Furniture/Home Projects						
Vacations						
Kid Costs						
Pet Costs						
Gifts/Charity/Tithing						
PayPal/Venmo						
Cash Withdrawals						
Other						
For Future Use						
Transfer to Investments						
Transfer to Savings						
Other						
TOTAL EXPENSES	$	$	$	$	$	$
Your Money In						
Salary/Salaries						
Transfer from Savings						
Other						
TOTAL INCOME	$	$	$	$	$	$
Summary						
Total Expenses	$	$	$	$	$	$
Total Income	$	$	$	$	$	$
YOUR DIFFERENCE	$	$	$	$	$	$

Rocks and sand

Life moves pretty fast

Start with the year and your ages ten years from now. Fill in who you're caring for and who is caring for you (kids, aging grandparents, each other), where you're eating lunch during the week (where you're working, serving, or playing), where you're sleeping at night (where you're living), and what fun looks like (recreation, life's pleasures, community, etc.).

Then complete the next line for 20 years from now. Then 30, 40, and as far out as you can. See where it takes you.

	Who are we caring for? / Who is caring for us?	**Where do we eat lunch?**	**Where do we sleep at night?**	**What does fun look like?**
Year 20__ **Ages: ___ & ___**				
Year 20__ **Ages: ___ & ___**				
Year 20__ **Ages: ___ & ___**				
Year 20__ **Ages: ___ & ___**				
Year 20__ **Ages: ___ & ___**				

Twelve coins

First, simply weigh your four buckets in relation to each other. Imagine that you have 12 gold coins. Allocate those coins to reflect the importance to you of these four areas:

My Future Self's options: __________

Today's lifestyle infrastructure (home, transportation, services & memberships): __________

Today's daily living (eating, shopping): __________

Upcoming big-ticket purchases: __________

= 12 Coins

Second, translate that weighting to the scale of your income. Look back at your Six-Month Cash Flow History and find the Total Income line near the bottom. Write the lowest amount of the six months (if there's a truly unusually-small month, use the average), rounded to the nearest hundred, here:

$__________ Monthly income

Third, stay in that same theoretical mindset that you used with the 12 coins. Divide your monthly income across the four categories in the same proportions as you divided the 12 coins, but translated into real dollars.

My Future Self's options: $____________

Today's lifestyle infrastructure: $____________

Today's daily life: $____________

Upcoming big-ticket purchases: $____________

= $ Monthly income

Your Spending Map

Monthly Income

Amount	Source
$	
$	
$	
$	
$	**Total Monthly Inflow**

Financial Independence or Dedicated Savings

	Amount
	$
	$
Total	$

Fixed Monthly Bills

Item	Amount
	$
	$
	$
	$
	$
	$
	$
	$
	$
	$
Total	$

Deferred Spending

Item	Amount
	$
	$
	$
	$
Total	$

Weekly Cash

Week	Amount
1	$
2	$
3	$
4	$
Total	$

$	**Total Monthly Outflow** *Can't exceed Total Monthly Inflow*

Your Monthly Preview

Month

Starting Balance **$**

	Deposits	To Financial Independence	Fixed Monthly Payments	To Deferred Spending	Cash Withdrawals	Projected Balance
1						$
2						$
3						$
4						$
5						$
6						$
7						$
8						$
9						$
10						$
11						$
12						$
13						$
14						$
15						$
16						$
17						$
18						$
19						$
20						$
21						$
22						$
23						$
24						$
25						$
26						$
27						$
28						$
29						$
30						$
31						$
	Your Money In	Your Money Out				Your Balance

Notes

Notes

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