

Lesson 12

Actually, You CAN Get There From Here

You don't get many near 100% guarantees in this life, but I'll give you one today. This guarantee is based on the information we've discussed in the last three lessons. Here it is - barring any financial catastrophe - if you will earnestly and accurately establish a budget and make your spending decisions based on the information the budget provides, you will experience a dramatic change in your financial situation. You will begin to see your giving and savings increase. You will begin to see debt reduce. And, overall, the day-to-day stress caused by money issues will decrease drastically. Additionally, your score on the Financial Condition and Stress Meter will rapidly begin moving toward the green.



As good as the previous paragraph's guarantee is, some of you are in the middle of a financial situation that seems hopeless. You understand the concept of a budget, but you are barely making ends meet. You have no savings, and you're having trouble making it to the next paycheck. The thought of having enough money to budget for an entire month is a pipe dream. If that describes your situation or the situation of someone you know, this lesson is for you. And, you are not alone. There may very well be others in your group who are in very similar circumstances. The good news: there is hope!

The process I will describe in this lesson is the answer to the question: "How can I avoid living pay check-to-paycheck?" It provides the techniques to dig your way out of a financial hole. In reality, it can and should be used by anyone who is working toward Milestone 5 (building savings to one month's living expenses). To play on the lesson's title, it outlines how you can get there from here.

We will use the Getting There Worksheet (GTW) on page A-5 as the tool for the process. This is another worksheet which has been adapted to Excel. Review the worksheet and become familiar with the format. A small version of the worksheet is provided below for the illustration. The left column is your target budget - the maximum amount you plan to spend in each category once you have dug yourself out of the hole. Columns numbered 1 through 12 are designated for "Income cycles" (explained during this lesson). There is no significance to the number of columns; 12 fit conveniently on the page. On the row

Getting There Worksheet													
Target Budget	Income Cycle	1	2	3	4	5	6	7	8	9	10	11	12
		Date											
	Balance Forward												
	Received												
	New Balance												
	Housing												
	Grocery/Superstore												
	Transportation												
	Eating Out												
	Fun												
	Clothing												
	Kids												
	Insurance												
	Medical												
	Miscellaneous												
	Debts												
	Total												
	Balance												



titled “Received” under each income cycle column you will record your Usable Income (UI) on the day it is received from any source (paycheck, rebate, gift, social security payment, commission check, etc). The “Received” amount is added to the “Balance Forward” amount to create a “New Balance” for the income cycle. **Note:** the “Balance Forward” entry under column 1 is your starting balance, i.e. the amount of money that is on hand (in your wallet/purse, checking account, in the dresser drawer, etc.). In other words, it is the total amount of money you have accessible to spend when you start this process.

To improve the process’s efficiency, maximize your Available Income (AI). The first step, if possible, is to reduce your tax withholdings (or estimated tax payments) to the minimum. Your end of year tax goal is to break even with Uncle Sam. A tax refund allows the government to use your money tax free during the course of the year. **It is much more efficient for you to use it each month.** You may also want to stop **temporarily** any 401K contributions. The larger the amount of Available Income, of course, will increase the amount of your Usable Income.

To better understand this process refer to the illustration below (a portion of a GTW). Your target (desired) budget is in the left hand column. In this example, the target budget totals \$4000. But, you are living paycheck to paycheck and you have \$63 to your name (Column 1, balance forward amount). On March 2nd you receive a paycheck - your UI from that paycheck is \$2000. The new balance for Income Cycle 1 is \$2063.

Now comes the interesting part. For Income Cycle 1, **you will limit your spending to the absolute, bare bone, essentials - no fun, no frills.** You make whatever house or car payments that are due; you pay utilities; you buy basic groceries; you make minimum payments to credit cards or loans that are required to avoid late fees, etc. You do not spend one penny that is not absolutely necessary until the next income cycle begins. The balance at the end of Income Cycle 1 is \$78. That amount is recorded as “Balance Forward” at the top of column 2. A new cycle begins when you receive some form of income - in this illustration \$600. You discipline yourself to the same limitations for this cycle - absolutely no spending on anything that is not essential. Notice at the end of cycle 2 the balance is \$293. You continue the process to the next cycle, etc. Again, notice that the balance at the end of each cycle is increasing.

Getting There Worksheet					
Target Budget	Income Cycle	1	2	3	4
	Date	2-Mar	10-Mar	17-Mar	23-Mar
	Balance Forward	\$63	\$78	\$293	\$543
	Received	\$2,000	\$600	\$2,000	
	New Balance	\$2,063	\$678	\$2,293	E
1320	Housing	\$950	\$65	\$925	T
600	Grocery/Superstore	\$275	\$145	\$225	C
560	Transportation	\$395	\$75	\$295	E
120	Eating Out				T
120	Fun				E
160	Clothing				R
200	Kids		\$20	\$35	A
200	Insurance	\$150		\$75	
320	Medical	\$40	\$25	\$95	
200	Miscellaneous		\$5		
200	Debts	\$175	\$50	\$100	
4000	Total	\$1,985	\$385	\$1,750	
	Balance	\$78	\$293	\$543	

Please note: I am assuming that you are receiving enough income to meet your basic, essential expenses. If you are not, then income must increase or life conditions must change – there is no alternative. Therefore, assuming that you have sufficient income to meet the essentials, **the balance at the end of each income cycle will increase!** It must increase because you are only funding the basics. As you continue this process, the balance will increase, and you will be able to direct at least \$1000 to savings to meet Milestone 3. Eventually, the balance will grow to equal your target budget amount, in this illustration \$4000. At that point there will be sufficient money available to fully fund your next month’s budget, and you will have broken the pay check to pay check cycle.



I will be the first one to admit that going through this process is painful.

It will require discipline; it will require saying “no” to yourself and to your kids, when you don’t want to say “no”.

This process is no fun. But, I cannot overstate the amount of stress reduction you will experience as you move through the cycles and the weeks. As you see progress being made, you will get to the point where you can finally “exhale” and have some breathing room.

The sacrifices that you and your family make during the process are far outweighed by the stress reduction and freedom gained when you have broken the paycheck to paycheck cycle.

Let’s consider some factors that are relevant to this process and will help answer your question, “How long will this take?” In last week’s Lesson 8 you computed your Minimum Required Expenses (MRE). That amount should not exceed your basic essential expenses by much. So refine your MRE to help you determine the absolute essentials. You should be able to accurately estimate your housing, utilities, groceries, minimum credit card payments and other essentials. Yes, there will be the occasional surprise, but those surprises should be minimal. Since you should know both the amount and the frequency of your projected UI and can accurately project your essential expenses, you should be able to use the GTW to estimate the number of income cycles it will take for you to reach Milestone 3 and ultimately, to dig yourself out of the hole. **The calculations are easy; the more difficult part is the commitment and determination necessary to follow the process.** There will be temptations along the way. But, if you are faithful to the process, you will experience a satisfaction that is indescribable, and you will be well on your way to taking control of your financial life.





REFLECTION: What do you think will be the most difficult aspect of the “Getting There” process? What are some ways you can minimize the difficulties? If you already have sufficient savings to fully fund your budget month, do you know of others who could benefit from this process? Is there a way you could encourage them to get started? Identify and prepare to discuss with your group the statement or concept that was most meaningful to you in this lesson. **Record your thoughts:**



RUN WITH IT

ACTION STEP: If the Getting There Worksheet (GTW) is applicable to your current situation, begin using it today. Use a second copy to estimate the number of cycles required to generate a balance that would equal your monthly target budget goal. Ask for prayer support to help you maintain the necessary discipline to complete the process. If you already have enough savings to fund your monthly budget, consider using the same process for a particular problem area. Continue to develop your budget, if you have not yet completed it and continue tracking your daily expenses using the

spending areas listed on page A-4.

