Lesson 20

It's a Family Thing

Over the last 19 lessons we have discussed the principles and practices of managing our day to day finances. Most of us don't operate our daily lives in isolation. Many of us are married and have kids, and in some cases those kids have kids. Our financial lives are impacted by all of those other people, and that fact alone makes managing much more complicated.

In this lesson, we'll deal with the challenges the other people in our life can present and the techniques to minimize the stress of those challenges.

I have been married much longer than I was single. The techniques to deal successfully with money in a marriage relationship are fresh on my mind, so we'll deal with them first. You may have noticed that men and women are different – I have. We're very different especially when it comes to dealing with money. Larry Burkett said in his audio tape entitled "Honey Let's Talk", that if a man and woman should come to the realization that they are alike in every single way, then one of them is unnecessary! He meant that jokingly, but there is a lot of truth to it. God put the husband and wife together to compliment each other. I have strengths in areas where Judi has weaknesses; on the other hand, she is much more capable in areas where I have severe shortcomings. Remember, the Word said "and the two shall become one" – God's purpose is for the two to come together to make a stronger "one" than if they operated individually.

Larry also points out in his tape that we need to recognize the differences which the man and the woman bring to the financial management table. I will make some generalizations in the next several sentences, and there are exceptions, but very few exceptions. First, the man looks at money from a long range, macro and freedom perspective. He is thinking about the future and about his "master plan"; he's thinking that if he has money in the bank, he'll be able to do what he wants and when he wants. The lady, on the other hand, is typically looking at money from a short term and security perspective. If there is money in the bank, she feels good about it because the home is secure, she can provide for the kids and she can relax a bit because the bills are being paid. You and I must understand the differences. If I am up in my "nether land" and totally oblivious to my wife's concerns about the daily finances, it creates conflict. Likewise, if she is stressing about clothing the kids and thinks I don't understand where she's coming from, it creates conflict. **Based on every survey that I have ever seen, the number one cause of marital conflict is money.** If we can eliminate the number one cause of conflict, it will go a long way in preserving our marriages. How do we do that? First, **we recognize and accept that men and women are wired differently** and sometimes those differences are magnified in discussing and managing money. Next, we employ techniques to minimize the conflicts. We will explore a few of those now.

The order in which these techniques are discussed does not indicate a priority, but we'll start with assigning an "accountant". **Either the husband or the wife should take the lead as the accountant in the family. That role should default to the person who has the skill set to develop and monitor the monthly budget.** However, both husband and wife participate in the process. One doesn't totally abdicate all of the duties to the other. The accountant establishes the budget in consultation with the other spouse. They jointly determine the amount of allocation for each area of spending. The accountant monitors the spending during the month. At some point during the month (I recommend about mid-month), the accountant updates the spouse on where they stand in each spending area. This usually requires less than 15 minutes. By the way, this doesn't occur on the "date night". This is a separate brief discussion to keep the husband and wife on the same page. If available funds need to be reallocated, both spouses are involved in the process. **Think about what happens when this type of process is implemented. Spouses start having normal conversations about a subject that frequently results in tension. Both are seeing the same numbers. They are literally on the same page, and they start speaking the same language. Both are participating.** For example, in our family, I'm the accountant, but Judi enters most of the receipts in the computer, which takes some of the workload off me. We both know where we stand at anytime during the month.

Another technique that can have a tremendous impact on reducing the contentious discussions about money in a marriage is the "his" and "her" miscellaneous account. We will use Don and Laura as our examples. Don likes to play golf, and Laura likes to shop. This process requires that the two of them discuss and arrive at an amount of money that can be designated for discretionary miscellaneous spending. They then divide the amount evenly, and create a "Don miscellaneous account" and a "Laura miscellaneous account" (these are not separate bank accounts, just a paper or computer allocation). **The rule for operating the accounts is simple. Both Don and Laura agree that either of them can do whatever they choose with the money in their respective account, and they will not hold the other person accountable.** For example, Laura can buy the 47th pair of shoes to add to her huge shoe collection, and Don is fine with that, because they agreed on the front end that it is her discretionary account. On the other hand, Don can buy the new putter to replace the "new" one he bought the week before, and that's okay with Laura for the same reason. This is a simple technique, but think of the impact on the marriage. If handled properly, the "his" and "her" accounts will absolutely stop the "don't you have enough of those?" or "do you always need to be spending money like that?" type of questions. It will reduce the contentious discussions in a marriage to almost zero! **My wife and I have used this technique for years, and it has practically eliminated any disagreement over how money is spent in our household.** The keys are agreeing on an amount that is fair, and then disciplining the tongue when the temptation arises to make a comment.

Still another technique is using what many refer to as the "envelope method". The type of container is not important, but the principle is as valid today as it has been for over a hundred years. **This technique is especially helpful with the problem areas of spending.** Referring to the spending areas in our budget, the ones that generally cause the most problems are grocery/supercenter, eating out, fun, kids and miscellaneous. Let's use the "Eating Out" spending area as the example. We'll refer to Don and Laura again because they have 3 kids below the age of 12. Laura is the accountant for the family finances because she has the skill set. **She has determined, and Don has agreed, that their budget will support $125 per month for eating out. Laura also knows that the family has a discipline problem in this area, and they are frequently exceeding their $125 limit. So she takes a legal size envelope, writes "eating out" in big letters on the front and places $125 in cash into the envelope at the beginning of the month.** The family eats out the first weekend. Laura takes the cash with her, pays the check for the fast food and returns the remainder of the $125 to the envelope. They continue that process throughout the month. Near the end of the month, the youngest child says, "Let's eat out". Laura brings the family together, opens the eating out envelope and holds up for everyone to see the $3.17 left in the envelope. She then says, "Okay, we can go eat out. We'll buy a $3 hamburger and slice it into five pieces and enjoy our dinner out. Or, we can stay at home tonight for dinner and pop some popcorn and watch a movie. Which would you prefer?" Here is the obvious key point: Don and Laura made the decision to limit their eating out expenses to $125 per month. If the money is available, they spend it; if it's not available, they don't.

This very simple, visual technique keeps them from spending more than they want to spend, and it helps the kids see why the decision is being made not to eat out. It works; use it.

Let's shift gears and discuss the kids for a moment. Those of us who have, or are currently raising kids know that they have a huge impact on our monthly finances, not to mention future expenses. The earlier they get a grasp of how family finances work, the sooner they can help with solutions rather than be a source of problems. When I was growing up, my parents would say things like, "You know money doesn't grown on trees." Today, we would have to modify that by saying, "You know money doesn't continue to come out of that wall." Kids see the dollars jump out of the ATM slot and think it is an endless source of money. Depending on their age, your kids don't need to know exactly how much income is being produced. But they do need a sense that there is a plan in place and that there is not an infinite amount of money to

provide for their every want. A technique that Judi and I used, and I recommend for you, is a variation of the envelope system we just discussed. A good age to implement this technique is about 10 to 12, depending on the maturity of the child. Some children under 10 may be able to use this approach, that's your decision as the parent.

You make the decision as to how much the child needs on a monthly basis. The funds can be in the form of an allowance, or a combination of an allowance and money earned from doing special chores. (Some chores should be accomplished for the privilege of living in the house, so I don't recommend paying a child for every routine chore that is done.) Regardless of the source of the money, you set up an "account" for the child to manage. It might be cash as in the envelope system, or it may be a separate account at the bank. In our case, each child had an ATM card and had a monthly limit on withdrawals.

The rules are simple: at the beginning of the month an amount will be deposited in the account. The child can spend it on day one, or they can spread out the spending over the month. But, the well is dry when the balance drops to zero. It will be senseless going to mom or dad asking for additional money until the beginning of the next month. This is a wonderful learning experience for the child. They can begin to understand what mom and dad are dealing with each month. It is important for the parent not to bail the kid out when a poor decision is made.

When we used this technique, we explained that we would provide for our children's needs (food, clothes, school expenses, etc.). But if they wanted the designer jeans instead of the generic, they paid the difference. If they went to get a snack after school with friends, that was on them. They paid for the birthday gifts for friends (with a few exceptions), etc. We provided the needs, they funded their wants. They understood that "payday" occurred at the same time each month, and advances on pay was not part of the process. This process stopped cold, the requests that parents hear all of the time, "Hey, Dad I need 10 bucks" or "Hey, Mom we're going down to so and so, do you have 15 bucks?"

It works; use it.

We have talked about couples and kids, but what about the singles?

Are there techniques that will help the single person?

I have brainstormed this subject with a lot of singles and the best technique boils down to this: multiply yourself. The couple has a built in sounding board – the other spouse. The couple often has two incomes and can share expenses. The single, of course, is limited in those areas, so look for ways to overcome those limitations. Find an accountability partner – someone you can trust who will be honest and objective with you. Ask him or her to evaluate your budget to see if they see areas for improvement. Look for people with whom you can partner to share expenses in housing (roommate, subletting), in transportation (carpooling, cost sharing), and in household expenses (buying in bulk at warehouse clubs). Get creative and look around for any and every way to join with someone else to make your individual expenses less than they would be by going it alone.

REFLECTION: Think about the situations that create the most tension and communication problems for you in your daily finances. What techniques discussed in this lesson would have the greatest impact on minimizing those problems? If you are married, think about the different ways you and your spouse deal with money issues. Pray and ask the Lord to help you understand and accept those differences. Record your thoughts:

ACTION STEP: If you are married and haven't already, designate the "accountant" for your household finances. Define the specific role for each family member. If you are single, find an accountability partner. Regardless of your marital status, try using the envelope system at least for one month for your biggest problem area. Continue to track your daily expenses. Please note: the envelope system will eliminate the need to track expenses for that spending area. The process itself does that for you.

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