

REAL MONEY
Rob Rikoon

Feb 04

Budgeting: A Matter of Life and Health

When my daughter turns eighteen, her life will change. Not only will she be eligible to vote but perhaps someday she may even be drafted into our nation's armed forces. Certainly, she will have to begin paying attention to money. Taking personal responsibility for our financial life is probably the most important sign that we have become adults, and so there is a kind of de facto rite of passage that we seem to have in our culture, where achievements and feelings of self worth are linked with our monetary positions.

Whether you agree with this or not, there is no doubt that we are judged and we judge others, indeed we also judge ourselves not so much by the quality of our interactions with others, as by the size of our bank and brokerage accounts. It is this standard of well-being that lets us feel we truly are OK, and that we will indeed be all right in the future.

Our physical, mental, artistic and spiritual skills are of interest to others in passing moments, and they may be a better source of a deeper and more long lasting happiness than money, but without the acknowledgement of financial success, however relative those terms may be to different people, we all do judge our lives in part based on the amount of fiscal security we have achieved through our own effort.

At the ripe age of eighteen, my little girl will no longer have a curfew or be told to eat her peas and carrots. She can go away for as many days as she likes and not even inform us who she is with. Her body may be pierced, tattooed, hair emblazoned in as many hues as she cares or dares to carry around with her. In exchange for this freedom, her entire financial life is going to be reduced to one simple document: a checkbook.

The time will have passed when she will be able to run to Mom, well out of Dad's earshot, and plead that school or dance or any other recreational pursuit requires her to do this or have that. When her friends go hither and yonder, if she has not enough money left out of her monthly allotment given to her on the first, she will have to stay home.

It is a frightening prospect, filled with the possibility of wrath and resentment. Like training a puppy to go outside by rubbing its nose in you know what, or letting a baby cry itself to sleep so that it learns how to self mollify, turning off the parental money spigot is a necessary step to giving young adults a sense of how hard it is to make one's way in the world. My wife and I agree that we owe it to our daughters to give them the opportunity to gain the ability to make ends meet in their own way, using their own power.

There are many adults who have never achieved a basic level of self awareness about how much money they spend and they constantly have anxiety about their financial well-being. The amount of money one has is totally irrelevant in this matter. The oft repeated

complaint about not having enough money is mostly a misstatement of the underlying perplexity about not knowing how much money is enough.

Measuring one's spending is so simple a task that it almost requires no explanation. Write down everything and then add it up. If you want to be fancy, write down different kinds of spending on different pages of a notebook. Three rules: Don't cheat, don't forget, and don't wait! Simple does not mean it is easy.

Have you ever tried to track your spending and then quit before completing the accounting? Or, have you ever said to yourself, "gee whiz, I want to do this, I need to do this but not right now?" If either of these two common responses has happened to you, it means there is something deep going on, and for people in this group I highly recommend you see Fred Brown's excellent website, www.MoneyAndSpirit.com. For a motivational injection on why budgeting might just be the most important exercise you can do, read the book "*Your money or your Life*". To have a taste of how good it feels to know where you stand in you financial life, keep a notebook with you at all times and write down every single dime you spend for a short time, say one month. It is hard but you will feel oh so good!

Our daughter's budget is modest by some standards, generous by others. That she has one at all is a blessing which stretches back generations, as my father's father provided him with one so he could go to law school at night. She may choose to go to a formal school or not, we really don't care. The world is a complicated place and young people will likely change careers several times during their life, either through choice or necessity, so challenging herself and learning how to take care of herself in more or less demanding situations is all we ask.

We know that spending money on travel, gifts, entertainment, and personal care could easily consume most of her allowance. There is no way she will live as well as she has in the past. For all of us, thinking about what we have available to spend and whether it is worth the tradeoff of not having enough money left over for later unknowns before we buy something is almost as hard as thinking before we speak. This is for good reason, as our culture is dominated by encouragement to spend first and pay later, if at all.

A common result of spending without thinking about one's budget is an out of control financial life and therefore a personal life that is insecure. What we want most for our daughter is for her to be in control of her own life. We do not want her to have to make choices out of fear of financial failure or avoidance of her money reality.

There is no better teacher than encountering reality but many of us try to shield our progeny or ourselves from the hard fact that we often spend more than we earn. I am always reminded of the matching cartoons I used to see in my dad's office. One showed a smiling, happy-go-lucky character dancing a jig surrounded by good things and the other was a morose, slumped over disheveled ragamuffin. Above the beaming face of one was captioned "Paid cash". Over the other poor soul were the words, "Bought on

Credit". It's your choice whether to subject yourself or your family to the rigors of living within a budget. I highly recommend it.

Rob Rikoon is a financial counselor and C.E.O. of Rikoon-Carret Investment Advisors located at 510 Don Gaspar. He can be reached at rrikoon@aol.com or at 989-3581.