

PRIORITIES AND MONEY

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Setting priorities in spending can often make a big difference in your ability to save money. Typically people go out and simply spend their discretionary money on whatever looks like it would be nice to have. Discretionary money is the money you have available after paying your overhead which includes your rent or mortgage, basic food & utilities, basic insurance and basic clothing.

I want to make a distinction between basic items and total spending on an item. Take food as an example. Basic food is what you need to survive on. It includes those minimal quantities of food needed to maintain your body's health and nutrition. Over and above these items, we all have discretionary food purchases. These are the extras that we buy to eat. They might include such items as desserts, better cuts of meats & fish, fancy fruits, processed foods, prepared foods, Etc. The point is not that we shouldn't spend more than basics on food. Part of our food bill (or any other area of spending) is necessary and part is discretionary. Also, what is basic for one person might be discretionary for another person.

Setting priorities involves looking at what you are currently spending money on. Keep a small pocket size notebook with you & write down everything you spend money on for a month. At the end of the month, add up the expenses by category and total them. This will show you where your money is currently going.

Next, you need to do some soul searching about what is important in your life. What are your real priorities now and for the future? Typically, many people have not really thought about this at all. They are on auto pilot when it comes to spending. Take the time to examine what's important and what isn't important to you (your family & spouse). You will likely begin to find that certain expenses are more important than others. This is the beginning of taking charge of your financial life.

Now, go back to your list of monthly expenses. As you go through each item, decide how this expenditure fits into your priorities, into what's important for you in your life. Those items which you spend money on that are not very important are good candidates for cutting back. You may also find some items that you aren't spending enough money on that are truly important to you. Cut back on the unimportant items and increase the important items. Generally when you go through this exercise, you will also find that as you shift your spending, you can also free up some extra money for savings into investments that are income producing. You will also find that your spending more closely reflects your true values and interests. You will get "more" for your dollar.

When you prioritize your spending, you develop a personal profile for what is important. My spending priorities will be different than your spending priorities. Neither of us is more "right" in our spending. The important point is to make your spending congruent with your priorities rather than being an observer as you drift along. **Spend money on the important things. Cut back on the rest.**