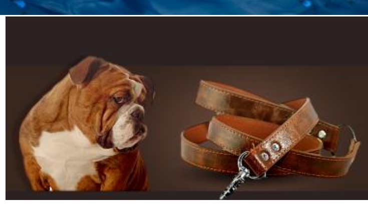
Called

Your Path to Purpose and Significance

Step 4: Build Security at Home (Part 2)

Exchange shaky ground for firm footing

Take control of your money



- Chaotic finances usually reflect a chaotic life
- Budget is the most powerful tool for taking control of money

5 keys to a budget that works

- Agreed-up by spouse if married
- Zero-based
- Forward-looking
- Everything is included
- Easy to follow

If spouse hasn't agreed to the budget...

- Must reflect the values of both people

Income – outgo = 0

- Every dollar is designated to go somewhere, wh
    - Bills
    - Debt payments
    - Savings
- Money not designated tends to evaporate

Look forward, not back

- Every dollar
  - On paper
  - On purpose
  - BEFORE the month begins

Remember to include everything

- Reflects your values, i.e. what's important to yo
- Easy to forget items
  - Anything that's not weekly or monthly
  - Saving-up-for items

Make it easy: Smooth out the bumps

- Use an Itemized Savings Account (ISA) for any iten
  - Amount fluctuates
  - Comes quarterly, every 6 months or annually
  - Saving up for it

Make it easy:
Difficult to overspend

- Use cash envelopes for items where you
  - Decide in the moment how much to spend
  - You tend to overspend

Mindset: Risk Management

- Old thinking:
- "I value safety over risk"
- New thinking:
- "I take appropriate risks in life."

Too Safe

- If we value safety and security above all, it's like
- What if Mother Theresa didn't want to risk living

Too Risky

- We can abandon all safety and risk everything, but this is not good either.

Too Risky

Dan Osman …

Dead

Appropriate Risk

- R - H = O
- Where:
  - R = the total amount of risk a person can ge
  - H = the amount of risk has at home (at leas
  - O = the amount of risk the person can tolera

DefCon for finances

- U.S. defensive posture taken in response to current level of threat
- Can use a similar system for personal finances

What's in a DefCon level?

DefCon Level	Categories included
1	Bare necessities
2	Other necessities
3	Things that are important to us (includes current financial goal)
4	Things that are nice to have
5	Luxuries

Benefits of the DefCon system

- Helps us get clear on our values and priorities
- Helps us align our values and our spending
- Makes spending decisions easier when incom

DefCon how-to

- Write each budget item with its dollar amount o
- Put the cards into 5 stacks representing the 5 D
- Technically, some items will be in more than one

What's your DefCon level?

- Add up all the cards starting with DefCon 1, th ent le

Make your spending match your values

- Which items are in DefCon level(s) higher than
- Delete those items from the budget

Expect to make adjustments

- Takes about 3 months to get a good, working
- When an item ends up costing more than wha ... other

It's all discretionary

- Every budget item can be adjusted
- Vary by how much effort it will take to change the amo
  - Easy: you choose how much to spend
  - Moderate: make a phone call, get a new service p
  - Hard: alter a contract, including loans

Naturally Free to Risk

- The weird thing is that when we have an emergency fund, or our house is paid off, we naturally