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Planning Family Finances

SOME FORTUNATE PEOPLE seem never to worry about finances, but most of us are well acquainted with the twitches of uneasiness caused by tight money situations. If we do not plan the expenditure of our income carefully and consistently, we find ourselves up against crises, suffering disappointment, and worrying ourselves sick.

Ask a family counsellor about the problems he listens to most frequently, and he will put no lower than second place "money". If money isn't a cause for quarrels it is a cause for anxiety. In either role, worry over money matters impairs the efficiency of the bread-winner and can be the source of family strife.

It is worth almost any price to avert these situations, and fortunately their prevention is not expensive or arduous. A family budget of the simplest kind helps us to manage our money so that it does what we want it to do.

Income is not the big part of financial happiness. What counts is what you do with the money in hand.

When you say to yourself about some acquaintance: "I don't know how he gets along so well on his small salary" you are paying a tribute to skill in the management of family finances. You are also acknowledging a special sort of family "togetherness" — the co-operative effort of every member of the family to spend wisely.

When budgeting is engaged in as a family endeavour it ceases to be dull bookkeeping. It is, rather, a means of concentrating your combined thought power on getting the things you and your family want most to have.

Some people look upon the earning and spending of money as mundane things below their cultural level. But men and women cannot be cultured unless they eat more or less regularly, are clothed, and have a place to lay their heads. Wise handling of family finance is a part of culture.

There are important differences in money-personalities. Some people are habitual savers, while others have extravagant streaks. One person may fall for "bargains" while another demands "value". These are

as normal differences as are differing opinions about interior decorating or tastes in food.

The budget is a means of resolving these personality differences in favour of the good of all the family. It takes into account not only the ambition of the husband and the desire of the wife for security but the dreams of the children. There are fewer heartaches all around when everyone knows the limitations as well as the possibilities in the family income.

Standard of living

Here is a very simple fact: the standard of living decided upon by your family is a compromise between spending for immediate and perhaps transitory satisfactions and planning your long-term happiness.

There are necessities to care for, but we must keep a sharp eye on the word "necessity". What we call "necessities" will grow to equal our incomes unless we are brave enough to keep them in hand.

Every family needs to work out for itself what its basic standard of living shall be. It may start with the textbook definition: "Necessities are things and activities which are essential to living. Luxuries are the things which are not essential to living". Then the family will proceed to modify this definition to fit its own relative demands.

The reason for the failure of many an attempt at personal budgeting is that the plan of the budget was not adapted to the needs of the family. The prime necessity when starting a budget is to decide upon what those needs are.

What sort of budget?

No outsider can devise a budget for you, much less see that you stick to it. There is no such thing as a standard budget that will exactly fit the circumstances of every family, because no other family has precisely the same necessities and wants as yours.

As an example, consider two neighbouring families with young children. One bread-winner works for a firm which has a pension plan, group insurance and medical care programmes, while the other has to

make his own plans for retirement, take out his own insurance, and provide a reserve for medical expenses.

Both families have to take into account the way expenses change with the growth of children. A chart shows that the average consumption units of the average family rises from about one unit when the family head is in his early twenties to a maximum of 3.75 units when he is about forty, and then decreases to two units when he reaches sixty. A "consumption unit" is made up of expenditures on food, clothing, shelter, medical care, recreation and other items.

Every new budget maker wants to know the proportion of income his family should spend on each of these items. No one can answer that question without having had intimate association with the habits, desires and hopes of the family concerned, but this tabulation of percentages, taken from widely differing sources, may provide a starting point:

| | percentage of income | | |
|--------------------|----------------------|----|----|
| food | 25 | 30 | 30 |
| shelter | 20 | 20 | 22 |
| operating expenses | 10 | 15 | 15 |
| clothing | 15 | 11 | 13 |
| advancement | 20 | 14 | 10 |
| savings | 10 | 10 | 10 |

The form of your budget is not a matter for great concern: it is the spirit behind the budget that is important. Your budget is to be a mapped plan for future progress. Its three basic requirements are: it must be simple and accurate; it must be intelligently and honestly prepared; it must have the confidence and support of all your family.

The simplest sort of budget, suitable for families where income is small, is the envelope system. Envelopes are marked "rent, food, clothing, electricity, gas", and so on. Every pay-day, the bread-winner changes his pay into small bills and silver. This is distributed among the envelopes according to the amount needed per pay-day so that when the bills come due the cash will be there to meet them. When small balances are left in envelopes after paying the accounts, these balances are transferred to a "savings" envelope to be deposited in a savings account.

Whatever mechanical means you use, your approach must be realistically related to your resources and your intentions. Let us adapt to our budgeting the principles of battle laid down by Field Marshal Montgomery. (1) Relate what is strategically desirable to what is tactically possible with the forces at your disposal. (2) Decide the development of operations before the initial blow is delivered. (3) Protect your flanks and rear. (4) Keep the plan simple: complications place the outcome in danger.

Never allow yourself to lose sight of your resources. Don't count possible windfalls as budget income. If nothing happens to deprive you of the extra, you have that much in hand toward one of your secondary

objectives, or perhaps just enough to celebrate the fact that by not counting unhatched chickens you have kept out of financial difficulty.

Getting a budget started

You need a few figures on paper as a starting point. Some estimates will come easily to you and may be made with near accuracy: housing, food, insurance, hair cut, transportation, and things like that. Clothing will take a little longer to estimate, because so much that is spent on it goes piecemeal, a dollar for this and five dollars for that.

These figures add up to your basic cost of living, the expense of keeping your family housed, clothed and fed. Everything spent above this sum should contribute to your better standard of living.

In your written budget, use enough departments to give you a clear picture of what is happening to your income without using so many that you become all wound up in detail.

During the setting up of your budget it is necessary to keep count of every expenditure. There is no escape from this, tiresome though it may be. Without the actuality of a record over a representative period you are living in a never-never land of finance. You suffer headaches while trying to guess where the money went. You cannot plan.

Many people have a great awakening after a few weeks of jotting down dimes for coffee or soft drinks, quarters for magazines, half dollars for shows, and cents for weighing machines. They learn the extent to which unplanned, casual expenditures affect their incomes. This is not to say that people should not buy coffee, soft drinks and magazines, but that they should know where their money goes.

Believe what the figures say. Face the issue boldly. Your purpose is to take control and make your money go where it will give you the greatest value.

A year ahead

Your budget is not a mechanical thing. You can't start it running and leave it. A periodical accounting, usually by the week or month according to your pay schedule, is most important. Unless you can keep a tether on the small sums constantly you cannot keep the big sums in check.

A budget kept moving a year ahead will tell you about actual conditions at this moment and save you from coming unexpectedly upon a stressful period. It protects you from undue optimism during the flush months.

A telling point in favour of the year-ahead budget is the variability of our climate in Canada. Outlay for heating a house is concentrated in six months, and if all the expenditure has to come out of that period's income then little will be left for the other needs of life and for such celebrations as Christmas. If the estimated annual cost of fuel is divided by twelve and laid aside monthly, the situation is in balance.

A twelve-months-ahead budget establishes true control. You are always in position to check performance figures today and prospects for a year hence. You can reduce estimates which you made too liberally, and increase those you short-changed. Anticipation of what you can do in the next year not only guides you but stimulates you.

If you find that expenditures are more fluid than you intended, sharpen your pencil, take stock of the situation, and make changes. Just as soon as you grapple with the hitherto elusive question of where your money goes you start getting the upper hand.

Until that stage is reached, even people with reasonably good incomes fall short of the satisfaction they ought to be able to get.

Just about this point someone will mention "miserliness". The budget is not designed to promote niggling thrift. It does steer you safely between the whirlpool of extravagant spending and the rock of miserly grasping. The first buys unhappiness and ruin; the second destroys the joy in living.

Efficient spending

Before spending money on something, take stock of what you have. Learning to appreciate vividly what we already have is an acquirable art. Ask: Do we need this new thing? Can we afford it? Is it good value? Is there something else that will give us greater satisfaction?

The budget takes account not only of dollars and cents, income and expenditure, but of the efficiency with which the household equipment and supplies are used. Elimination of loss is essentially profit. If carelessness and incompetence are contributing to waste, plug the leak.

Not because it is the greatest offender, but because it is the easiest to scrutinize, consider the kitchen. Waste can be eliminated by wise purchasing, including the right quantity at the right time; efficient planning, to use all of what is purchased; good cooking, to get the best nutritional value out of the food; and imaginative preparation, to satisfy the aesthetic senses of the family.

Proper care of clothing adds to the length of its life. Having a cupboard and drawers large enough to hang or fold clothes without crushing makes a great difference in their appearance. This has an important psychological effect, because children and adults putting on a fresh-looking garment are less likely to think of its being old than if it is creased.

Try making and doing things for yourself. Such an effort yields far more than a piece of furniture or a saving of money: it gives you a feeling of completeness, of achievement, of artistic creation.

Plan your spending. Bankers see the financial programmes of thousands of people, and they know without doubt that those who plan their spending live well and happily. There is a difference between income and real income. The former is the amount of money

you get for your goods or services; the latter is the value you get when you spend that money. Getting your money's worth means getting more of the good things out of life.

Aids to buying

The difference between blind buying based on guesswork or impulse buying based on emotion, and accurate, thoughtful purchase of the right thing, is information fortified by experience. If your budget expenditures run close to your income you have no room for impulsive or whimsical spending.

It is a sobering thought that the measure of what a thing costs is the amount of the bread-winner's life required to be exchanged for it.

Rational shopping begins at home. More bad buying results from insufficient forethought and consequent muddly thinking than from any other cause.

Your shopping homework does not consist merely of making up a list: it requires that you turn a critical, coldly logical eye on two questions: do you need this article, and is it good value for the money?

Search for the facts. If an article is marked "second", find out what the defect is. When something is marked "guaranteed", find out who guarantees what for how long.

Informative labelling is being developed and improved. As was said in a recent *CAC Bulletin*, the publication of the Consumers' Association of Canada: "The labelling of prepackaged foods has become relatively more important as a buyer's guide to the quantity and quality of packaged materials purchased."

For many products, labels are the most convenient and the most explicit as well as the most accurate and the most reliable source of information to which the consumer can turn.

As a wise budgeteer you will read the labels, trade at reliable stores, put quality at the top of the list of desired features, ask plenty of questions, read and keep the printed instructions and guaranty, and, when buying on bargain day be sure that the article is a bargain for you under your circumstances.

Use advertising to your advantage. Much of it has solid, useful content. Dependable producers and stores give specific facts about their goods and their prices. Before buying on the strength of an advertisement, ask yourself: "What is the advertiser saying that is specific and factual?" Peel off the layers of advertising puff, if there are any.

Look at some unbiased report about the article. There are several readily available consumer magazines devoted to such things.

Don't be misled by a nebulous use of the word "quality". Quality is made up of good material, good workmanship and good design, all fitted to the purpose

the purchaser has in mind. When your family has decided in advance what qualities to look for, the shopping can be done coolly, without pressure and confusion.

Financial independence

Financial independence is not a dream-like state in which you have all the spending money you want. In reality, a family is financially independent if it has: (1) enough income to provide the necessities of life and the luxuries usually associated with the bread-winner's capacity to earn; (2) a working plan of saving toward the purchase of desired things; (3) a working plan of putting by for emergencies; (4) a working plan of building funds for retirement. Note that plans are not enough: they must work.

Saving money does not consist in putting away what is left after thinking up all possible ways to spend it. The real pleasure in saving is in having an objective, a future desire to be gratified, a hedge against trouble.

As to going into debt, consider this: credit is a sound business asset when used intelligently, but it is disastrous to peace of mind if you substitute borrowing for budgeting. It is a wise rule to obtain credit when you can use it to buy items which pay for themselves as they are being used.

To whatever extent you decide to accept credit, you need to protect your budget position by careful planning. Payments must be met on time, and they are therefore a first claim on your income. Good credit is a valuable asset. Your credit rating goes beyond purely economic considerations and virtually becomes a rating of you as a person. So keep your commitments well within your ability to meet them, and honour them scrupulously and promptly.

Financial responsibility does not end with the life of the bread-winner. There are five million widows in North America who are heads of families. Nearly ten per cent of all families are headed by them. Obviously, this is a fact to be considered in family budget making.

The simplest way to estimate in advance what the requirements of a family will be after the death of its bread-winner is this: make a detailed list of expenditures during the past year; strike out those which will not be made by the surviving family; add up the remainder. This sum will represent the need of the surviving dependents if they are to continue to live at their present standard. The appraisal can be made more detailed and complete if you are so inclined: at least this gives an idea of what is needed as a minimum, to be provided during the bread-winner's life through insurance, investment, or other forms of saving.

A family affair

If there were fifty space platforms revolving around this planet the human story would still be told in terms

of a man and a woman and children in the home. Family life underlies everything else about man. The family is still in its essence what it was in the Golden Age: a little state of its own, governed by the mild laws of reason, benevolence and love.

The family gives its members their earliest and completest experience of social security. It is bound up with all the great crises of life, emotional and economic. It is the only possible basis upon which a society of responsible human beings has ever found it practicable to prosper in the present and build for the future.

A big part of family life grows out of the wise management of income, and this management should be a co-operative effort. The family budget does not demand great accounting skill, but just the old-fashioned virtues: co-operation, fairness and unselfishness.

Tension and vexation plague families that are run on the "give me a dime, please" system. The children are not given an opportunity to co-operate in a group attack upon the common problem; they are not learning responsibility; they are pushed, by their ignorance of the facts, into becoming resentful.

One of the saddest family experiences is when the head of the household is told upon being faced by financial troubles: "We would have been glad to cut back if we had only known."

Most children in their teens are mature enough to help in family planning, and when they are allowed to do so they are not likely to grow into infantile and vapid adults. They will learn the democratic processes which go into a budget which is designed to assure all members of the family a fair share of the benefits. They will learn how selfishness can wreck a home while unselfishness contributes to enjoyment of life.

There may be differences of opinion about this or that item in the budget, but seldom indeed will such a difference of opinion be of the sort that cannot be settled by mutual, friendly, give-and-take.

There is no reason — except the perversity of human nature — why a budget should become a kill-joy or a source of family discord. Co-operative planning knits a family closer together, dissolves jealousies and misunderstandings, breaks down tensions and wipes out resentments. In fact, many families have found that budget night has turned out to be more interesting than a television show. It is actual, it is vital, it involves everyone in the family, and it leads toward something that everyone desires.

The family budget gets you out of the rut of conventional living by opening up new vistas to explore and occupy. It is a frontier from which you set off on new and rewarding experiences with your rear and flanks secure. It enables you to express your personality in a more constructive and satisfying way than by trying to keep up with your neighbours.