

# An Introduction to Authentic Spending

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These are scary economic times. We all feel it. How should we respond? My mantra has long been, “Control those variables in our financial lives that we can control and minimize our exposure to the risk of those variables that we can’t control.” My experience working with clients is that we typically focus too much energy on the variables that we can’t control (trying to find the pot of gold in the financial markets) and not enough on those variables that we can control; namely, spending.

Herein lies the challenge. As a friend of mine said to me some 20 years ago, “Jase, our economy is based on convincing people that they have to have things that they really don’t need.” And he should know, he is a marketing guru. The result has been that we have created a culture epitomized by the bumper stickers, “I shop therefore I am,” and “When the going gets tough, the tough go shopping.” The consumption of stuff has become our spiritual quest.

How do we counter this culture?

Well first, a confession; I am a financial planner who evolved from the accounting profession. Before becoming a CPA, I was the 6<sup>th</sup> generation to grow up on a Vermont farm. In saying this, I am giving you the forewarning that what I have to say isn’t going to be sexy. But hopefully, it may shed some light on how to get there from here (or should I say “the’a from hee’a).

I propose we create a mindset of authentic spending (authentic meaning, “not false or copied; genuine; real,” according to [www.dictionary.com](http://www.dictionary.com)) or bringing our spending into our consciousness from where it has been; the media frenzied world that envelopes us in the false sense of need for “stuff”.

The first step in the creation of authentic spending is to develop a language and vocabulary through which we can understand how we spend our money. I want to credit an article by Eric Kies of The Planning Center ([www.theplanningcenter.com](http://www.theplanningcenter.com)) for stimulating my thinking in this area. I separate spending into three categories; Committed Spending, Controllable Spending, and T Spending. Let me explain what I mean by these terms.

Committed Spending are those expenses that recur regularly (usually monthly) based on a decision that we’ve made previously (i.e. a rental payment, a mortgage payment, utility bills, a car payment, seasonal maintenance). These expenses typically can be lumped together and attached in bunches to a single decision we have made. Where to live? What car to drive? How to educate and raise children?

While the next category is titled Controllable Spending, Committed Spending is also controllable. The trouble is that once a decision has been made, this Committed Spending is, well, committed until we can change the course. As is being painfully experienced by many in other parts of the country and even a few in our own community, it is costly and difficult to make an in-course correction of these commitments.

Controllable Spending are those expenses over which we have immediate control in our day to day lives. We face Controllable Spending in our day-to-day and week-to-week lives surrounding how (and where) we feed ourselves, how we recreate, how we clothe ourselves, etc. If there is any place where we are vulnerable to the message of consumption, it is probably here. Open the newspaper, turn on the TV, fire up the computer, or switch on the radio and the world is SHOUTING at us that we have to have stuff that we really don't need. But let's remind ourselves that we have complete control in the moment as to whether and how we spend our money on Controllable Spending. Shutting out the noise and becoming conscious of our daily choices in this realm is a simple way of taking charge of our financial lives.

Finally we have Targeted Spending. Note that by creating this category, I have segregated some of what might have been in Controllable Spending into a separate category. This choice is probably where the definition "authentic" comes most into focus. It is taking something that we may have purchased on impulse and brought the consideration of the purchase into our consciousness. In doing so, hopefully we've made the decision as "not false or copied; genuine." Make it real, baby!

However, Targeted Spending also puts things on the table that we may also deny ourselves because of ingrained beliefs that we don't deserve it, we can't afford it, or it would be irresponsible to spend on such a thing.

The other point about Targeted Spending is that it is typically not immediate. Alas, I do mean we must allow delayed gratification back into our lives! Targeted Spending is typically putting money aside for future spending. It addresses the desires:

- To stop working before the grave is being dug,
- To go on a vacation that will be memorable and meaningful,
- To provide for those causes within community and beyond that are of most concern,
- To replace the car with one that is reliable, or
- Or it can even mean, to have \$XXX to spend as we darn well please.

There may be a number of items in this category and looking at them in total enables us to prioritize, consciously and authentically. Further, there are some areas of spending that should be bifurcated into two categories. As an example, clothing can be split between Controllable and Targeted through differentiating between what is spent for everyday clothing wear from what we might want to buy for a special occasion. Also, car repairs may be separated into Committed Expenses for repairs that are recurring (oil change, changing over the tires, etc.) and Targeted Expenses (doing that engine job that will get another 150k out of the old Volvo).

With this vocabulary for how to understand our spending, the next step is to roll up our sleeves and calculate where we are spending our money presently; our spending habits. I recommend reviewing the last 3-6 months of bank statements and credit cards. As arduous as this may seem, it can actually be fairly easy given available software and internet access to data.

Once the data is gathered, you can then segregate the expenses into different categories to understand where you are spending. It is here where the dialogue with authenticity begins. I don't suggest that making changes will be easy. There may be deep seated beliefs that come to the fore in the process of looking at the figures. These beliefs won't be changed over-night. However, through the knowledge of identifying spending patterns and having a language to explore them, the work that needs to be done will have been identified and the process of change can be initiated.

On the spectrum of scarcity to abundance, I hope that this structure helps create a feeling of plenty; ironically structure brings freedom. Whether the motivation is to shift buying habits toward consuming locally produced goods, dealing with issues of overspending, or being miserly, I believe this way of looking at spending will bring more light.

For more information on how I'm working with clients using this model, contact me at [jcadwell@vermontpurefinancial.com](mailto:jcadwell@vermontpurefinancial.com) .